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

AGENDA FOR THE AUDIT AND RISK COMMITTEE

Members of the Audit and Risk Committee are summoned to a meeting, which will be held in Committee Room 4, Town Hall, Upper Street, N1 2UD on, **18 September 2023 at 7.00 pm.**

Enquiries to	:	Boshra Begum
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Despatched	:	8 September 2023

<u>Membership</u>	<u>Substitute Members</u>
Councillor Nick Wayne (Chair)	Councillor Angelo Weekes
Councillor Flora Williamson (Vice-Chair)	Councillor Jilani Chowdhury
Councillor Janet Burgess MBE	Councillor Jason Jackson
Councillor Sara Hyde	Councillor Jenny Kay
Alan Begg (Co-Optee)	
Alan Finch (Co-Optee)	

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 meeting	1 - 4
B.	**Items for Decision**	
1.	Raac Update	

2.	Deep Dive - Council New Build Programme - Update	
3.	22/23 Internal Audit Annual Report	5 - 70
4.	22/23 Annual Fraud Report	71 - 82
5.	Bi-Annual Whistleblowing Monitoring Report	83 - 88
6.	Statement of Accounts	89 - 332
7.	External Audit Plans 2022 - 2023	333 - 422
8.	Updating the Financial Regulations	423 - 474

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

1.	Exempt Appendix A - Bi Annual Whistleblowing Monitoring Report	475 - 482

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 meeting of the Audit and Risk Committee will be on 20 November 2023

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London Borough of Islington

Audit and Risk Committee - 11 July 2023

Minutes of the meeting of the Audit and Risk Committee held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 11 July 2023 at 7.00 pm.

Present:	**Councillors:**	Councillor Nick Wayne (Chair), Councillor Flora Williamson (Vice-Chair), Councillor Sara Hyde, Alan Begg (Co-Optee) and Alan Finch (Co-Optee)
Also Present:	**Independent member:**	

Councillor Nick Wayne in the Chair

65 **APOLOGIES FOR ABSENCE (Item A1)**

Apologies were received from Councillor Burgess.

66 **DECLARATION OF SUBSTITUTE MEMBERS (Item A2)**

Councillor Jackson attended the meeting as a substitute for Councillor Burgess.

67 **DECLARATIONS OF INTEREST (Item A3)**

Alan Begg declared an interest on Item B5 as he is a member of the Pension Board,

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

69 **RISK DEEP-DIVE- SAFEGUARDING (Item C1)**

The Corporate Director of Children's and the Assistant Director Safeguarding and Quality Assurance introduced the risk deep-dive presentation on safeguarding.

- It was explained to the committee that the Children's department is not a single service, this relies on many services and partners which increases the need for assurance and quality assurance which is vital. Cross directorate partnerships e.g. with Housing. Islington has invested in the early years and universal services is very good.
- The committee noted the main regulatory exercises include OFSTED inspections as well as an annual conversation with Ofsted which also informs their own QA and risk register.
- Supervision with practitioners takes place and is quality assured by the dedicated officers.
- Ongoing management of the significant risk in section 17 of the report, mainly around young people and families.
- Approx 12 months away from inspection currently, considerations in place include the impact of the cost-of-living crisis on new and complex cases being brought into the system. Impact of cost of living on the supply side too such as social workers and foster carers. In preparation for OFSTED we are reviews of all current procedures are underway with a focus on resources and reviewing guidelines.

- Currently a monopoly in the placements market, these costs are being evaluated, along with employee and workplace costs so these costs can be managed and mitigated.
- Islington is competing with other London Borough's due to the competing challenges in recruiting social workers, initiatives include the social work academy which has been launched, this included a wrap around service within the first year of practice. Working on initiatives for foster carers such as housing adaption scheme which could involve the renovating of their homes, balancing this with resources available to mitigate impacts of the cost of living crisis on foster carers.
- 620 young people that have left care which is a significant number
- Costs are not always sitting with the expensive placements, sometimes the costs can accumulate from temporary accommodation, complex placements are competitive which increases the price as providers prefer to take less complex placements, driving the costs of complex placements up further.
- Placement costs remain in the amber/red risk however a reduction in the number of looked after children.
- Challenges with the SEN transportation overspends, taxi costs make up 70% of the overspend in 2023/24. SEN placement numbers mean travel is sometimes required across the country, with an increase in complex placements overall. This includes 7 different tiers of transportation.
- Moving towards encouraging independent travel for young people.
- Care proceedings should conclude within 26 weeks, however as a result of the backlog from Covid as well as changes in legislation made it harder to place children with families under kinship orders which also contributed to the rise in CLA numbers. To assist with this and to ensure care proceedings are only issued when all other preventable options have been explored the AD and Director for Safeguarding hold scrutiny and governance over the Access to Resource and Care Panels to further ensure pre-proceedings is offered to give families a chance to make the required changes to avoid issuing care proceedings.
- There has been a historical overspend in Children's, whilst there are no shortcuts with safeguarding we will be working to address the challenges reoccurring year-on-year.
- In terms of maintaining the current level of risk with the tighter financial envelope it was noted that in year we are looking at £6 million after the hard work this was at 2%, therefore the overspend has been taken down slightly and risks are being managed at present.
- Confident with the right management actions in place across some areas however other aspects such as taxi costs cause tensions which need to be managed with the current financial envelope.

RESOLVED:

- To reassess the scoring system of risk to ensure this accurately reflects the risk within the various areas.
- The report was noted.

70 PRINCIPAL RISK REPORT (Item C2)

- The following points were noted during the discussion:
- The Principal Risk Report 2023 presented the principal risks facing the Council. The report had been produced in consultation with risk leads and DMTs over April/May 2023. The final report was agreed at Corporate Board in May 2023.
- Impact of inflation remains a key risk theme and a challenging area.

- A new risk on Increasing Homelessness Pressures had been added in the 2023 Principal Risk Report.
- Levels of external pressures affecting the Council's risk profile were highlighted throughout the report.
- Risk 1 – New Build Programme: There were affordability challenges in delivering new council homes, this was assessed as high risk and high impact. Risk leads continue to monitor and manage this risk closely.
- It was noted that external factors pushed the affordability of these schemes in the wrong direction with inflation rising but, in terms of managing risk exposure, the feasibility of these schemes were assessed.
- Risk 23 – School Viability and Place Planning: This risk had increased over the last year and presented with an increasing forward trend. There was a discussion around the impact of this risk on schools and local communities.
- It was noted that the initial thoughts were that principal risks would be closer to their target risk scores this year, however the challenging environment meant there were several external factors affecting the Council's risk profile.

Actions:

- It was agreed the next risk deep dive would focus on the New Build Programme.
- Include a reference to the risk appetite statement in the next Principal Risk Report, and also consider a visual representation on progress on managing risks within appetite.
- Include an update on progress with developing a risk management training offer in the Risk Update Report for the January Committee meeting.
- Share the Principal Risk Report with all Members for information.

RESOLVED:
The report was noted.

71 ANTI-FRAUD AND CORRUPTION POLICY (Item C3)

- The council is due an updated Anti-Fraud and Corruption Strategy and Policy and benchmarking has taken place with other London authorities.
  A communications plan will accompany this for the whole organisation. The overall aim of the comms plan includes collaboration throughout the organisation to implement the idea that anti-fraud is everyone's responsibility.
- Fraud response plan sets out guidance to staff and managers. The current organisational environment and recent media interest in the area indicates we need to have a clear anti-fraud policy.
- It was suggested that benchmarking with private practices may be useful.
- Wider fraud awareness training should be available and suggestions to implement fraud risk as a regular standing item at team meetings.

RESOLVED:
The report was noted.

72 EMPLOYMENT TRIBUNAL OUTCOMES (Item C4)

The Interim Director of Law and Governance introduced the report.

The following points were noted in the discussion:

- The committee requested this report in September to include significant tribunal reports to the council more than £50,000.

- The headlines for this report showed it was a good report overall with no adverse findings.
- The number of tribunal cases is falling in the reporting period.
- The chair noted the inevitability of employment tribunal claims, many of these will be impossible to settle without liability however the committee was reassured by the figures in the report.

73 **APPOINTMENT OF MEMBERS TO THE PENSIONS BOARD (Item C5)**

RESOLVED:

The report was noted.

74 **ANNUAL GOVERNANCE STATEMENT (Item C6)**

The following points were noted in the discussion:

- Changes to the AGS made since the previous meeting included:
  - -Added more context to the items
  - -Section 4 – add the key issues faced and the actions to rectify these issues.

There were a few small changes suggested at the meeting which included:

- Change sub-committees of licencing to 4 instead of 2 which it currently states.
- The report should capture the role that the Audit and Standards committee has in the governance framework.

RESOLVED:

The report was noted.

75 **EXEMPT APPENDIX - EMPLOYMENT TRIBUNAL OUTCOMES (Item F1)**

RESOLVED:

- The report was noted.

The meeting ended at 9.20pm

ISLINGTON
For a more equal future

Finance
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Resources
Meeting of: Audit Committee
Date: 18 September 2023
Wards: All

Subject: Internal Audit annual report 2022/23

1. Synopsis

1.1. A continuous internal audit service provides independent assurance on the control environment that supports the delivery of Council objectives.

1.2. This report aims to provide the Audit Committee with assurance over the Council's governance, risk management and internal control environment. It does this by demonstrating that the Internal Audit plan is being delivered. It highlights service areas where high priority recommendations have been made. It also comments on the level of implementation of audit recommendations by management.

2. Recommendations

2.1. To note the report.

3. Background

3.1. The Council has a statutory duty to maintain an adequate and effective Internal Audit function. Internal Audit's primary objective is to provide the Council, via the Audit Committee, with independent assurance that risk management, governance, and internal control processes are operating effectively.

3.2. The 2022/23 Internal Audit Plan was approved by Audit Committee on 22 March 2022. This report presents the outcomes of the delivery of the 2022/23 audit plan.

3.3. The work of Internal Audit largely focuses on key risks identified within the Council's Principal Risk Report. Delivery of the annual audit plan provides assurance on the actions being taken to mitigate principal risks.

4. Role of Internal Audit

4.1. The council's internal audit function is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out the requirements for public sector internal auditing. It encompasses the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework.

4.2. A professional, independent and objective internal audit function is a key element of good governance. The PSIAS defines internal auditing as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

4.3. The council's framework of governance, risk management and internal control supports and underpins the delivery of strategic objectives. The Internal Audit service provides Audit Committee with an independent and objective appraisal of the adequacy and effectiveness of this framework. This is achieved through the delivery of a risk-based audit plan. The service also provides consultancy and advice to management on risk and controls on an ad-hoc and proactive basis.

4.4. The council's internal audit function operates as a shared service with the London Borough of Camden. The service operates a co-sourced service delivery model, where internal audit services are provided by in-house staff. A small portion of work is delivered by a co-sourced provider, currently PwC. The service also works closely and in alignment with the Risk Management and Corporate Investigation functions. This provides a number of benefits, including increased joint working and collaboration, and the sharing of information and intelligence.

5. Design and delivery of the 2022/23 Internal Audit plan

5.1 The service complies with the requirements of the PSIAS by ensuring that an annual risk-based audit plan is devised. The council's processes to identify and articulate Principal Risks provide a sound foundation for the audit plan. The council's Principal Risk Report is mapped to internal audit activity over a rolling three year period. This approach provides assurance that actions designed to mitigate key risks are being implemented effectively. It also provides the council and other stakeholders with assurance that audit resource is correctly targeted to mitigate risks.

5.2 A number of other sources of information were used when drafting the audit plan. These included CIPFA good governance guidelines, audit plans of other local authorities, and intelligence from previous audit and anti-fraud activity.

5.3 In addition to risk-based audits, a rolling cycle of reviews provides continued assurance on the council's key financial systems. The audit plan also looks at areas where senior management have asked for independent assurance.

5.4 A concerted effort is made to ensure that the plan is resident focussed. Where audit reviews do not directly address resident facing areas, they aim to provide assurance on overall governance arrangements. These reviews demonstrate that Islington is in a position to deliver its desired outcomes for residents.

5.5 Throughout the year, where required, the plan was flexed to respond to emerging risks. This flexibility allowed the team to provide proactive advice on risk and control as needed.

6. Internal Audit outcomes

6.1. Internal Audit has received positive management responses to final audit reports and the recommendations made to address risks identified at audit.

6.2. Internal Audit routinely conduct follow up reviews to assess the level of implementation of audit recommendations. Where implementation of recommendations is prolonged, Internal Audit may provide support to auditees in-year. See **Section 8** of this report for further information on follow up activity.

6.3. This report details the outcomes of the 2022/23 audit plan at **Appendix 1**. Summary details of high priority recommendations arising from 'limited' and 'no' assurance reviews, that were not previously reported to the Audit Committee, have been included in **Appendix 2**. Follow up activity undertaken in 2022/23 is summarised in **Appendix 3** of this report.

7. Internal Audit assurance opinions

7.1. On completion of internal audit reviews, and where appropriate to do so, a statement of assurance is provided. These statements are detailed, where relevant, within **Appendix 1** of this report.

7.2. There are four possible assurance opinions that can be provided:

No Assurance	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.

Limited Assurance	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.
Moderate Assurance	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.
Substantial Assurance	There is a sound control environment with risks to key service objectives being satisfactorily managed. Recommendations will normally only be Advice and Best Practice.

7.3. These conclusions are based on the number of critical and high priority findings identified in the report. The Committee receives details of critical and high priority recommendations, raised in audit reviews that attracted a 'limited' or 'no' assurance opinion, within **Appendix 2** of this report.

8. Follow up activity

8.1. Internal Audit recommendations arising from planned audit work are followed up to ensure that they have been implemented. We report levels of implementation to the Audit Committee bi-annually. Follow up activity undertaken in 2022/23 is summarised in **Appendix 3** of this report.

8.2. The council's Controls Board meets on a quarterly basis and tracks implementation of audit recommendations. Periodic reports are presented through Controls Board to Directorate Management Team representatives, summarising all open audit recommendations per directorate. These reports identify where audit recommendations remain open after their agreed implementation date.

8.3. Auditees may be invited to attend Audit Committee if a low level of implementation of audit recommendations is noted.

9. Internal Audit team capacity

9.1. In 2022-23, the team operated with a vacancy of one full time auditor until July 2022. The team also experienced a temporary decrease in resource Quarter 4, reducing the team's capacity to fully deliver all planned audits within the financial year. The Internal Audit team is now fully resourced.

10. Quality Assurance and Improvement Programme

10.1. One of the core principles of the PSIAS is quality assurance and continuous improvement. The PSIAS require the Head of Internal Audit (HIA) to maintain a quality assurance and improvement programme (QAIP) covering all internal audit activity.

10.2. The Internal Audit service has developed a QAIP. It is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with the PSIAS (including the Definition of Internal Auditing and Code of Ethics);
- Performs its work in accordance with the CIPFA Statement on the role of the Head of Internal Audit;
- Operates in an effective and efficient manner;
- Is perceived by stakeholders as adding value and continually improving its operations; and
- Undertakes both periodic and ongoing internal assessments, and commissions an external assessment at least once every five years.

Internal assessments

10.3. In accordance with the PSIAS, internal quality and performance assessments are undertaken through ongoing and periodic reviews.

10.4. Ongoing assessments are conducted as a matter of course, in-line with the service's protocols and audit methodology. These assessments include:

- Management supervision of audit activity;
- The application of a consistent audit methodology across audits;
- Regular one-to-ones between audit management and auditors to review and monitor performance; and
- The review and approval of all outputs by the Audit Manager and Head of Internal Audit (HIA).

10.5. Regular assessments are undertaken during the year to measure the impact of the annual audit plan. Biannual progress reports presented to the Audit Committee summarise progress against the annual plan and key outcomes of audit activity. Feedback from the Audit Committee is used to identify areas in which the service can add further value.

10.6. A Controls Board facilitates an ongoing dialogue between Internal Audit and Directorate Management Teams about recommendations arising from internal audit work. The Director of Finance chairs the Controls Board and its members include Internal Audit and representatives from all directorates. Periodic summaries of open audit recommendations are presented to Controls Board by both Internal Audit and directorate representatives. These reflect outcomes of follow-up activity.

10.7. An annual assessment and assurance mapping exercise is undertaken in drafting the annual audit plan (see **Section 5** above).

10.8. Other periodic assessments include (but are not limited to):

- Annual self-assessments to ensure conformance with the PSIAS;
- Regular feedback from senior management, including the Director of Finance and S151 Officer; and
- Benchmarking with other London Borough internal audit services, through the Cross Council Assurance Service and London Audit Group.

External Quality Assessment

10.9. The PSIAS requires that an external quality assessment (EQA) is undertaken at least once every five years. This is designed to ensure continued application of the professional standards.

10.10. The EQA for the Camden and Islington shared Internal Audit service took place in Quarters 2 and 3 of 2021/22 and reported in Quarter 4. The full outcome of the EQA, including the assessor's report, was reported to the Audit Committee in June 2022.

10.11. The assessment found that the Camden Islington Shared Internal Audit service **Generally Conforms** with the PSIAS. This is the highest available level of assessment for local authorities.

10.12. The summary assessment of compliance against the PSIAS demonstrated that the Internal Audit service is generally compliant with ***every*** standard.

10.13. Overall the assessors concluded that the Shared Internal Audit Service is well regarded at both authorities and that Internal Audit staff are qualified, professional, highly skilled and experienced. The assessors also concluded that that officers within the Shared Internal Audit Service (SIAS) work collaboratively and proportionately with stakeholders to add value and identify areas where improvements can be made. The assessors confirmed that the SIAS was operating effectively, with consistent application of the Internal Audit charter, audit methodology and standard working papers across the SIAS, and a dedicated Internal Audit Manager and team at both councils.

10.14. An action plan was put in place upon completion of the EQA exercise to monitor the implementation of recommendations, suggestions and notable practices. An update is provided at **Appendix 4**.

Continuous training and development

10.15. A key aspect of the QAIP is the continuous training and development of the Internal Audit team. While Internal Audit team members are qualified, knowledge and skills need to remain up to date. Therefore time for training activity is incorporated into the resourcing calculation when the annual audit plan is drafted.

10.16. Ongoing training takes place in largely three forms:

- External training offered by external organisations (e.g. CIPFA and the Institute of Internal Auditors). A training budget is held that allows each auditor to attend at least one course every year;
- Cross Council Assurance Service networking days. These take place approximately once every quarter and cover topical areas and best practice; and
- In-house training via induction, daily working with peers and audit management. A varied workplan is in place for each auditor to ensure breadth of experience. All auditors liaise and cross-work with the Investigations and Risk Management teams.

Head of Internal Audit Opinion for 2022/23

10.17. The PSIAS requires the HIA to provide an annual opinion. This can be used by the organisation to inform its annual governance statement.

10.18. The PSIAS, and CIPFA's guidance on the 'Role of the Head of Internal Audit in Public Service Organisations' require that the HIA's overall opinion is objective. It should be supported by sufficient, reliable, relevant and useful information and evidence. The HIA opinion should also take into account the strategies, objectives and risks of the Council. It should consider the expectations of senior management and stakeholders, internal audit work and other sources of assurance.

10.19. The following four ratings and definitions have been devised to assist with forming and articulating the HIA annual opinion:

No Assurance	There are fundamental weaknesses within the control environment which jeopardise the achievement of key objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited Assurance	The adequacy and effectiveness of the control environment are limited. There are a number of significant weaknesses that may put the achievement of key objectives at risk and result in error, fraud, loss or reputational damage.
Moderate Assurance	An adequate control framework is in place but there are weaknesses which may put some key objectives at risk.
Substantial Assurance	There is a sound control environment with risks to key objectives being satisfactorily managed. Recommendations will normally only be advisory or best practice recommendations.

10.20. The HIA annual opinion for 2022/23 is:

Moderate Assurance	The adequacy and effectiveness of the overall arrangements for the Council's systems of internal control, risk management and governance are adequate, with some improvement required.

10.21. In summary, it is the HIA's opinion that and overall rating of Moderate assurance is appropriate. Although high risk rated recommendations were made in individual audit reviews, these were broadly isolated to specific systems or processes. No critical risk findings were identified. This opinion is consistent with the previous year.

Basis of the HIA opinion

10.22. The HIA opinion is supported by the delivery of the 2022/23 audit plan. It identified no overall critical concerns in respect of the council's internal control, risk management or governance arrangements. Weaknesses identified during individual audits were not significant, in aggregate, to the Council's governance arrangements and systems of internal control.

10.23. As detailed in **Section 5** above, a comprehensive approach was followed in drafting the 2022/23 audit plan. This ensured that the plan was resident focussed and aligned to the council's Principal Risk Report. It focused on providing assurance regarding the key aspects of the Council's internal control framework.

10.24. Delivery of the plan has seen:

- Seven audit projects which provided assurance on the effectiveness of controls and mitigating actions relating to the council's principal risks;
- Five projects focussed on the effectiveness and robustness of the Council's core financial controls;
- Eleven projects focussed on establishments (schools and children's centres, Tenant Management Organisations and voluntary sector organisations);
- Two projects focussed on an area in which senior management asked for independent assurance in-year;
- Six grant claim assurance reviews;
- Three extended follow ups focussing on areas of principal risk; and
- 42 further historic audits followed up.

10.25. Of 34 audit projects completed, two (one principal risk audit and one schools establishment audit) attracted No Assurance ratings:

- Landlord duty of care: lifts; and
- Pooles Park Primary School

10.26. Four projects (two principal risk audits, one schools establishment audit and one TMO establishment audit) attracted Limited Assurance ratings:

- Insurance settlements;
- Purchase cards;
- St John's Upper Holloway C.E. Primary School; and
- Pleydell Tenant Management Organisation.

10.27. Three principal risk reports have been issued but are awaiting management responses. As such, a final rating has not yet been assigned:

- Medical assessment for housing allocations;
- Key IT application review - NEC (housing repairs); and
- Tenant Management Organisation (TMO) monitoring arrangements.

10.28. One schools report has been issued but is awaiting a final management response. As such, a final rating has not yet been assigned:

- Margaret McMillan Nursery School

10.29. One voluntary sector organisation report has been issued but is awaiting a final management response. A final rating (Limited Assurance) has been agreed:

- Culpeper Community Garden.

10.30. The remainder of the reviews attracted a Moderate Assurance rating or an advisory management letter.

10.31. Of the three extended follow ups completed, in two cases a good rate of implementation was noted and in one case a moderate rate of implementation was noted.

10.32. Of the 42 standard follow ups completed:

- 16 showed that all agreed actions were implemented (five of these were reported to committee as fully implemented in January 2023);
- 18 showed a good rate of implementation of audit recommendations;
- Three showed a moderate rate of implementation of audit recommendations; and
- Five showed a limited rate of implementation of audit recommendations.

10.33. In addition to the outcomes of the 2022/23 audit plan, in reaching the HIA opinion, the following factors were also considered:

- The Council's risk awareness and risk culture has further matured in 2022/23. There was a continued awareness of principal risks and a good level of implementation of actions designed to mitigate principal risks;
- There is a willingness on the part of management to proactively seek Internal Audit advice in relation to risk and control design outside of delivery of the audit plan. This has been evidenced by the reviews the senior leadership and service management have requested outside of the 2022/23 audit plan;
- The HIA opinion is also supported and informed by the wider sources of assurance listed within the draft Annual Governance Statement for 2022/23.

10.34. The HIA is satisfied that work undertaken during 2022/23 has enabled an opinion of Moderate Assurance to be formed.

11. Conclusion

11.1. To note outcomes of delivery of the audit plan.

12. Implications

12.1. **Financial implications**

12.1.1. A sound system of internal controls forms a significant part of the governance framework and is essential to underpin the effective use of resources.

12.1.2. There are no direct financial implications of the recommendations within this report.

12.1.3. The cost of delivering the audit plan is budgeted for within the council's overall budget.

12.2. **Legal implications**

12.2.1. The Local Audit and Accountability Act 2014 sets out the regulatory framework for the audit of local authorities. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Accounts and Audit Regulations 2015 (SI 2015/234), regulation 5). The Public Sector Internal Audit Standards provide a set of public sector internal audit standards, which are supplemented for local government by CIPFA standard setting guidance.

12.3. **Environmental implications and contribution to achieving a net zero carbon Islington by 2030**

12.3.1. There are no environmental implications arising from the recommendations in this report.

12.4. **Equalities Impact Assessment**

12.4.1. 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.

12.4.2. An Equalities Impact Assessment is not required in relation to this report, because the decision currently being sought does not have direct impact on residents.

Appendices:

- **Appendix 1** provides an update on outcomes of delivery of the 2022/23 audit plan
- **Appendix 2** summarises high priority recommendations that were not previously reported to the Committee
- **Appendix 3** details the results of the follow up of previous audit recommendations
- **Appendix 4** details the actions taken to implement External Quality Assessment recommendations

Final report clearance:

Authorised by:

Corporate Director of Resources

Date: 8 September 2023

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Appendix 1: delivery of the 2022/23 audit plan

1. Synopsis

1.1. This Appendix summarises the 2022/23 audit plan that was agreed by the Audit Committee on 22 March 2022. 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, has been effectively delivered.

2. Detailed 2022/23 audit plan update

(* denotes an area of principal risk)

2.1. **Summary of assurance ratings for completed reviews**

See sections 2.2 to 2.11 below for more information on the current status of reviews.

Ref	Audit title	Assurance rating
Assurance rating for planned council audit reviews		
AD22-7	Landlord duty of care: lifts maintenance, repairs and renewals *	No assurance
AD22-2	Purchase cards *	Limited assurance
CC22-7	Insurance settlements	Limited assurance
CWB22-1	Financial resilience of residents – test and trace support payments *	Moderate assurance
E22-1	Net Zero Carbon programme – governance, risk management and benefits monitoring *	Moderate assurance

HN22-2	Landlord duty of care: housing safety programme assurance *	Moderate assurance
R21-1-1	Review of key financial system - bank and system reconciliations	Moderate assurance
R22-1-2	Review of key financial system - capital accounting (asset management)	Moderate assurance
R22-1-3	Review of key financial system - accounts receivable	Moderate assurance
R22-1-4	Review of key financial system - pensions	Moderate assurance
Assurance rating for planned establishment audit reviews		
CS22-2-2	Schools establishment review - Pooles Park Primary School	No assurance
AD22-3	Tenant Management Organisation (TMO) establishment review - Pleydell	Limited assurance
AD22-5	Schools establishment review - St John's Upper Holloway	Limited assurance
FT22-1	Voluntary Sector Organisation (VSO) establishment review – Culpeper Community Garden	Limited assurance
AD22-4	Tenant Management Organisation (TMO) establishment review - Dixon Clark Court	Moderate assurance
CS22-2-4	Schools establishment review – Pakeman Primary School	Moderate assurance
AD22-6	Schools establishment review - Highbury Fields	Moderate assurance
HN22-1-1	TMO establishment review - Seaview	Moderate assurance
HN22-1-2	TMO establishment review – Taverner and Peckett	Moderate assurance
HN22-1-5	TMO establishment review – Brunswick	Moderate assurance

Extended follow up outcomes (see rating key in Appendix 3)		
FWU21-1	Health and safety - asbestos (extended follow up) *	A moderate rate of implementation was noted.
FWU22-2	Supplier bank amendments (extended follow up) *	A good rate of implementation was noted
FWU22-3	Use of contingent staff (extended follow up) *	A good rate of implementation was noted
Reviews completed where an assurance opinion was not provided (a management letter or grant compliance opinion was issued)		
CC22-6-1	Review of grant claim - Arts Council Culture Recovery Fund	Compliance opinion issued
CC22-6-2	Review of grant claim - Test and Trace Support Grant	Compliance opinion issued
CC22-6-3	Review of grant claim - Contain Outbreak Management Fund	Compliance opinion issued
CC22-6-4	Review of grant claim - Better Mental Health	Compliance opinion issued
AD22-1	Concierge service	Controls awareness note issued

2.2. Corporate/cross-cutting

Ref	Audit title	Indicative scope	Planned days	Status
CC22-1	Risk management – assurance mapping	Internal Audit input into assurance mapping for principal risks.	20	Assurance mapping took place in Q3 to inform the 2023/24 audit planning process.
CC22-2	Serious fraudulent activity *	Internal Audit input into reactive investigations to be undertaken in-year.	20	Members of the Internal Audit team provide ongoing input into reactive investigations throughout the year to support the Corporate Investigations team.

CC22-3	Audit plan production	Preparation of the council's annual audit plan.	10	Audit planning took place in Q4, based on the assurance mapping exercise (see CC22-1 above).
CC22-4	Controls Board	Internal Audit input into Controls Board workplan and support for directorate representatives.	30	The Internal Audit team coordinates Controls Board and provides support for directorate representatives around follow up activity.
CC22-5	Good Governance Group	Internal audit input into Good Governance Group activity.	20	The Internal Audit team coordinates Good Governance Group activity.
CC22-6-1	Review of grant claim - Arts Council Culture Recovery Fund	Review of grant claims for government funding which require Internal Audit review and approval. Based on actual requests in prior years, an assumption has been made that four such reviews will be required in year.	7	Complete. A grant compliance opinion was provided by Internal Audit.
CC22-6-2	Review of grant claim - Test and Trace Support Grant		7	Complete. A grant compliance opinion was provided by Internal Audit.
CC22-6-3	Review of grant claim - Contain Outbreak Management Fund		7	Complete. A grant compliance opinion was provided by Internal Audit.
CC22-6-4	Review of grant claim - Better Mental Health		7	Complete. A grant compliance opinion was provided by Internal Audit.
CC22-7	Insurance settlements	A review of processing of insurance settlements.	16	Completed – Limited assurance. High priority findings were raised in two audit

				areas, details of which can be seen at Appendix 2.
FWU22-4	Cross-cutting follow up activity	Follow up activity relating to the following audits: • Capital programmes • Cyber security • Gifts, hospitality and declarations of interest • PMO • Technology debt management	9	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • Gifts, hospitality and declarations of interest • Technology debt management Further follow up work is planned in 2023/24 relating to all other audits.

2.3. **Resources**

Ref	Audit title	Indicative scope	Planned days	Status
R22-1-1	Review of key financial system - bank and system reconciliations	Review of key financial systems in line with a three year rolling plan.	11	Completed – Moderate assurance.
R22-1-2	Review of key financial system - capital accounting (asset management)		11	Completed – Moderate assurance.
R22-1-3	Review of key financial system - accounts receivable		11	Completed – Moderate assurance.

R22-1-4	Review of key financial system - pensions		11	Completed – Moderate assurance.
R22-2	Key IT application review – NEC (housing repairs) *	A review of a key IT application in use within the council.	16	A draft report has been shared with management, and a management response is awaited. A completion date of August 2023 is anticipated.
R22-3	Use of sundry suppliers *	Sundry supplier codes are used within the finance system for suppliers who will not be regular suppliers. Use of these codes allows suppliers to be paid without going through independent verification processes to confirm identity or bank details. In light of issues raised in the course of a 21/22 audit of supplier bank amendments (AD21-2), an in-depth review of use of sundry supplier codes has been added to the plan. This audit will rely on data analytics to understand patterns of use and identify anomalies and weaknesses.	16	This audit did not proceed due to a revised risk assessment. As a result of the supplier bank amendments audit which took place as part of the 2021/22 audit plan, the service carried out its own data analytics exercise to understand patterns of use and identify anomalies and weaknesses. As a result, this audit would have replicated work already carried out. The work undertaken by the service has been reviewed by Internal Audit as part of the follow up activity relating to the supplier bank amendments audit.
R22-4	Access to council emails *	This audit will review and assess mechanisms to prevent and identify unauthorised access to council emails. The review will focus on communications with suppliers.	16	This audit did not proceed due to a revised risk assessment. This reflects that an in-depth consultancy piece has been commissioned by Islington Digital Services to look at this area, which will cover a wider scope than was anticipated during the planned audit.

FWU22-3	Use of contingent staff (extended follow up) *	Extended follow up of Use of contingent staff (FR20-5). The audit will include full retesting of controls within the new supplier system.	16	An extended follow up audit was completed and subsequent follow up work has taken place. We looked at the rate of implementation of 36 recommendations, relating to eight high and four medium priority findings, which had passed their target implementation dates. We found that: • 30/36 (83%) recommendations have been implemented; • 3/36 (8%) recommendations have been partially implemented; and • 3/36 (8%) recommendations have not yet been implemented. The partially implemented recommendations related to: • Engagement extension approvals; • Pay arrangements for breaks; • Approvals for engagement of workers. Recommendations not yet implemented related to: • Data quality and system functionality. Revised target implementation dates between 30 June 2023 and 30 September 2023 have been agreed for the outstanding recommendations.

FWU22-12	Resources follow up activity	Follow up activity relating to the following audits: • Access controls and rights • Capital expenditure • Continuous audit monitoring (CAM) • Key financial systems (KFS) – accounts payable • Key financial systems (KFS) – income • Key financial systems (KFS) – treasury • Key financial systems (KFS) – payroll • Key financial systems (KFS) – pensions • Information governance (records management) • Payroll • Right to work vetting arrangements	40	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • Continuous audit monitoring (CAM) • Key financial systems (KFS) – payroll • Information governance (records management) • Right to work vetting arrangements Further follow up work is planned 2023/24 relating to the other audits.

2.4. **Adult Social Care**

Ref	Audit title	Indicative scope	Planned days	Status

FWU22-5	Adult Social Care follow up activity	Follow up activity relating to the following audits: • Domestic violence • Mental health safeguarding processes • Safeguarding adults	7	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audit: • Safeguarding adults Further follow up work is planned 2023/24 relating to the other audits.

2.5. **Children and Young People**

Ref	Audit title	Indicative scope	Planned days	Status
CS22-1	Safeguarding children - vetting of staff *	This review will assess the design and operation of controls in place around safeguarding of children, focusing on vetting of staff.	16	This audit did not proceed due to a revised risk assessment. Human Resources carried out its own data analytics exercise to understand vetting of staff in this area and to identify anomalies and weaknesses. As a result, this audit would have replicated work already carried out. The work undertaken by the service has been reviewed by Internal Audit and covers the areas which would have been covered by this audit.
CS22-2-1	Schools establishment review – Duncombe Primary School	Risk based review of school or children's centre. The programme assesses the effectiveness of governance mechanisms and financial practices.	13	This audit was delivered as part of the 2021/22 audit plan, and reported to Audit Committee in September 2022. However, the detailed audit outcome was not reported, as management responses had not been received. A no assurance rating was subsequently agreed, and high priority

				findings were presented to Audit Committee in January 2023.
CS22-2-2	Schools establishment review - Pooles Park Primary School		13	Completed – No assurance. High priority findings were presented to Audit Committee in January 2023.
CS22-2-3	Schools establishment review - Samuel Rhodes Primary School		13	This audit has been removed from the 2022/23 plan, as it was delivered early and outcomes were reported to Audit Committee in September 2022 as part of the 2021/22 plan.
CS22-2-4	Schools establishment review – Pakeman Primary School		13	Completed – Moderate assurance.
CS22-2-5	Children's Centre establishment review – Margaret McMillan Nursery and Children's Centre		13	A draft report has been shared with management, and a management response has been received. The audit team experienced an unexpected temporary decrease in resource in the first half of 2023 and we were unable to respond to all queries raised by the nursery until that period ended. The finalisation of the report has been delayed as a result. A completion date of September 2023 is anticipated given the nursery's summer closure.

FWU22-6	Children and Young People follow up activity	Follow up activity relating to the following audits: • Business transformation • Conewood Children's Centre • High needs/SEN children's placements • Placement commissioning 16-17 year olds • SEN transport • Troubled Families 21/22	15	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • Placement commissioning 16-17 year olds • Troubled Families 21/22 • SEN transport • Conewood Children's Centre Further follow up work is planned in 2023/24 relating to the other audits.

2.6. **Community Wealth Building**

Ref	Audit title	Indicative scope	Planned days	Status
CWB22-1	Financial resilience of residents – test and trace support payments *	This review has been carried forward from the 21/22 audit plan. A risk based review to provide assurance against this area of principal risk. The audit will look at the effectiveness of mechanisms in place to ensure that residents at financial risk are able to access financial support, particularly Covid-related support.	22	Completed – Moderate assurance.
FWU22-1	Health and safety - asbestos (extended follow up) *	Extended follow up of Health and safety - asbestos (HOU20-5). Ongoing assurance in this area of principal risk, the review will assess the	12	An extended follow up audit was completed and subsequent follow up work has taken place. We looked at the rate of implementation of 19 recommendations,

		implementation of recommendations across a number of areas including governance, management and monitoring.		relating to five high and two medium priority findings, which had passed their target implementation dates. We found that: • 8/19 (42%) recommendations have been implemented; • 10/19 (53%) recommendations have been partially implemented; and • 1/19 (5%) recommendations had not yet been implemented. The partially implemented recommendations related to: • Schools asbestos monitoring; • Data quality and system functionality; • Compliance with legal requirements for asbestos surveys and removal; • Resourcing and work backlogs; • Staff training; • Policy review and updates; and • Reporting to senior management. The recommendation not yet implemented related to: • Management information accuracy. Revised target implementation dates between 30 June 2023 and 31 March 2024 have been agreed for the outstanding recommendations.

FWU22-2	Supplier bank amendments (extended follow up) *	Extended follow up of Supplier bank amendments (AD21-2). This audit will include testing a new sample of amendments to verify the operation of key controls.	15	An extended follow up audit was completed and subsequent follow up work has taken place. We looked at the rate of implementation of 31 recommendations, relating to six high and four medium priority findings, which had passed their target implementation dates. We found that: • 29/31 (94%) recommendations have been implemented; and • 2/31 (6%) recommendations have been partially implemented. The partially implemented recommendation related to: • Finalisation and publication of new sundry supplier guidance; and • Reperformance of sundry supplier data analysis. Revised target implementation dates between 30 June 2023 and 30 September 2023 have been agreed for the outstanding recommendations.
FWU22-7	Community Wealth Building follow up activity	Follow up activity relating to the following audits: • Financial resilience of residents • Decline in local business resilience • Contract management 20/21	16	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • Financial resilience of residents • Contract management 20/21 Further follow up work is planned in 2023/24 relating to the other audits.

2.7. **Environment and Climate Change**

Ref	Audit title	Indicative scope	Planned days	Status
E22-1	Net Zero Carbon programme – governance, risk management and benefits monitoring *	The objective of this audit is to review the robustness of the council's governance and control framework to mitigate key risks related to the council's climate change programme. The scope will also include a review of controls for the gathering, monitoring and reporting of data.	21	Completed – Moderate assurance.
FWU22-8	Environment follow up activity	Follow up activity relating to the following audits from previous years: • Commercial waste recovery plan • Greenspace income • Parking services • People friendly streets (PFS)	20	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • Commercial waste recovery plan • Greenspace income • People friendly streets (PFS) Further follow up work is planned in 2023/24 relating to the other audit.

2.8. **Fairer Together**

Ref	Audit title	Indicative scope	Planned days	Status
FT22-1	Voluntary Sector Organisation (VSO) establishment	Risk based review of one VSO to assess the effectiveness of governance mechanisms and financial practices.	13	A draft report has been shared with management, and a Limited assurance rating has been agreed. A completion date of August 2023 is anticipated, as trustees

	review – Culpeper Community Garden			need to confirm action owners and target implementation dates.
FWU22-9	Fairer Together follow up activity	Follow up activity relating to the following 2021-22 audit: • Challenging Inequality Programme	5	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audit: • Challenging Inequality programme

2.9. **Homes and Neighbourhoods**

Ref	Audit title	Indicative scope	Planned days	Status
HN22-1-1	Tenant Management Organisation (TMO) establishment review - Seaview	Risk based review of TMOs. These reviews are part a rolling programme of assurance for TMOs which operates on a cyclical basis. The programme assesses the effectiveness of governance mechanisms and financial practices.	13	Completed – Moderate assurance.
HN22-1-2	TMO establishment review – Taverner and Peckett		13	Completed – Moderate assurance.
HN22-1-5	TMO establishment review – Brunswick		13	Completed – Moderate assurance.
HN22-2	Landlord duty of care: housing	A new project has been agreed to provide central oversight over housing safety. This audit will look at programme	16	Completed – Moderate assurance.

	safety programme assurance *	arrangements in place and will assess the effectiveness of overarching governance arrangements around housing safety.		
HN22-3	Tenant Management Organisation (TMO) monitoring arrangements *	This review has been carried forward from the 21/22 audit plan at the request of the service area due to significant changes that are planned in the council's approach to monitoring TMO activity The audit is planned for Q3/Q4 of 2022/23 to allow time for revised practice to be implemented. The audit will review council processes for monitoring TMO activity and governance arrangements. This will take into account whether monitoring activity is sufficient in light of the increased responsibilities for councils introduced in the 2021 Housing White Paper.	16	A draft report has been shared with management, and a management response is awaited. A completion date of August 2023 is anticipated.
HN22-4	Housing allocation and medical need	A risk-based review of the council's key controls in place around prioritisation of housing allocation based on medical need.	16	A draft report has been shared with management, and a management response is awaited. A completion date of August 2023 is anticipated.
FWU22-10	Homes and Neighbourhoods follow up activity	Follow up activity relating to the following audits: • HomeBuild • Housing Revenue Account (HRA) • Landlord duty of care - fire risk assessments	13	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • HomeBuild • Landlord duty of care - fire risk assessments • Rent income and recovery

		• Landlord duty of care – lifts maintenance, repairs and renewals • Rent income and recovery • Tenant Management Organisation (TMO) monitoring arrangements		Further follow up work is planned in 2023/24 relating to the other audits.

2.10. **Public Health**

Ref	Audit title	Indicative scope	Planned days	Status
FWU22-11	Public Health follow up activity	Follow up activity relating to the following audits: • Health and social care integration – purchase and funding of services • Public health partnership working arrangements		Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • Health and social care integration – purchase and funding of services Further follow up work is planned in Q2 2023/24.

2.11. **Additional reviews**

Ten additional reviews were added to the audit plan in 2022/23, with a combined audit budget of 118 days.

Ref	Audit title	Indicative scope	Planned days	Status
AD22-1	Concierge service	Controls awareness note on the receipt of deliveries by the council's concierge service.	6	Completed. A controls awareness note was issued.

AD22-2	Purchase cards *	A review of usage patterns of purchase cards through audit testing of high risk transaction types.	21	Completed – Limited assurance. High priority findings were raised in four audit areas, details of which can be seen at Appendix 2.
AD22-3	Tenant Management Organisation (TMO) establishment review - Pleydell	Risk based review of TMOs. These reviews are part a rolling programme of assurance for TMOs which operates on a cyclical basis. The programme assesses the effectiveness of governance mechanisms and financial practices. These two additional audits were added to the plan once the Principal Auditor vacancy was filled, increasing the audit team's capacity for the year.	13	Completed – Limited assurance. High priority findings were raised in three audit areas, details of which can be seen at Appendix 2.
AD22-4	Tenant Management Organisation (TMO) establishment review - Dixon Clark Court		13	Completed – Moderate assurance.
AD22-5	Schools establishment review - St John's Upper Holloway	Risk based review of school or children's centre. The programme assesses the effectiveness of governance mechanisms and financial practices.These two additional audits were added to the plan once the Principal Auditor vacancy was filled, increasing the audit team's capacity for the year.	13	Completed – Limited assurance. High priority findings were raised in four audit areas, details of which can be seen at Appendix 2.
AD22-6	Schools establishment review - Highbury Fields		13	Completed – Moderate assurance.
AD22-7	Landlord duty of care: lifts maintenance,	On-going programme of assurance against this area of Principal Risk. Cross-cutting review of the Council's	21	Completed – No assurance. High priority findings were raised in ten audit areas, details of which can be seen at Appendix 2.

	repairs and renewals *	arrangements for ensuring compliance with health and safety requirements across its property portfolio. Scope to focus on lift maintenance and replacement within the Council's housing stock.		
AD22-8	Supporting Families	Review of grant compliance for Supporting Families funding.	6	The audit was deferred to Q1 of 2023/24 at the request of management to allow time for a systems change to be completed. As such, outcomes of this audit will be reported as part of the 2023/24 plan.
AD22-9	Adult Weight Management grant	Review of grant compliance for Adult Weight Management funding.	6	Complete. A grant compliance opinion was provided by Internal Audit.
AD22-10	Biodiversity Net Gain grant	Review of grant compliance for Biodiversity Net Gain funding.	6	Complete. A grant compliance opinion was provided by Internal Audit.

3. Audit plan completion statistics

Audit status		**Number of reviews**
Total number of reviews included on the original audit plan *(see sections 2.1-2.10 above for breakdown)*		30
Reviews added in year *(see section 2.11 above for breakdown)*		10
Total reviews on audit plan		**40**
Audits removed from plan: *Delivered and reported as part of 2021/22 plan:* 1. Schools establishment review – Duncombe Primary School (see CS22-2-1 above) 2. Schools establishment review - Samuel Rhodes Primary School (see CS22-2-3 above) *Reviews that did not proceed due to a revised risk assessment:* 3. Use of sundry suppliers (see R22-3 above) 4. Unauthorised access to Council email systems (see R22-4 above) 5. Safeguarding children - vetting of staff (see CS22-1 above) *Reviews deferred to 2023/24 due to systems change* 6. Supporting families (see AD22-8 above)		6
Remaining audits due for completion as part of the 2022/23 plan		**34**
Audits completed to reporting stage: *Audits completed and report issued in final* *Audits completed and awaiting final management response*	 *29 (85%)* *5 (15%)*	34 (100%)

4. 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

1. Synopsis

1.1. This Appendix summarises high priority recommendations arising from audit reviews with a limited or no assurance rating since our last update to Committee in January 2023. It provides an overview of findings in areas where control weaknesses have been identified that present a high risk to specific service objectives.

1.2. Follow up reviews will be conducted to assess the level of implementation of audit recommendations.

2. Summaries of high priority recommendations

2.1. **Council audits**

Reference	Audit Title
AD22-7	Landlord duty of care: lifts maintenance, repairs and renewals
Recommendations were made in relation to: 1. The completeness of lift listings used for independent six-monthly inspections. 2. The retention of evidence to demonstrate completion of remedial works. 3. The quality of monthly inspections. 4. The effectiveness of management reporting. 5. The frequency of governance meetings and monitoring of actions arising from these meetings. 6. The consistency of lifts data across systems. 7. The coverage provided by post-inspections of repairs. 8. The re-prioritisation of capital works relating to lifts.	

Reference	Audit Title
AD22-7	Landlord duty of care: lifts maintenance, repairs and renewals

9. The completeness of non-monthly inspection records.
10. The timeliness of responsive repairs and accuracy of coding of repairs.

Reference	Audit Title
CC22-7	Insurance settlements

Recommendations were made in relation to:

1. Contract documentation for the claims handling contract.
2. Separation of duties in claims handling.

Reference	Audit Title
AD22-2	Purchase cards

Recommendations were made in relation to:

1. Clarifying terms and conditions of use.
2. Monitoring and addressing breaches of terms and conditions.
3. Supporting evidence for payments.
4. Dormant purchase cards.

2.2. **Establishment audits**

Reference	Audit Title
AD22-3	Tenant Management Organisation (TMO) establishment review – Pleydell

Recommendations were made in relation to:

1. Secondary approval of purchases.
2. The size of the petty cash float. Supporting evidence for cash transactions.
3. Updating bank signatories. Independent review of bank reconciliations.

Reference	Audit Title
AD22-5	Schools establishment review - St John's Upper Holloway

Recommendations were made in relation to:

1. Updating the school's financial regulations and scheme of delegation.
2. Updating bank signatories. Retaining evidence that purchases were authorised.
3. Separation of duties. Supporting evidence for income transactions. Investigation of bank reconciliation discrepancies.
4. Governor oversight of contractual arrangements. Retention of contract documentation. Following procurement rules.

APPENDIX ENDS

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Appendix 3: Follow up outcomes

1. Synopsis

1.1. This Appendix summarises the results of audit follow up work since the last report to Audit Committee in January 2023. It provides an indication of the level of implementation of audit recommendations by management.

2. Summary of audit recommendation implementation

2.1. This table sets out the rate of implementation of recommendations which have passed their target implementation date. The rating key was revised in May 2023 to:

- Focus on the level of implementation of high and medium priority recommendations; and
- Distinguish more effectively between audits where actions have been partially implemented and those where actions have been fully implemented by limiting the *good* rating to those audits where more than 50% of recommendations have been fully implemented and there is a good level of partial implementation for the remaining recommendations.

2.2. **Implementation rating key:**

Fully implemented	100% of medium and high priority recommendations have been closed
Good	Progress has been made on 70% or more of medium and high priority recommendations and at least 50% are fully implemented
Moderate	Progress has been made on 70% or more of medium and high priority recommendations but fewer than 50% have been fully implemented Or Progress has been made on fewer than 70% of medium and high priority recommendations but more than 50% have been fully implemented

Limited	Progress has been made on fewer than 70% of medium and high priority recommendations and fewer than 50% have been fully implemented
None	No progress has been noted on audit recommendations

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
Cross-cutting			
CC18-6	Technology debt management	Management letter issued	Agreed actions have been fully implemented.
CC19-4	Cyber security	Limited	Good implementation of audit actions. Further follow up activity is planned in Q2/Q3 2023/24.
CC20-2	Programme Management Office	Management letter issued	Good implementation of audit actions. Further follow up activity is planned in Q3 2023/24.
CC20-3-1	Financial strategy - Adult Social Care transformation	Moderate	Good implementation of audit actions. Further follow up activity is planned in Q3 2023/24.
CC20-4	Capital programme	Moderate	Limited implementation of audit actions. Open recommendations relate to Children's Services and further follow up activity is planned in Q3 2023/24.
CC22-7	Insurance settlements	Limited	Follow up activity is not yet due. An extended follow up will be carried out in Q2/Q3 2023/24.
AD22-7	Landlord Duty of Care - lifts	No assurance	Follow up activity is not yet due. An extended follow up will be carried out in Q2/Q3 2023/24.
Resources			
FR18-1	Payroll	Limited	Good implementation of audit actions. Further follow up activity is planned in Q2 2023/24.

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
FR18-5	Capital expenditure	Moderate	Good implementation of audit actions. Further follow up activity is planned in Q2 2023/24.
FR20-5	Use of contingent staff (extended follow up – see Appendix 1 for outcomes)	No assurance	Good implementation of audit actions. Further follow up activity is planned in Q2/Q3 2023/24.
AD21-2	Supplier bank amendments (extended follow up – see Appendix 1 for outcomes)	Management letter issued	Good implementation of audit actions. Further follow up activity is planned in Q2/Q3 2023/24.
FR21-2	Access controls and rights	Limited	Follow up activity has been deferred due to a dependency on planned systems changes for implementation of audit recommendations. An extended follow up will be carried out in Q3 2023/24.
FR21-3	Business transformation	Moderate	Initial follow up activity is underway.
FR21-5	Challenging Inequality programme	Moderate	Agreed actions have been fully implemented.
FR21-1-1	Review of key financial system – accounts payable	Moderate	Follow up activity is not yet due and will be carried out in Q3 2023/24.
FR21-1-3	Review of key financial system – treasury	Moderate	Initial directorate follow up activity is underway.
FR21-1-4	Review of key financial system – payroll	Moderate	Agreed actions have been fully implemented.
AD22-2	Purchase cards	Limited	Good implementation of audit actions. Further follow up activity is planned in Q3/Q4 2023/24.
R22-1-1	Review of key financial system - bank and system reconciliations	Moderate	Initial directorate follow up activity is underway.

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
R22-1-2	Review of key financial system - capital accounting (asset management)	Moderate	Initial directorate follow up activity is underway.
R22-1-3	Review of key financial system - accounts receivable	Moderate	Follow up activity is not yet due and will be carried out in Q2/Q3 2023/24.
R22-1-4	Review of key financial system - pensions	Moderate	Follow up activity is not yet due and will be carried out in Q3/Q4 2023/24.
Adult Social Care			
HASS18-2	Mental health safeguarding processes	Management letter issued	Good implementation of audit actions. Further follow up activity is underway.
Children and Young People			
CS17-2	SEN transport	No assurance	Agreed actions have been fully implemented.
AD19-2	Conewood Children’s Centre	Management letter issued	Agreed actions have been fully implemented.
PS20-7	Domestic violence	Moderate	Good implementation of audit actions. Further follow up activity is planned in Q3 2022/23.
PS21-1	High Needs/SEN children's placements	Moderate	Initial directorate follow up activity is underway.
PS21-3	Troubled Families 21/22	Management letter issued	Agreed actions have been fully implemented.
Community Wealth Building			

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
CWB21-1	Decline in local business resilience	Limited	Limited implementation of audit actions. Further follow up activity is planned in Q3/Q4 2023/24.
CWB22-1	Financial resilience of residents - Test and Trace payments	Moderate	Agreed actions have been fully implemented.
Environment and Climate Change			
ER20-3	Parking services	Limited	Good implementation of audit actions. Further follow up activity is underway.
Homes and Neighbourhoods			
HASS19-6	Housing Revenue Account (HRA)	Moderate	Good implementation of audit actions. Further follow up activity is planned in Q3 2023/24.
HOU20-3	Health and Safety - Asbestos	No assurance	Moderate implementation of audit actions. Further follow up activity is planned in Q3/Q4 2023/24.
HN22-2	Landlord Duty of Care Housing Safety Programme Assurance	Moderate	Initial directorate follow up activity is underway.
Public Health			
PH18-1	Public Health	Moderate	Good implementation of audit actions. Further follow up activity is planned in Q2/Q3 2023/24.
PH21-1	Health and social care integration – purchase and funding of services	Moderate	Agreed actions have been fully implemented.
Establishment audits - schools			

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
CS18-6-2	School - St John Evangelist	Moderate	Good implementation of audit actions. Further follow up activity is underway.
CS18-6-3	School - Highbury Quadrant	Moderate	Good implementation of audit actions. Further follow up activity is underway.
CS18-6-6	School - Holloway (Beacon High)	No assurance	Good implementation of audit actions. Further follow up activity is underway.
PS20-6-2	School - Gillespie Primary School	Moderate	Good implementation of audit actions. Further follow up activity is underway.
PS20-6-4	School - Robert Blair School	Moderate	Good implementation of audit actions. Further follow up activity is underway.
PS20-6-5	School - Sacred Heart RC	Moderate	Agreed actions have been fully implemented.
PS21-2-1	School - St John's Highbury Vale	No assurance	Initial follow up activity is underway.
PS21-2-2	School - Vittoria	Limited	Initial follow up activity is underway.
PS21-2-3	School - Newington Green	Limited	Initial follow up activity is underway.
PS21-2-4	School - Duncombe	No assurance	Initial follow up activity is underway.
PS21-2-6	School - Samuel Rhodes	Limited	Initial follow up activity is underway.
PS21-2-7	School - Laycock	No assurance	Initial follow up activity is underway.
CS22-2-2	School - Pooles Park	No assurance	Initial follow up activity is underway.

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
CS22-2-4	School - Pakeman	Moderate	Initial follow up activity is underway.
AD22-5	School - St John's Upper Holloway	Limited	Initial follow up activity is underway.
Establishment audits – tenant management organisations			
HASS18-5-1	TMO - Quaker Court	No assurance	Agreed actions have been fully implemented.
HASS19-2-1	TMO - Newbery House	No assurance	Moderate implementation of audit actions. Further follow up activity is underway.
HASS19-2-4	TMO - Arch Elm	No assurance	Good implementation of audit actions. Further follow up activity is underway.
HOU20-2-2	TMO - Elthorne	No assurance	Limited implementation of audit actions. Further follow up activity is underway.
HOU21-2-1	TMO - Braithwaite	Limited	Initial directorate follow up activity is underway.
HOU21-2-2	TMO - Blackstock	Moderate	Moderate implementation of audit actions. Further follow up activity is underway.
HOU21-2-3	TMO - Spa Green	No assurance	Limited implementation of audit actions. Further follow up activity is underway.
HOU21-2-4	TMO - Holbrook	Moderate	Initial directorate follow up activity is underway.

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
HOU21-2-5	TMO - Miranda	Limited	Limited implementation of audit actions. Further follow up activity is underway.
HN22-1-2	TMO - Taverner and Peckett	Moderate	Initial directorate follow up activity is underway.
HN22-1-3	TMO - Brunswick	Limited	Initial directorate follow up activity is underway.
AD22-3	TMO - Pleydell	Limited	Initial directorate follow up activity is underway.
AD22-4	TMO - Dixon Clark Court	Moderate	Initial directorate follow up activity is underway.

2.3. Internal Audit aims to follow up all recommendations in the quarter after they fall due. **100%** of open council audit recommendations where responsibility for follow up and closure sits with Internal Audit have been followed up within one quarter of their target date.

2.4. Where responsibility for follow up and closure of recommendations sits with Directorate Management Teams in line with the council's Audit Methodology, follow up activity has been monitored by Internal Audit through Controls Board.

2.5. Where necessary, delays in implementation of recommendations and lack of engagement with follow up requests have been escalated to Corporate Directors.

APPENDIX ENDS

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Appendix 4: External Quality Assessment recommendations

1. Synopsis

1.1. This Appendix summarises the actions taken to implement the recommendations, good practice suggestions and notable practices identified by the External Quality Assessment undertaken in 2021/22. A joint shared service response with Camden has been provided.

2. Progress summary

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
Notable practice – best practice which should be shared with others						
1.	The Shared Internal Audit Service (SIAS) IA Plan for both authorities is aligned with the Principal Risk Report (PRR) at each organisation. This provides a seamless application of the IA methodology	n/a	The activity reflects current good practice or is an innovative response to the management of risk which has been shared with others.	Notable practice ●	This example of best practice has been shared with London Audit Group (LAG).	n/a – notable practice, no action required.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	across both councils and a clear link between the strategic objectives of each authority, the PRR and the SIAS IA Plan.					
2.	The SIAS uses a 'Common Findings' paper for schools IA matters which helps share good and bad practice.	n/a	The activity reflects current good practice or is an innovative response to the management of risk which has been shared with others.	Notable practice ●	This example of best practice has been shared with London Audit Group (LAG).	n/a – notable practice, no action required.
Low priority recommendations relating to the PSIAS						
1.	The individual IA terms of reference do not include a specific	It is recommended that individual IA terms of reference include a specific statement in	If terms of reference do not include a specific reference do	Low ●	**Noted** Wording on the shared service's approach to managing potential conflicts of interest has now been	**Completed** The shared service terms of reference template has been updated to include a

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	statement in relation to conflicts of interest.	relation to conflicts of reference to greater promote objectivity, transparency and independence.	not include a specific statement on conflicts of interest, there is a risk that the PSIAS (1112 and 1130) may not be fully complied with.		included in the Terms of Reference template. Safeguards to ensure auditor independence and objectivity are documented in the shared service's Internal Audit (IA) Charter. Consideration is given to conflicts of interest during allocation of individual audit reviews.	statement in relation to conflicts of interest.
2.	The IA Charter does not contain a statement which includes the board s responsibility to review and approve the appointment and removal of the HIA.	In line with PSIAS 1100, the SIAS should include in its IA Charter the Board's responsibility to review and approve the appointment and removal of the HIA.	If the Charter is not updated in accordance with the PSIAS there is a risk of non-compliance with regulatory standards which has legal, operational and reputational consequences for the IA Service.	Low ●	**Noted** Consideration will be given on whether the shared service arrangement of having the Chief Executive of each Council approve the appointment and removal of the HIA is adequate. We are also seeking examples from other local authorities who have shared service arrangements on how they appoint and remove the HIA.	**Completed** The recommendation was considered however current arrangements were retained given the shared service arrangement.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
3.	We found that in 2017/18 (when there was a change of HIA) an EQA was neither conducted nor formally recorded as considered. PSIAS 1312 and 2020 states that an EQA should be conducted whenever there is a key change in personnel.	Whenever there is a key IA change in future it is recommended that an EQA is carried out or formally considered and documented as such.	If an EQA is not conducted or formally considered following a key change in the system of IA, there is a risk of non-compliance with the PSIAS which has potential legal, operational and reputational consequences for the SIAS.	Low ●	**Noted** In 2017-18, following an external and internal recruitment process, the new HIA was appointed. The incoming HIA had previously been an Audit Manager within the shared service. The last EQA carried out in 2016-17 had found the service to be fully compliant with the PSIAS. As the HIA's appointment was an internal appointment within a fully compliant service, it was not considered necessary to carry out another EQA one year after the 2016-17 EQA. However, the rationale for this decision should have been documented at the time. Going forward, whenever there is a key IA leadership change, an EQA will be carried out or formally considered. The rationale for any decision will be documented.	n/a – this action is not needed unless there is a change in key personnel.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
Good practice suggestions – Internal Audit						
1.	The SIAS reports progress to the Islington senior officer board and Audit Committee on a quarterly basis, but to the Camden senior officer board and Audit Committee every 6 months.	The SIAS should consider formally reporting its progress to Camden senior officer board and Audit Committee on a quarterly basis. This reflects the pace of change in local government and provides greater oversight of the performance of the SIAS.	If IA's progress is not reported regularly to the senior officer board and Audit Committee, there is a risk that oversight of IA performance and assurance on key risks may not be provided in a timely manner, which potentially could result in key strategic decisions not being taken promptly.	Low ●	**Noted (finding relates to Camden only)** Camden operates in a more devolved way than Islington, with Internal Audit outcomes reported to Directorate Management Teams (DMTs). Additionally, oversight of IA's performance occurs via quarterly performance reporting to the Corporate Board. Regular reporting to DMTs will continue and the need for more regular reporting to the Corporate Board will be kept under review.	**Completed** Camden - existing arrangements were reviewed and were considered appropriate given the following arrangements in place: - As part of the Council's performance management arrangements, Internal Audit reports performance indicators in relation to the timeliness of follow up reviews on a quarterly basis; - Follow up outcomes are shared with

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
						Directorate Management Teams (DMTs) in-year; - Internal Audit maintains on-going communication with DMTs and CMT as required. Islington – not applicable.
2.	At Camden we found that whilst DMTs are presented with IA progress reports and the annual plan etc, the IA reports are not reviewed by the senior officer board before they go to Audit Committee as	The Camden senior officer board including the Chief Executive should consider approving all IA reports that go to the Audit Committee.	If the IA Plan is not approved by the Chief Executive there is a risk of non-compliance with regulatory standards set out in the PSIAS which could have legal, operational and	Low ●	**Noted (finding relates to Camden only)** As of March 2022, in addition to presentation to DMTs, the IA plan is presented to the Corporate Board (chaired by the Chief Executive).	**Completed** Camden – Since March 2022, in addition to presentation to DMTs, the IA plan is presented to the Corporate Board (chaired by the Chief Executive). Islington – not applicable.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	required by the PSIAS.		reputational consequences for the SIAS.			
3.	At Camden we found that the HIA does not formally meet the Chief Executive Officer on a regular basis.	The HIA should consider formally meeting with the Camden Chief Executive Officer on a regular (at least quarterly) basis. This is particularly good practice where the IA service is part of the Finance Directorate as is the case at both authorities.	If the HIA does not meet the Chief Executive Officer in formal 1-2-1's at each authority on a regular basis, the there is a risk that independence of the SIAS may be compromised.	Low ●	**Noted (finding relates to Camden only)** The HIA has a dotted reporting line to the Chief Executive and the Chair of the Audit Committee. As well as having regular 1:1 meetings, the HIA can seek an audience with the Chief Executive whenever an issue arises or escalation is needed. Nevertheless, the frequency of 1:1 meetings will be kept under review.	**Completed** Camden – The existing arrangements (as detailed in the management response column) were reviewed and considered appropriate. Islington – not applicable.
4.	We found the individual IA reports issued at the end of each piece of IA work to be relatively long in section 2 (the detailed findings).	The SIAS should consider reducing the level of detail in reports in line with the good practice concept of agile auditing. This will increase the efficiency of the IA reporting process for IA staff and	If IA officers and client managers are spending a disproportionate amount of time on preparing/reading IA reports, there is a risk that resources	Low ●	**Noted** As part of our continuous service improvement, we have recently revisited our approach to presenting audit findings with a view to producing shorter, more succinct reports. A new reporting template has been developed to support this.	**Ongoing – this area is being kept under review** Islington – the length of audit reports has been reduced through more concise writing. Summary sections have been introduced to meet

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
		client managers/ audit sponsors.	are being used inefficiently which has financial and operational consequences for the councils.			the needs of stakeholders who need an overview, while retaining some detail to support the auditee's understanding of findings. For establishment audits (schools and tenant management organisations), only brief summary findings are now produced, which has reduced report lengths. Camden – amendments have been made to reduce report lengths as practicable. Overall, the need for succinct reporting continues to be balanced against the auditee's need for more detail to understand the findings.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
6.	Except for one IA trainee at Islington, the most junior members of staff in the SIAS are Principal Internal Auditors.	The SIAS should consider adding trainees /apprentices or more junior staff to the team to carry out some of the less complex IA work. This would be a more efficient use of IA resource and provide better succession planning within the SIAS.	If senior IA staff are performing less complex IA reviews there is a risk that resources are not being used effectively, efficiently and economically which could have financial and operational consequences for the SIAS.	Low	**Noted** As the shared service staffing model is lean (there are just three dedicated in-house auditors at each borough), a strategic decision was made to hire senior auditors to ensure that they can deliver the cross-cutting plan largely independently and to a high standard. The audit plan aligns with each Council's principal risk report, and the shared service also carries out advisory and reactive reviews outside the audit plan. Auditors needs to be agile and skilled enough to undertake high risk reviews in unfamiliar areas at short notice. We are considering engaging a less senior auditor to conduct establishment reviews at schools, tenant management organisations and voluntary sector organisations.	**Ongoing – this area is being kept under review** As outlined in the management response, the service model includes senior auditors who work independently. Budget pressures have meant that additional funding for an establishments auditor is not feasible currently. However this area is being kept under review.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
7.	The SIAS does not currently use any form of audit software package and instead places reliance on using MS Word/Excel, etc, as part of the IA process.	The SIAS should reconsider implementing an effective IA software package to help increase the efficiency of the IA processes.	If the IA Service does not use an effective audit software package there is a risk that IA resource will not be used to the optimum which has potential operational and financial consequences for the SIAS.	Low ●	**Noted** Software was previously used by the shared service however it did not meet service needs and the software was decommissioned. Standard templates are in place across the shared service for terms of reference, working papers and reports, meaning that outputs are standardised and auditors are not consuming time creating templates. In 2022-23 we will revisit the possibility of implementing IA software, particularly in relation to follow up activity.	**Ongoing – this area is being kept under review in relation to follow up software** Follow up software has been trialled and demos have been jointly considered by both boroughs. The shared service is seeking a cost effective follow up solution that will deliver meaningful results while retaining the current customer focus. Hence any decisions made will need deliberation and consideration.
8.	The amount of time spent on IA recommendation follow-ups by the SIAS is disproportionately high compared to	The IA follow-up process should be considered for full automation. This would eliminate the need for senior IA staff to be checking spreadsheets and	If SIAS staff are spending a high amount of time on follow-up work, there is a risk that resources are being used	Low ●	**Noted** Work took place across 2021-22 to introduce a leaner process for follow ups. At Islington, this was coordinated through Controls Board. DMTs have also	**Ongoing – this area is being kept under review** The shared service is keen to ensure that the current levels of customer

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	other IA processes which we found to be lean at both authorities.	sending out reminders to managers.	inefficiently which potentially could have financial and operational consequences for the councils.		played a more active role in tracking implementation of audit actions. As noted in response to finding 7 above, we will consider software solutions to reduce the administrative burden of the follow up process for senior IA staff.	focus are retained, while balancing against the need for more effective follow up processes. Islington - leaner follow up approaches have been implemented, allowing more time for follow up of high priority recommendations and recommendations from ‘no’ and ‘limited’ assurance reviews. Camden – low priority recommendations are not followed up and are subject to self-certification by the auditee. DMT’s also play a role in galvanising implementation of recommendations.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
9.	The amount time spent on IT audits provided by PwC across both authorities is 60 days and we believe this coverage is very low.	The SIAS should consider increasing the volume of IT audit work at both authorities to provide a greater level of assurance in this area. This would also provide an opportunity for the SIAS to consider appointing its own in-house specialist IT Auditor.	There is a risk that the Board and Audit Committee at each authority do not get timely assurance on key IT risks facing both organisations. There is also a risk that the opportunity to develop in-house IT audit talent is missed.	Low ●	**Noted** The shared service applies a two pronged approach to IT audit assurance: it conducts dedicated IT audits but also includes elements of IT assurance within non-IT audits where applicable (for example a review of a service area's processes will often include a review of access rights within key systems). The audit plan is written by mapping principal risks to IA resource (see notable practice 1 above), so we are comfortable that key IT risk areas are included on the audit plan. While IT audit resource is being kept under review, the shared service has not historically engaged an in-house IT auditor for a number of reasons including: - Recruitment challenges (IT auditors are especially difficult	**Ongoing – this area is being kept under review** Arrangements in place (as outlined in the management response column) are working in practice. However in 23-24 we are seeking to strengthen our in-house IT capability via training of in-house auditors.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
					to recruit outside the private sector); and - The co-sourced provider provides a wide range of specialist IT staff and tools, which offers greater flexibility of approach to IT auditing than would be achievable in-house.	
10.	A central log of all SIAS training is not maintained.	The SIAS should consider implementing a centralised training log for all IA staff across the SIAS. This would help management take an overall view of staff training and development across the SIAS.	If a central training log is not maintained and regularly updated there is a risk that IA service may not possess the relevant skills, knowledge and experience to fulfil their roles which has operational and reputational consequences for the IA	Low	**Noted** A centralised training log will be maintained from 2022-23. There is a budget in place for staff training and staff are able to book themselves on courses as needed. Additionally, as part of the current co-sourced framework agreement, staff attend network days over the course of the year where training updates are provided on topical areas. There are mechanisms in place to ensure that managers have effective oversight of training needs as part of the 1:1	**Completed** Islington – a staff training log for in-house training is maintained through the council's HR portal. Camden – the learning and development portal captures online training courses which forms the majority of training undertaken. Additionally, a manual log is held centrally for team

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
			Service. There is also a risk that IA management will not have effective oversight of the overall training and development needs of the IA service.		process. Training is also logged within weekly resource trackers for each staff member, providing management oversight of training.	members to record training undertaken outside of the portal.
Good practice suggestions – Audit Committees						
1.	Audit Committee training at both authorities is not carried out on an annual basis.	Both authorities should consider implementing a programme of training for all Audit Committee members.	If the Audit Committee is not subject to an annual programme of training, there is a risk the committee will not have the up-to-date skills required for the role, including holding the SIAS to account.	Low ●	**Noted** A training programme is in place across both Councils. However, historically, and in consultation with Committee Services (Camden) and Democratic Services (Islington), it was not considered necessary to deliver an annual training in the same areas repeatedly. Training is delivered when members are new and then revisited only if necessary. However going forward, the	**Completed** Internal Audit arranged for CIPFA to train both Councils' Audit Committees separately in 22/23. Refresher training will also be kept under review.

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
					need for refresher training will be kept under review. In 2022-23, a full suite of training (Internal Audit, Anti-Fraud and Risk Management) has been planned for Camden’s Audit and Corporate Governance Committee. Training for Islington’s Audit Committee will be reviewed with Democratic Services.	
2.	An up-to-date skills matrix for each member of the Audit Committee is not in place.	Both authorities should consider implementing a skills matrix for each Audit Committee member. These should be updated on annual basis to inform the skills gaps.	Without an up-to-date skills matrix completed for each Audit Committee member, the training programme may not be targeting the right areas or address the skills gaps.	Low	**Noted** We will work with Committee/Democratic Services in 2022-23 to implement a skills matrix for Audit Committee Members.	**In progress** Following the CIPFA training arranged in 22/23 (see above) a skills matrix will be considered once the lessons learnt from the training have had the opportunity to embed and the review of effectiveness is completed. Both Councils also have two independent

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
						members on their Audit Committees, resulting in increased support and guidance for members and an enhancement of the effectiveness of the Committees through the specialist skills of independent members.
3.	A regular review of the effectiveness of each Audit Committee has not been carried out.	Both authorities should consider conducting an annual review of the effectiveness of the Audit Committee. These should be updated on annual basis to highlight any skills gaps.	If a regular review of the effectiveness of Audit Committee is not carried out there is a risk that improvements and good practice may not be identified and followed.	Low ●	**Noted** We will work with Committee/Democratic Services in 2022-23 to support reviews of effectiveness of the Audit Committees in both boroughs.	**In progress** Camden – a review of effectiveness, facilitated by CIPFA, is planned for Q4 23-24. Islington – the Committee was trained in late 22/23 and a review of effectiveness will be considered towards the end of 23/24.
4.	The Audit Committee Chairs at both	In line with best practice, it is recommended that	If the Audit Committee Chair is not	Low ●	**Noted**	**Completed** The suggestion was considered however

#	Summary finding	Recommendation / suggestion	Risk / rationale	Risk rating	Management response – 2021/22	Progress update
	councils are affiliated with a political party.	both authorities consider appointing independent Chairs of their Audit Committees.	independent there is a risk that the Audit Committee meetings and IA's work are not free from political motivations which has operational and reputational consequences for the councils.		The suggestion will be kept under review.	current arrangements are considered apt and are working effectively.

Risk	Definition
High ●	The recommendation relates to **a significant threat** or opportunity that impacts the Council's corporate objectives. The action required is to mitigate a substantial risk to the Council. In particular it has an impact on the Council's reputation, statutory compliance, finances or key corporate objectives. **The risk requires senior management attention**.
Medium ●	The recommendation relates to **a potentially significant threat** or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Council. In particular, an adverse impact on the Department's reputation, adherence to Council policy, the departmental budget or service plan objectives. **The risk requires management attention**.

Low	The recommendation relates to **a minor threat or opportunity** that impacts on operational objectives. The action required is to mitigate a minor risk to the Council as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. **The risk may be tolerable in the medium term**.
Notable practice	The activity **reflects current best management practice** or is an innovative response to the management of risk within the Council. **The practice should be shared with others.**

APPENDIX ENDS

Finance

7 Newington Barrow Way

London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 18 September 2023

Wards: All

Subject: Annual Fraud Report – 2022 – 2023

1. Synopsis

1.1. This report is intended to support members of the Audit Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by providing detail of counter-fraud activity. In addition to the annual fraud report, the Committee is also provided with bi-annual whistleblowing monitoring reports.

1.2 The Local Government Transparency Code 2015 requires local authorities to publish details of their counter fraud activity. As in the previous year, this report provides an update on counter-fraud work undertaken by Council's three core investigations teams (Corporate Investigations, Housing and Parking) for the 2022-23 year, covering the period 1 April 2022 to 31 March 2023.

1.3 The risk of serious fraud or corruption is included in the Council's Principal Risk Report. The cause is articulated as a lack of adequate governance arrangements including key controls and robust fraud awareness. Therefore, the Council seeks to actively enhance its governance arrangements by having a robust anti-fraud and corruption strategy in place.

2. Internal Audit Investigations (IAI)

2.1 IAI undertake corporate investigations. The current resourcing arrangements for the team, as a result of a recruitment in 23-24, is two Principal Investigators and the Audit Manager (Investigations). This represents an increase in resource from 22-23 to 23-24.

2.2 IAI sits within the Internal Audit, Investigations and Risk Management service. All three staff members are professionally qualified to accredited counter-fraud level. The primary objective of IAI is the prevention and detection of fraud and corruption. IAI's remit covers corporate investigations largely entailing all areas of fraud outside of the housing, parking and enforcement teams.

2.3 IAI employs an established approach to investigating alleged fraud and corruption which includes:

- Risk assessing and prioritising referrals as they are received;
- Working to good practice protocols;
- Utilising contacts with other agencies such as the Department for Work and Pensions (DWP) and Action Fraud;
- Working alongside other Council teams such as Human Resources, Legal, Revenues and colleagues within Internal Audit and Risk Management;
- Liaising with colleagues in teams where there is a higher risk of fraud;
- Joint working with others (e.g. other Councils, the police) as necessary;
- Networking with colleagues across London as part of the London Borough Fraud Investigators Group (LBFIG); and
- Staying abreast of latest national fraud alerts.

2.4 IAI undertake proactive and reactive investigations. Details of proactive activity is outlined in sections 3-5 below. This section provides details of reactive investigations i.e. investigations arising as a result of referrals received from employees, management, the public etc. Reactive investigations include referrals received in line with the anti-fraud and corruption policy (classified as standard referrals) as well as referrals that meet the criteria for whistleblowing in line with the whistleblowing policy and procedure (classified as whistleblowing referrals).

2.5 As reflected within Table 1 below, for the period 1 April 2022 to 31 March 2023, IAI received a total of 42 standard referrals. Separately, IAI received 12 referrals that were assessed as whistleblowing referrals. Details of the whistleblowing referrals and outcomes is included in the bi-annual whistleblowing monitoring report elsewhere on this agenda. For the new financial year i.e. the period 1 April to 30 June 2023, IAI received 29 standard referrals. Outcomes and details of these referrals will be included in the 23-24 annual fraud report to Committee. Therefore, an update on standard referrals for the 22-23 year is provided below.

2.6 Of the 42 referrals received in 22-23, 37 referrals have been closed following the conclusion of investigatory work and 5 investigations remain open. Of the 37 referrals closed, 5 referrals were found to be substantiated, 28 were found to be unsubstantiated, 2 were unable to be concluded due to lack of evidence and 2 were passed to the Department for Work and Pensions.

Table 1: Number of standard referrals received:

Period	1 April 2022 to 31 March 2023	1 April 2021 to 31 March 2022
Number of referrals received	42	43

2.7 A breakdown of the types of referrals received over the period 1 April 2022 to 31 March 2023 is provided in Table 2.

Table 2: Breakdown of referrals by type*

Referral type	Number of referrals
Employment	7
Pensions	4
Payment/theft/financial irregularity	14
School Admissions	1
Inappropriate behaviours/harassment	4
Contractor	3
Health and Safety	2
Impropriety	7
TOTAL	42

** The referral type is not definitive as there may be a crossover of allegations in some areas. However, the type of referral has been broadly assigned to offer an indication of the type of referrals received.*

2.8 A breakdown of referrals received per directorate for the period 1 April 2022 to 31 March 2023 is provided in Table 3.

Table 3: Breakdown of referrals by directorate

Directorate	1 April 2022 to 31 March 2023
Resources	19
Homes and Neighbourhoods	6
Community Wealth Building	6
Adult Social Care	1
Children and Young People	6
Fairer Together	4
TOTAL	42

Summary of investigation outcomes for 2022-23

2.9 22 of the referrals contained allegations of fraud/irregularity committed by members of the public, companies, or other organisations. Outcomes of these referrals are as follows:

- 4 referrals have been substantiated;
- 13 referrals were not substantiated;
- 2 referrals were unable to be concluded due to a lack of evidence;
- 2 referrals were passed to the Department for Works and Pensions;
- 1 referral remains open with enquiries ongoing.

2.10 The remaining 20 referrals relate to allegations of fraud/irregularity committed by Council employees. Outcomes of these cases are as follows:

- 1 referral has been substantiated;
- 15 referrals were not substantiated;
- 4 referrals remain open with enquiries ongoing.

Control enhancements

2.11 Following the completion of investigations and where relevant, IAI aims to improve and strengthen controls by issuing investigation reports, which details recommendations to address any control weaknesses that may have been identified during the investigation. Lessons learned from fraud investigations are also fed into the work undertaken by Internal Audit in order to improve and enhance the Council's overall governance framework.

Anti-fraud advice

2.12 Anti-fraud conversations take place where necessary and Internal Audit colleagues are consulted where appropriate. Since April 2022, IAI have conducted anti-fraud conversations and provided ad-hoc advice to relevant services across the Council.

National Anti-Fraud Network (NAFN)

2.13 NAFN is a not-for-profit public sector organisation. It is managed by and for the benefits of its members, delivering services which enable effective financial governance and efficient acquisition of data, as well as acting as the hub for intelligence alerts and providing best practice examples of processes, forms and procedures. Intelligence continues to be supplied by the National Anti-Fraud Network (NAFN). IAI disseminates intelligence to the relevant teams. Feedback from services indicate that the alerts are useful in raising fraud awareness.

Pan London collaboration

2.14 A key element of the Council's anti-fraud and corruption strategy involves collaboration with colleagues across London to share intelligence and stay abreast of fraud trends. IAI attends the London Borough Fraud Investigators Group (LBFIG) and also attended a Counter Fraud Conference in February 2023. The service also attends the London Audit Group's fraud special events.

2.15 IAI actively collaborate with other London authorities and agencies as appropriate during investigatory work.

3. Proactive work plan and fraud awareness

3.1 The Council takes a zero-tolerance approach to fraud. Serious fraudulent activity is included as a principal risk in the Council's Principal Risk Report. A number of controls and actions are included within the Principal Risk Report to demonstrate how this is risk is being mitigated. Some of the controls/actions being taken include:

- Internal Audit and IAI work closely to ensure that intelligence is shared;

- Fraud risks feed into the annual audit plan;
- IAI oversee the National Fraud Initiative (NFI) with service areas taking responsibility for their data matches.

3.2 Along with reactive investigations, IAI strives to deliver a proactive work plan designed to prevent and detect fraud. Services continued to seek proactive anti-fraud input in 2022/23, and a pro-active anti-fraud review related to Direct Payments concluded in 22/23.

3.3 Fraud awareness staff alerts are issued periodically and anti-fraud policies are included on the Council's intranet.

4. National Fraud Initiative

4.1 The National Fraud Initiative (NFI) is a biennial exercise ran by the Cabinet Office, which matches electronic data within and between public and private sector bodies to prevent and detect fraud, including police authorities, local probation boards, fire and rescue authorities, as well as local councils and a number of private sector bodies.

4.2 At the beginning of each exercise, Islington Council is required to upload a number of datasets onto the NFI's secure application, including Housing Benefits, Payroll, Pensions, Housing tenancy, Housing waiting lists, Right-to-Buy, Blue Badges, Council Tax, Resident Parking Permits etc. A number of external datasets are also provided by third parties, for example HMRC, Companies House; and the DWP.

4.3 The latest NFI data matching exercise commenced in February 2023. Whilst there are a high number of matches, local authorities are not required to review all matches, and the decision whether to undertake an investigation into each match is at the discretion of the local authority. To this end, matches are assigned with either a high, medium or low priority rating, and the Cabinet Office recommends that the high priority matches are reviewed first, and all outcomes are recorded on the NFI's secure web application. Overall, Islington has historically found that, whilst a large number of initial matches are generated by the NFI exercise, the quality of these matches is generally low. However, investigation activity as a result of these matches is currently underway based on risk assessments.

4.4 Matches are returned in separate categories, for example Blue Badge, Council Tax Reduction, Housing Benefit, Pensions, Payroll, Housing Tenants, Housing Waiting List, Right to Buy, Creditors and Procurement.

4.5 Matches are allocated to and investigated by a number of teams across the Council, including IAI, the Housing Investigations Team, Parking Investigations, Revenues etc.

4.6 The Cabinet Office publishes a report at the end of each exercise summarising what local authorities have saved cumulatively as a result of the NFI exercise. The last exercise (from 2020 to 2022) enabled participating organisations to prevent and detect £416.8 million fraud and error in the period 5th April 2020 to 31st March 2022. The report, published in December 2022, can be accessed here.

5. Department for Work and Pensions - anti-fraud support

5.1 The Counter-Fraud and Compliance Directorate (CFCD) within the Department of Work and Pensions (DWP) undertake the investigation of Housing Benefit Fraud. As Islington Council administers Housing Benefit payments, the following activities fall under the remit of the Council in supporting the DWP:

- supply of documentary evidence;
- fulfilment of requests for Housing Benefit claim information;
- overpayment calculations; and
- production of witness statements.

The Single Point of Contact (SPoC) is the Audit Manager Investigations.

5.2 Between the 1 April 2022 to 31 March 2023, the SPOC responded to 77 requests for information.

6. Policies and Procedures

6.1 In line with good practice, IAI seeks to review its policies and procedures at regular intervals. The whistleblowing policy and procedure was updated in June 2022 and the Anti-Fraud and Corruption Strategy and Policy was updated in July 2023.

6.2 Policies are placed on the Council's intranet for ease of reference.

7. Housing Investigations

7.1 The Housing Investigations team (HIT) in the Council's Homes and Neighbourhoods directorate is responsible for the investigation of tenancy fraud across the borough. The main areas of concern are cases of not principal home, subletting, obtaining a tenancy by deception, Right to Buy (RTB) fraud and fraudulent successions. HIT also works with the Housing Needs department to investigate fraudulent homeless and housing register applications.

7.2 The team is made up of 1x Housing Investigation Manager, 1x Housing Investigation Team leader, 6x Housing Investigation officers and 1x Intelligence Officer. All investigation roles are accredited counter fraud specialists.

7.3 The table below outlines outcomes from 1 April 2022 to 31 March 2023 and includes comparator figures for previous years:

	1st April 2020 – 31st March 2021	1st April 2021 – 31st March 2022	1st April 2022 – 31st March 2023
Properties Recovered	**23**	**41**	**48**
Recoveries by referral type: Data matches	0	0	0
Gas Safety Checks	4	2	7
Hotline/internet	2	12	8
Housing Investigation officer	0	2	0
Housing officer	6	7	8
National Fraud Initiative	0	0	0
Registered Social Landlord	0	0	0
Right to Buy (RTB)	0	0	6
Succession/Assignment/RTB checks	7	9	13
Tenancy audit	0	3	1
Under appeal	0	0	0
Valuations	0	4	3
Property Services	0	0	0
Other	4	2	2
Total Prosecutions:			
Prevention of Social Housing Fraud Act and Fraud Act	0	1	1
Other Results			
Unlawful Profit/ Compensation Orders recovered	£105,000	£61,539	0
Right to Buy (RTB) applications prevented	1	9	6
Housing applications withdrawn	0	0	0

7.4 The team's results are recovering following the Covid-19 pandemic and the lack of court hearings and evictions. However, there is still a shortage of bailiffs which is resulting in significant delays on evictions being carried out. The current average wait time for an eviction date is 4.5 months.

7.5 The due diligence checks that have been built into the succession, gas safety and right to buy processes account for 60% of the properties recovered, demonstrating that these checks are necessary and effective.

7.6 Every succession application is now checked by HIT before it is allowed to continue. In previous years, only those the Tenancy team considered a risk were checked.

7.7 Right to Buy applications are checked by HIT at instruction and again prior to completion. In 2022-23, these due diligence checks resulted in 6 properties being recovered. This action not only preserved valuable housing stock but also saved £675,300 in discount that would have been applied to the sale value.

7.8 The following table details the savings and costs of tackling Housing fraud over the last three years.

Savings and costs	2020-2021	2021-2022	2022-2023
Housing Investigation team cost	£312,193	£398,790	£424,391
No: Properties recovered	23	41	48
HIT cost per property recovered	£13,574	£9,727	£8,841
The cost of tenancy fraud to the public purse at £42k per property	£966,000.00	£1,722,000.00	£2,016,000.00
Right to Buy discount prevented	£112,300	£996,100	£675,300
Rent arrears recovered	£9,727	£66,513	£81,960.99

7.9 Recent work carried out by the Tenancy Fraud Forum in conjunction with the Cabinet Office and the Fraud Advisory Panel have estimated the national average cost of a property lost through tenancy fraud at £42,000. This includes temporary accommodation costs, void costs, legal and investigation costs. LB Islington have adopted these recommended values.

7.10 The average cost of recovering a property using the Investigations team varies. However, an average of £10,137 per property can be attributed over the last three years.

7.11 In terms of savings, by delivering 112 properties to housing residents over three years, this has saved the taxpayer £4.7m including temporary accommodation costs.

7.12 For comparison the cost of building the same number of properties would be in the region of £16.8m (at a value of £150k each).

7.13 The team also engages in downsizing where there is not enough evidence to legally recovery a property. The team will negotiate with a tenant to give up their property in exchange for a smaller property, freeing up larger properties to house families and ease overcrowding.

7.14 Occasionally the team will identify cases which are not due to fraud but where the tenant has support needs that have not been identified. In these cases, the Housing Investigations team will work across teams to ensure the tenant is supported where possible and the tenancy is sustained.

8. Parking Fraud Investigation Team

8.1 Islington's Parking Fraud Investigation Team (FIT) consists of two principal officers who investigate all forms of parking fraud within the Council. The team investigate a range of parking fraud offences including counterfeit/stolen/illegally modified badges and permits, misuse of parking documents, false application for parking instruments (vouchers, permits, badges etc), false appeals against Penalty Charge Notices (PCNs) and submitting false and illegally modified supporting documents in applications and appeals.

8.2 Fraud investigations and the processes leading to prosecution are functions of the law, which stipulates offences and remedies. The FIT therefore conducts themselves within the confines of the following legal instruments, regardless of whether it involves permits or blue badges and residents or non-residents:

- Chronically Sick and Disabled Persons Act 1970;
- Road Traffic Regulations Act 1984 ;
- Fraud Act 2006;
- The Disabled Persons (Badges for Motor Vehicles) Regulations 2000;
- Traffic Management Act 2004;
- Regulation of Investigatory Power Act 2000;
- Vehicle Excise and Registration Act 1994;
- Greater London Council (General Powers) Act 1972;
- The Disabled Persons (Badges for Motor Vehicles) (England) Regulations 2000.

8.3 Enforcement may include:

- Issuing Penalty Charge Notices (PCNs);
- Clamping offending vehicles;
- Removing offending vehicles to the pound;
- Interviewing suspects under caution;
- Issuing a caution;
- Where applicable , prosecution (following considerations of the public interest test**,** evidential test**,** costs of taking the case to court etc).

Blue Badge Day of Action

8.4 FIT participated in a London wide blue badge day of action, organised by London Councils and Lambeth in May 2022. Outcomes were noted as follows:

- 7 PCNs were issued;
- 2 vehicles were removed;
- 3 stolen badges were recovered.

8.5 The table below outlines outcomes from 1 April 2022 to 31 March 2023 and includes comparator figures for previous year:

Outcomes	1/4/22 to 31/3/23	1/4/21 to 31/3/22
Penalty Charge Notices (PCN) issued	99	80
Vehicles Removed	48	50
Badges confiscated	67	60
Cases investigated	102	98
Cautions issued	1	0
Value of confiscated Badges to (TfL and LBI) at £5000/Year	£335,000	£300,000

Value of confiscated Badges (LBI Parking Universal Parking Rate) at £3500/Year	£234,500	£210,000

9. Recommendations

9.1. To note the report.

10. Background

10.1. 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.

10.2 The report summarises the work that has been taken by Internal Audit (Investigations), Housing Investigations and the Parking Investigation teams.

11. Implications

11.1. Financial Implications

11.1.1. The programme of work has been met from within the existing Internal Audit (Investigations) budget. The financial implications of individual investigations are met by local budgets.

11.2. Legal Implications

11.2.1. There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual investigations.

11.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

11.3.1. There are no environmental implications arising from the recommendations in this report.

11.4. Equalities Impact Assessment

11.4.1. 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.

11.4.2. An Equalities Impact Assessment is not required in relation to this report, because the decision currently being sought does not have direct impact on residents.

12. Conclusion and reasons for recommendations

12.1. To note the details of the counter-fraud activity carried out by Internal Audit (Investigations), Housing Investigations and Parking Investigations in the 2022-23 year.

Final report clearance:

As agreed by:
Corporate Director of Resources
Date: Date the report received approval

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Report ends

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ISLINGTON
For a more equal future

Finance

7 Newington Barrow Way

London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 18 September 2023

Wards: All

Part of the report is not for publication as 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: Bi-Annual Whistleblowing Monitoring Report – 1 February 2023 to 30 June 2023

1. Synopsis

Background

1.1. This 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 and Corruption strategy.

1.2. Whistleblowing allows employees and others to raise concerns surrounding potential fraud and corruption. There are separate reporting mechanisms for adult and child protection allegations. The whistleblowing policy was reviewed and updated in June 2022 in line with good practice. Whistleblowing information is located within the Human Resources policies and procedures section of the Council's intranet.

1.3. The Council's Audit Committee receives bi-annual whistleblowing monitoring reports. The last update, covering the period to 31 January 2023, was presented to the Audit Committee in March 2023. This report provides details of new referrals made between 1 February 2023 and 30 June 2023. The report also provides an update on referrals that were open at the time of the last report to Committee.

Summary update

1.4. On receipt of referrals, an assessment is undertaken in line with the Council's whistleblowing policy. Where the referral meets the criteria for whistleblowing, the referral is logged as whistleblowing and is investigated accordingly.

1.5. During the period 1 February 2023 to 30 June 2023, five referrals were assessed as having met the criteria for whistleblowing. This report provides an update on those referrals as well as two referrals that were previously reported to the Audit Committee as open in March 2023.

1.6. Annual data is outlined below:

Year	Number of referrals investigated in line with the whistleblowing procedure
2021-22	6
2022-23	12 (9 referrals up to 31/1/23 and a further 3 referrals between 1/2/23 and 31/3/23)
2023-24 (year to date 1 April 2023 to 30 June 2023)	2

1.7. A summary of status of referrals investigated in line with the whistleblowing policy is outlined below:

New referrals since the last report to the Audit Committee as at 31 January 2023

a) Five new referrals were assessed as meeting the criteria for whistleblowing in the period 1 February 2023 to 30 June 2023. The status of these referrals is as follows:

Referral status	**Council**	**Schools**	**Total**
Open/ongoing	1	2	3
Closed – allegations not substantiated	2	0	2
Closed – allegations substantiated/partially substantiated	0	0	0
Total	**3**	**2**	**5**

Open referrals as reported to the Audit Committee as at 31 January 2023

b) Two referrals were listed as open during the last report to the Audit Committee. The status of these referrals is as follows:

Referral status	**Council**	**Schools**	**Total**
Open/ongoing	1	0	1
Closed – allegations not substantiated	0	0	0
Closed – allegations substantiated/partially substantiated	0	1	1

Total	**1**	**1**	**2**

1.8. Additional detail is included in the private Appendix A.

2. Recommendations

2.1. To note the report.

3. Background

3.1. Effective whistleblowing arrangements are a key element of effective governance arrangements within the Council.

4. Implications

4.1. **Financial Implications**

4.1.1. The programme of work has been met from within the existing Internal Audit (Investigations) budget. The financial implications of individual investigations are met by local budgets.

4.2. **Legal Implications**

4.2.1. 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 and contribution to achieving a net zero carbon Islington by 2030**

4.3.1. There are no environmental implications arising from the recommendations in this report.

4.4. **Equalities Impact Assessment**

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

4.4.2. An Equalities Impact Assessment is not required in relation to this report, because the decision currently being sought does not have direct impact on residents.

5. Conclusion and reasons for recommendations

5.1. To note the details of the bi-annual whistleblowing monitoring arrangements.

Appendices:

- Appendix A – Whistleblowing Monitoring Report **(Exempt – not for publication)**

Final report clearance:

As agreed by:

Corporate Director of Resources

Date: Date the report received approval

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Report ends

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Resources
7 Newington Barrow Way
London N7 7EP

Report of: **Corporate Director of Resources**

Meeting of	Date	Agenda Item	Ward(s)
Audit and Risk Committee	18 September 2023		All

Delete as appropriate		Non-exempt

Statement of Accounts 2021/22 and Audit Findings

1. Synopsis

1.1. This report sets out the Statement of Accounts for 2021-22 and the External Audit Findings Report. It demonstrates sound financial management and provides evidence to stakeholders that they should have confidence in the Council's financial future.

1.2. The External Auditors Audit Findings Report highlights a number of recommendations to those charged with governance.

2. Recommendations

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

2.2. To note the action plans of recommendations in the Audit Findings Report.

2.3. To approve the 2021-22 Statement of Accounts, delegating to the Corporate Director for Resources in consultation with the Chair of the Committee to make any final amendments that might arise in the final part of the audit subject to no material changes.

2.4. To approve the draft Letter of Representation to allow the Section 151 Officer and Chair of the Committee to sign on behalf of the organisation.

3. Background

3.1. Each year the council's external auditor presents to the Committee their Audit Findings Report (AFR). This is produced alongside the statement of accounts and annual governance statement for approval.

3.2. 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 2021-22 (the Code).

3.3. Originally the Auditors were scheduled to complete the audit by January 2023, however this has been subsequently delayed first to March 2023, then May 2023 and now to September 2023. This has been detailed on the first page of the Audit Findings Report.

3.4. The audit is not finalised with a few minor work strands to still to be finished, although the process is substantially complete.

4 Statement of Accounts 2021/22

4.1 This year's submission deadlines for completion have been severely affected following the challenging regulatory environment of Local Authority audits that has caused a significant additional workload and delay to the process.

4.2 Between the 3rd October and the 11th November 2022 the accounts and supporting documentation were made available for public inspection. The relevant statutory public notice was published on the Council's website. Although there were no comments or objections to the Council's accounts during this period, there remains an outstanding objection relating to the 2020/21 accounts.

4.3 This objection relates to apportionment of leasehold service charges and has been outstanding since 2021. This will be dealt with by the Auditors in line with the correct process. The Auditors are satisfied this work does not have a material effect on the financial statements.

4.4 Overall the draft audit opinion states that the financial statements:

- Give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- Have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22; and
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

4.5 The Statement of Accounts (including Pension Fund) are expected to receive a clean final audit opinion from the Council's auditors. The Auditor identified five misstatements within the Council's accounts and two within the Pension Fund. None of those were material and a summary of the adjustments made to the accounts can be found in Appendix C to the Audit Findings Report.

4.6 The largest adjustment to the Accounts is in relation to the defined benefit obligations of the Council's Pension Fund. This is a result of the triennial valuation that was finalised in March 2023 adjusting for the actual movements in membership data. Given the Council Pension Fund liabilities are so large at over £2bn, small movements in assumptions make large differences.

4.7 It is worth pointing out that this issue has only arisen as the audit was not completed before March 2023.

4.8 The Auditor's draft Audit Findings Reports for the year ended 31 March 2022 is attached at Appendix C. This summarises the findings of the 2021-22 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 are not expected to be problematic.

4.9 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.

4.10 Included at Appendix F of the Audit Findings Report is a letter to the Committee Chair from the Auditor in relation to the Value for Money arrangements.

4.11 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 and Risk 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.

5 Implications

Financial Implications:

5.1 There are no direct financial implications resulting from this report.

Legal Implications:

5.2 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.

Environmental Implications and contribution to net zero carbon by 2030.

5.3 There are no direct environmental impacts arising from this report.

Resident Impact Assessment

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

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

Appendices:

Appendix A Statement of Accounts 2021/22
Appendix B Letter of Representation 2021/22
Appendix C Draft Audit Findings Report

Background papers:

Report of the External Auditor - Audit Progress Report 23rd May 2023

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Islington Council
Statement of Accounts 2021/22

Contents

Introduction by the Chief Financial Officer

I have great pleasure in presenting the Statement of Accounts for the year ended 31 March 2022. 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

Islington is a fantastic borough which possesses the best that London has to offer: thriving businesses, excellent transport links, outstanding services; and most importantly, a rich and wonderful diversity of people, cultures, and communities. But Islington is also the 6th most deprived borough in London and a place of contrasts where the gap between the "haves" and "have nots" is stark. Over the past year the council has carried out its largest ever engagement programme, called Let's Talk Islington, to hear from residents about their experiences of inequality, the issues that matter most to them and their hopes and aspirations for the future. Residents told us that poverty, affordability and cost of living, housing conditions, mental ill-health and anxiety about the future, lack of access to good jobs, poor air quality, prejudice, racism, and injustice are all things that are important to them and need to be addressed. These factors hold too many people back, depriving them of opportunities, choices, and the autonomy to shape their lives in the way they want.

Therefore, the council launched its new Strategic Plan, 'Islington Together for a more equal future'. This document sets out what we would like to achieve for our residents, along with the principles that will guide our approach to achieving change. The strategic plan sets out our core priorities of:

- We invest in local jobs and businesses to ensure a thriving local economy
- We work together to create a cleaner, greener, healthier borough
- We stand with our communities, so they are safe, connected, and inclusive
- We nurture our children and young people in Islington, so everyone has the very best start
- We make sure everyone has a place to call home which is secure, decent, and genuinely affordable

The new strategic plan is launched as the borough and the country endure an ongoing impact and legacy of COVID.

The start of the financial year saw many parts of the economy still under severe restrictions; until late June 2021 social contact was limited between individuals. This continued to have huge impacts on local government finances. The council estimates that during 2021/22 the impact on the General Fund was a £20.4m pressure. Against this, relevant Government support in-year was limited to £14.5m. In addition, the council brought forward prior year losses on the Collection Fund, which the Government allowed councils to meet over a 3-year period.

As the financial year drew towards its close, the economy started to encounter the escalating costs resulting from Russia’s invasion of the Ukraine. As well as global food shortages, this unjustified act caused an escalation in global energy prices. Public sector bodies are particularly impacted by this, due to their obligations to look after the most vulnerable in society and the large supply chain which supports front line service delivery. Our residents will feel this the most and as prices continue to rise, it is vital that we are more disciplined than ever in ensuring our scarce resources go to those who need them the most.

Overall, despite all of this I believe this Statement of Accounts presents a positive picture in relation to the way the organisation has dealt with these challenges. The council was able to meet the need for increasing its financial resilience whilst also ensuring it had adequately resourced its priorities. This has been because of hard work and dedication from councillors, staff, and partners across the whole organisation. This collective effort is needed more than ever as our challenges persist.

Finally, in respect of the production and audit of this Statement of Accounts. This year has been the most challenging year yet for public sector finance teams. As this document is drafted, there is a moratorium on the certification of Local Authority Audits pending a satisfactory outcome in relation to accounting for Infrastructure Assets. Councils and audit firms continue to experience difficulty in recruiting and retaining sufficient and suitable staff, and the requirements on those staff are significantly raised year on year. I believe this council is well-placed to deliver to this agenda going forward, however there has never been a more challenging time for the sector as a whole.

This year’s Public Inspection of the Accounts period runs from the 3 October to the 11 November 2022 inclusive. Further details are available from our website.

David Hodgkinson
Corporate Director of Resources
30 September 2023

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

The Audit Report 2021/22 will appear here once the audit is completed

Independent auditor's report to the members of London Borough of Islington on the pension fund financial statements of London Borough of Islington Pension Fund

The Audit Report 2021/22 will appear here once the audit is completed

Narrative Report to the Statement of Accounts and Summary of the Council's Financial Performance in the Year 2021/22

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 provide a commentary 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 on 31 March 2022; in particular what it owns versus what it owes.
- Cash Flow Statement - illustrates the council's total cash transactions in the financial year, split between revenue expenditure (day-to-day expenditure), capital expenditure (long-term investment in assets) and financing transactions (how we pay for the expenditure).

The supplementary financial statements applicable to Islington Council comprise:

- Housing Revenue Account – Income and Expenditure Account, and Statement of Movement on the Housing Revenue Account Balance – transactions relating to council dwellings.
- Collection Fund – receipts and payments relating to council tax and business rates.
- The Pension Fund Account and amounts attributable to trust funds are shown separately because they are not part of the council's single entity accounts. For the Pension Fund administered by Islington Council, these include:
    - Fund Account - a summary of the resources generated and consumed by the fund in the year
    - Net Assets Statement - shows the Pension Fund's financial position on 31 March 2022

The Expenditure and Funding Analysis (Note 11) gives a clear link between in-year reporting of financial performance and the final outturn set out in the core financial statements.

In common with most other local authorities, the Pension Fund has a deficit. The council asks an independent actuary to review the Pension Fund's position triennially and advise how to set the contributions to the Pension Fund to address the deficit. Such a review took place as at 31 March 2022. More information can be found in the Pension Fund Account pages.

General Fund Outturn 2021/22

After transfers to earmarked reserves, there was a net underspend of £3.259m on the General Fund, comprising £5m underspend on the non-schools position less £1.795m drawdown of 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					
Adult Social Services	158,184	(81,562)	76,622	71,821	4,801
Children' Services	173,967	(80,809)	93,159	88,270	4,888
Schools	329,634	(320,764)	8,870	7,086	1,784
Community Wealth Building	55,017	(38,588)	16,429	15,867	561
Environment	110,111	(89,467)	20,644	18,533	2,111
Fairer Together	11,871	(4,842)	7,029	7,561	(532)
Homes and Neighbourhoods	40,081	(24,417)	15,664	17,354	(1,690)
Public Health	34,541	(34,107)	434	295	139
Central Services					
Chief Executive	3,741	(1,790)	1,951	1,421	530
Resources	197,648	(167,251)	30,397	28,568	1,829
Corporate Items					
Corporate items	26,814	(288,381)	(261,567)	(262,276)	709
Application of COVID-19 Contingency	-	-	-	5,500	(5,500)
Application of COVID-19 grant	-	(12,111)	(12,111)	-	(12,111)
SFC Compensation (Estimate)	-	(2,395)	(2,395)	-	(2,395)
General Fund Variance (before outturn transfer to Energy and Inflation Smoothing Reserve)	**1,141,609**	**(1,146,483)**	**(4,873)**	**-**	**(4,874)**
Outturn transfer to Energy & Inflation Smoothing Reserve	1,615	-	1,615	-	1,615
Net General Fund Variance	**1,143,224**	**(1,146,483)**	**(3,258)**	**-**	**(3,259)**
Transfer (to)/from General Fund Balances (excluding schools)			(5,054)	-	(5,054)
Transfer (to)/from Schools Balances			1,795	-	1,795
Total					**(3,259)**

Departmental income and expenditure (including HRA)	Over / (Under) £'000
General Fund over/(under) spend for the year (including schools)	(3,259)
Housing Revenue Account over/(under) spend for the year	-
Net expenditure	**(3,259)**

The 2021/22 Provisional Outturn report on the council's website gives a detailed explanation of the outturn position and variances against budget.

General Fund Balances

To maintain its financial resilience, as a minimum the council aims to maintain the General Fund balance (excluding schools) at a level where it is commensurate to the council's overall level of budget risk that the council faces over the medium term. On 31 March 2022 the General Fund balance (excluding schools) totalled £21.718m (£16.664m on 31 March 2021). The schools balance totalled £8.314m (£10.109m on 31 March 2021). The council has limited powers to supplement its budget from reserves. It is required to maintain a reasonable level of General Fund balances, whilst schools and HRA balances are ring-fenced. However, it can use earmarked reserves to supplement the budget if they are no longer required.

Housing Revenue Account 2021/22

The Housing Revenue Account (HRA) is a separate account for all the expenses and income relating to council housing. The provisional outturn for the HRA is an in-year deficit of (+£18.541m) compared to original budget assumptions which will be funded from HRA reserves. The deficit relates to technical overspends including revenue contributions to capital outlay, increased depreciation and reduced capitalisation of salary costs which will be reversed out in future years through increased borrowing and reduced revenue contributions leading to an overall neutral impact on the HRA business plan. Total HRA earmarked reserves were £58.2m at 31 March 2022 (£91.5m at 31 March 2021).

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 2021/22

Capital expenditure of £128.269m was delivered against the revised 2021/22 budget of £163.326m, representing 78% spend against budget. The variance from budget was predominantly due to non-COVID-19 related delays across the programme. The table below sets out this expenditure by department.

Capital Programme Outturn 2021/22	2021/22 Capital Budget *£m*	2021/22 Capital Expenditure *£m*	Re-profiling (to)/from future years *£m*
Non-Housing	27.565	18.060	(9.505)
Housing	135.761	110.209	(25.552)
Total Capital Programme	**163.326**	**128.269**	**(35.057)**

The financing of the 2021/22 capital programme is summarised in the table below.

Funding Sources	*£m*
Capital Grants & Third Party Contributions	25.617
Capital Receipts	0.962
HRA - Major Repairs Reserve	33.445
HRA - Revenue Account	46.604
General Fund Revenue Account	0.000
General Fund Borrowing	21.641
Total Funding	**128.269**

Net Assets as at 31 March 2022

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

This year it shows net assets of £3.7bn, (made up of £5.3bn of assets and £1.6bn of liabilities). The most significant asset held by the council is its Property, Plant and Equipment portfolio (worth £5bn), of which council dwellings make up £3.5bn.

The largest liability facing the council is in relation to the Pension Scheme (£916m). 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 £82m relating to the council's PFI and similar schemes and is payable over the next 20 years. Further details can be found in Note 20. There were no individually material assets added this year or significant new liabilities incurred.

Current assets (amounts due within 12 months) include £107.1m of short-term debtors (£116.9m 2020/21). £56.5m 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 £101m 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 £202.7m (£184.9m 2020/21). A significant proportion of these relate to central government and other public sector bodies, at £127m. Short-term PFI creditors amounted to £4.6m.

Borrowing and Investments 2021/2022

As at 31 March 2022, the council had £95.6m of temporary investments (£151.7m in 2020/21) and £10.7m of temporary debt (£75m in 2020/21). These investments were for periods ranging from a week to 364 days at an average interest rate of 0.28% for temporary investments and 0.10% for temporary debt. The total long-term debt is now £264m compared to £296.6m as at 31 March 2021. The average rate of interest on external borrowing has decreased from 3.29% in March 2021 to 4.2% in March 2022.

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 2021/22.

31 March 2021 *£'000*	**Treasury Management Cashflow**	**31 March 2022** *£'000*
6,889	Cash & Cash Equivalents	14,713
152,097	Short Term Investments	95,661
158,986	**Total**	**110,374**

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 2021/22.

Significant provisions and contingencies and material write offs

The balance sheet includes provisions of £39.5m as at 31 March 2022 (£39.2m as at 31 March 2021). The most significant provision is the Insurance Provision (£16.428m as at 31 March 2022). Since 1992/93, the council has self-funded many of its insurable risks and a large part of the provision relates to claims submitted against the council since then which are still open, where the council has not yet paid out.

Material events after the reporting date

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

Significance of the pension liability

The estimated pension liability facing the council is £916m at 31 March 2022 (£973.5m as at 31 March 2021). This liability shows the underlying commitments that the council has in the long-term to pay retirement benefits. The total net liability of £916m 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 2022/23, the council is expected to make contributions of £30.4m to the Local Government Pension Scheme and the London Pension Fund Authority.

Looking forward

On 3 March 2022, the council agreed its budget for 2022/23 and set a budget requirement of £105.425m. This resulted in a basic amount of band D council tax of £1,314.65 (representing a council tax increase of 2.99%) and a total amount of band D council tax (including GLA precept) of £1,710.24.

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

Planned Revenue Expenditure	2022/23 *£'000*
Frontline Services	
Adults Social Services	56,769
Children's Services	84,966
Community Wealth Building	16,627
Environment	5,389
Fairer Together	7,112
Homes & Neighbourhoods	6,354
Other Services	31,231
Net Cost of Services	**208,448**
Net Operating Expenditure	**208,448**
Funded By:	
Retained Business Rates	77,676
Council Tax	105,425
Revenue Support Grant	25,347
Net Cost of Services/Net Operating Expenditure	**208,448**

The medium-term budget gap is kept under constant review and will be assessed in detail in advance of the next budget setting process.

Key Revenue Cost Pressures

The council's Medium Term Financial Strategy (MTFS) assumes a 2% per annum pay award for 2022/23 and over the medium-term. Every 1% increase in pay equates to approximately £1.75m for the General Fund – this is a significant risk going forward.

As a result of the recently announced Health and Social Care reforms, there will be a 1.25% increase in employer National Insurance Contributions (NICs) from April 2022. This equates to a pressure on the council's General Fund employee costs of at least £2m per annum. There will be a further related pressure on ring-fenced areas of the council's budget such as the Housing Revenue Account (HRA) as well as on the council's contracts.

Employer pension contributions are expected to be broadly unchanged in 2022/23 based on the 2019 triennial pension fund valuation, with the funding strategy to be agreed for the 2023/24 budget (and over the medium term) following the 2022 valuation.

The MTFS provides for contract and non-pay inflation that cannot be managed within existing budgets. This includes the significant impact on adult social care contracts of the National Living Wage (from £8.91 to £9.50 per hour), London Living Wage (from £10.85 to £11.05 per hour) and National Insurance (1.25% increase) increases. It also includes provision for the potential impact of rising energy costs. Rising inflation, particularly in relation to fuel and energy costs, but also in respect of the headline rate that can impact on the cost of contracts, represents a significant medium-term budget pressure for the council.

A further, significant cost pressure for the council is the increasing quantum and complexity of demand for council services. Based on latest estimates, the MTFS assumes demographic budget growth of £3.057m in 2022/23 and, on average, in the region of £5m per annum over the medium term. This is the net growth requirement after planned management actions to mitigate cost increases. There is considerable uncertainty around these estimates due to the unknown lasting impact of the pandemic on demand, a rising and ageing population with more complex needs and potential economic downturn impacts going forward.

The Office for Budget Responsibility (OBR) published the Economic and Fiscal Outlook alongside the Spring Statement in March 2022. The key points included:

- Forecast GDP growth of 3.8% in 2022, 2.2% less than forecast in October. This slows to 1.8% in 2023 as the rebound from the pandemic stabilises.
- Consumer Price Inflation (CPI) was forecast to average 7.4% in 2022 and to peak at almost 9%, the highest level in almost 40 years (this has already proved an under-estimate). Real wages are just 3% above pre-pandemic levels indicating that the high levels of inflation, combined with net tax increases from April, will put pressure on household budgets.
- The Bank of England base rate of interest was forecast to peak at around 1.9% in 2023.
- Public Sector Net Borrowing (shortfall in income compared to spending) was forecast to reduce from £322bn in 2020/21 to £128bn in 2021/22. Borrowing in 2022/23 was forecast at £99bn.
- Interest costs on government debt were set to reach a record-high of £83bn in 2022, double the previous forecast and four-times the amount spent on debt interest last year. The public finances will need be managed in the context of high, and increasing, government borrowing costs.
- Unemployment is expected to be 3.9% in the first quarter of 2022, a reduction of 1.1% from the October forecast due to high vacancies and low redundancies. Unemployment is expected to settle at 4.1% over the medium term.

On 3 March 2022, the council agreed a capital programme of £614.6m over the three years from 2022/23 to 2024/25 as shown below, as part of an indicative programme of £1,733.6m over the next 10 years.

Capital Programme 2022/23 to 2024/25	2022/23	2023/24	2024/25	Total
	£'000	*£'000*	*£'000*	*£'000*
Corporate Landlord Service	19,721	17,273	19,917	56,911
Environment	25,481	27,147	20,804	73,432
Homes & Neighbourhoods	168,607	168,632	147,049	484,288
Total	**213,809**	**213,052**	**187,770**	**614,631**

Corporate information summary

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

Key Islington Facts and Figures

- 15 square kilometres – the third smallest London borough.
- Growing population – 245,827 estimated in 2022, an increase of 19% or 39,189 since 2011 with an increase of 2.7% or 6,600 people expected over the next ten years.
- Second most densely populated authority in the country with 16,699 people per square kilometre, this is almost three-times the London average and more than 38-times the national average.
- Only 13% of the borough is green space, the second lowest for all authorities.
- Young – 18% under 18, only 9% over 65.
- Diverse population – 32% Black Asian or other Ethnic groups with 48% White British or Irish and 20% Other White, 32% born outside the UK.
- 5,157 people in the borough are on Disability Living Allowance (it is estimated that 14% of the population have a disability).
- 10,000 businesses.
- Economic inequality – the borough includes areas of affluence and significant deprivation, with almost every ward including neighbourhoods among the 20% most deprived in the country. Life expectancy varies significantly across the borough, but average life expectancy in Islington is amongst the lowest in London and significantly lower than the London and national average.
- Deprivation - Islington is the 53rd most deprived authority in England (as of 2019) and the 6^{th} most deprived in London. It has the tenth highest rate of child poverty nationally (the highest in London) and fourth highest rate of pensioner poverty in London.

Impact of COVID-19 on the council

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

Overall impact on budget and government support

It is expected that COVID-19 will continue to have an impact on the council's budget. Therefore, it is essential that the council has sufficient annual contingency budget and reserves to boost financial resilience and protect residents. The government has advised that councils should plan for no further funding in 2022/23 other than hardship funding announced in 2022 Spring Statement, and any funding confirmed in subsequent announcements.

Collection Fund deficits are being spread over 3 years (2021/22 to 2023/24). COVID-19 is expected to have some ongoing impact on council tax and business rates income beyond 2021/22.

Overall impact on services

COVID-19 has continued to have an impact during the past year on council services including adults' and children's social care, housing, registrars, democratic services, digital services, street markets, parks and leisure centres to name but a few. These impacts have been monitored on a regular basis by the council and included in returns to Department for Levelling Up, Housing and Communities. There may be some continuing impacts during 2022/23 as the economy and health and care services continue to recover from the pandemic.

Residents and Businesses

During the last year, the council has operated a borough-wide helpline to assist residents who are vulnerable or self-isolating because of COVID-19. The 'We are Islington' helpline offered assistance with food drops, medicine and other practical support, as well as arranging someone to talk to if people are feeling lonely while self-isolating. The council has received about £3.5m in 2021/22 from the government Hardship Fund to provide additional support with council tax costs and other hardship support for the least well-off residents.

The council has supported local businesses impacted by continuing restrictions during 2021-22 including those resulting from the Omicron variant in late 2021 and restart payments, funded by government grants.

Council Workforce

As at 29 March 2022, of those scheduled to work, 40% of staff were working from home, 38% were on site, and 22% unavailable.

Procurement and Supply Chains

The council has needed to adapt to a position of recovery and transition from the earlier stage of the COVID-19 outbreak. COVID-19 in isolation is unlikely to represent a specific decision for procurement. However, COVID-19 and the impact still has a significant impact on costs to our supply chain and businesses and schemes have remained in place to support businesses. The council's supply chain and local businesses have additionally been hit by inflation particularly in energy pricing from the wider fall out from what has happened in Russia and Belarus, albeit the council has not traded directly with Russian based organisations.

The government issued a Procurement Policy Note (PPN) 05/21 on a new National Procurement Policy Statement which requires the council to take account of national priority outcomes alongside any additional local priorities in their procurement activities. Those priorities include:

- Creating new businesses, new jobs and new skills
- Tackling climate change and reducing waste
- Improving supplier diversity, innovation and resilience.

These new national priorities are in line with the commitments the council has already made more aggressively than central government in the Progressive Procurement Strategy 2020/27 and other commitments, such as the Climate Emergency.

The council has updated Procurement Rules in line with new national thresholds and other legislative and policy commitments.

Islington Council Priorities

We stand up to and challenge inequality. We must focus on challenging inequality so that no one is left behind; so that all our residents are able to access opportunity and are empowered to achieve their goals. Structural inequalities continue to hold too many people in society back from reaching their full potential and we cannot realise our vision of a fairer borough if we do not tackle inequality head on, together, throughout all that we do. Everyone in Islington must play their part to challenge the status quo and call out discrimination and injustice, however uncomfortable it may feel.

We work in partnership with our communities. If we are to challenge inequality we need to know and understand our residents, their lived experience, their thoughts, views and ideas for change. We need to work with our communities and local Voluntary and Community Sector as equal partners, building on their knowledge and connections as co-deliverers of sustainable change. This shift towards a 'community paradigm' where service users are seen as creative collaborators to solve complex problems rather than as customers or passive citizens is one we will continue to champion into the future.

We are committed to early intervention and prevention. The evidence is clear that early intervention and prevention is the most effective way to improve outcomes for people at all ages. We must work with people and communities proactively, to uncover the story of their lives and wrap our services around them to help them achieve their goals. In doing so we will prioritise relationships and connections over processes and systems. We cannot underestimate the power of making connections, both between residents and their communities, and between services to make sure that the resident experience is seamless.

We embrace change and innovation. As we look to the future beyond the pandemic, we cannot go back to old ways of working, but must embrace the opportunities that increased use of digital and flexible working have brought us. We must go further and develop our ability to collaborate, test new ideas and take risks, both as an organisation and as individuals. The last year has shown us that radical shifts in behaviour at work and in the community are possible and we must exploit this as an opportunity to drive Islington forwards. We will do this by using cutting edge technology and developing our collective appetite for innovation.

We are driven by delivering impact for residents. Above all, our fundamental focus should always be on improving outcomes for our residents and this should shape the way we approach all aspects of our work. We need to make better use of data coupled with effective engagement and participation to understand the problems we are trying to solve and should also be able to demonstrate the impact our services have had on improving the lives of our residents. We will adopt agile principles to shift mind sets towards action, observing impact and results, over lengthy business cases.

Islington Council performance and priorities

Islington Council has a number of corporate objectives, which are set out below under the Directorates responsible. The achievement of these are measured through corporate performance indicators. The impact of COVID-19 has resulted in a number of services either pausing or changing delivery approach since lockdown. In some cases, this has impacted the performance the council has been able to achieve. The council's performance against some of the key performance indicators is outlined below.

Adult Social Services

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

Achievements

- Direct payments support people to have greater choice, independence and control over their lives. We have seen an improvement in direct payment performance, with 29% of service users receiving services in the community through direct payments (target of 30%).
- Hospital discharges have remained high throughout the pandemic. Adult social care teams have supported significantly more hospital discharges this year compared to pre-pandemic levels
- Comprehensive review, re-design and recommissioning of our mental health accommodation pathway and our Carer's Hub. To improve access, enhance opportunity for autonomy, reduce length of stay in acute inpatient mental health settings and reduce out of area placements, improving maximisation of independence and quality of life. The offer proposed will enable carers to be supported throughout and beyond the time of their caring role, responding to their multiple needs whether these be financial, social, emotional, psychological or physical.

Challenges

- In the past year, Adult Social Care has seen an increase in hospital discharges, safeguarding concerns and complex cases. The change in demand due to the pandemic has affected the overall number of new admissions to care homes. This year there were 199 new admissions to care homes, above the target of 159.
- In August 2021 an audit of safeguarding practice identified a need for improvement in both processes and practice. This lead to a significant investment of time and effort into quality assurance panels, revised guidance and support for staff. Two follow up audits were completed by internal audit and a recent review by Care and Health Improvement Programme indicated significant improvement in quality and timeliness.
- Nationally the domiciliary home care market, specifically its workforce, has been significantly impacted by the COVID-19 pandemic and rising cost of living, resulting in shortage of workforce and overall reduced capacity. We have seen some similar tends locally but to a far less extent, as we have mitigated the impact with our commitment to London Living Wage, fairer contracts. As well as close alliance with I-Work as part of the Health and Social Care Academy providing a local recruitment portal, attracting new people into the workforce and ensuring they can develop the necessary skills

Children's Services

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

Achievements

- 72% take up of 2 year old Funded Early Education Entitlement places by low income families, children with Special Educational Needs or Disabilities (SEND) or who are looked after, which was 6% points above the target based on the Inner London average (KPI joint with Fairer Together).
- 97.3% (target: 96.8% or higher) of Islington school leavers had an offer of a suitable place to continue in education or training by the end of September 2021. This exceeds the London (96.6%), South East (93.2%) and National (95.5%) position.
- Youth Justice Service measures all represented an improvement when compared to 2019/20 (2020/21 was affected by lockdown restrictions so 2019/20 is a better comparison statistically) – these include first time entrants into youth justice system at 45 (61 in 2019/20), percentage of repeat young offenders under 18 at 20% (37% in 19/20) and the Youth Justice Board sub-measure at 26.3% (30.8% in 19/20). The number of custodial sentences imposed for young offenders was also lower at 4 compared to 7 in 19/20.

Challenges

- Rising numbers of Looked After Children – The provisional figure of 389 in Q4 is above the agreed ambition of 357. There has been a marked increase since October 2021, peaking at 397 in February 2022. This is due to the large numbers of children that became Looked After in 2 months in Q3 and 4, which included a substantial increase in Unaccompanied Asylum-Seeking Children.
- Secondary school persistent absence figure of 18.6% for 2020/21 academic year is above the Inner London target of 13.8%. Persistent absence was higher after the summer term than it was at the end of the Spring term. Persistent absence rates in two secondary schools were better than the Inner London average. However, persistent absence rates rose above 20% in half of Islington's secondary school making this an ongoing top priority. This is driving a revised and strengthened multi agency approach.
- Suspensions - Data for 2020/21 shows fixed period exclusions have reduced for many schools, but there were substantial increases at a small number of schools that pushed up the average, particularly amongst the secondary schools.

Community Wealth Building

- Reduce levels of long-term unemployment and worklessness
- Help residents get the skills they need to secure a good job
- Ensure Development is well planned
- Promoting an inclusive economy

- Provide practical support to help residents cope with the cost of living

Achievements

- Over 2,000 local residents supported into paid jobs in 2021/22 – far surpassing the target of 1,000 and a remarkable achievement in the light of the economic impacts of the pandemic.
- Over £5million additional income secured per annum for low income households, due to targeted work undertaken by our Income Maximisation Team to help residents claim the benefits they are entitled to. Key campaigns included Pension Credit and Disability Benefits.
- 92 residents supported into apprenticeships through local employers and council contractors, well above the target of 50.

Challenges

Faced challenges in encouraging residents back into face-to-face learning following the pandemic, exemplified by:

- 900 enrolments so far this year for our Adult Community Learning courses (target: 1,600);
- 208 enrolments so far of learners with a disability or long-term health condition (target:360)
- 745 enrolments of learners from Black, Asian and Minority Ethnic communities (target: 1,232).

Environment

- Keep the streets clean and promote recycling
- Make it easier and safer for people to travel through the borough and beyond
- Take positive action to combat climate change through reducing our carbon emissions
- Make sure residents have access to high quality parks, leisure facilities and cultural opportunities

Achievements

- Installed 401 secure cycle parking facilities over the last four years, with space for over 2,400 bikes
- Reduced council carbon emissions from operational buildings by 50% over 20/21
- Reduced average monthly missed waste collections to 262, a 9% reduction on 20/21

Challenges

- Fell 64 short of the 400 target for EVCPs
- Household recycling at Q3 was 29.3% against the 32% target.
- Post Covid, getting Leisure visits back up over 2 million a year

Fairer Together

- Make sure young children get the best start
- Keep children safe and secure
- Help residents to feel socially active and connected to their community
- Continuing to be a well-run council

- Harnessing technology for benefit of residents and staff / help residents to live independently

Achievements

- We exceeded our target for the Supporting Families programme: achieving 502 families against a target of 459 by the end of Q3
- Made good progress on delivery of the Challenging Inequality Programme. The programme sets out what we are doing to tackle inequality in our capacity as an employer, strategic leader, and service provider/ commissioner. We were recognised for our good work winning the GG2 Leadership and Diversity Award for Local Government and are shortlisted as a finalist for the LGC Diversity and Inclusion award.
- Re-opening 222 Upper Street front of house on 25 April 2022
- Held staff development sessions to drive up excellence in commissioning

Challenges

- Bright Start registrations: data shows that the proportion of under 1s registered with Bright 2Start is currently 34.3% and the proportion of 1-2YOs registered with Bright Start is 47.3%, compared with 67.4% of the 0-4s population. This demonstrates the impact of the pandemic on our ability to reach families over the past two years. Increasing registration and engagement in particular with the most vulnerable is now a key focus for the early childhood partnership.
- Tackling inequality is an ongoing endeavour. Whilst we have made good progress, we realise there is still a lot to do.
- Resourcing of staff for We Are Islington and Track and Trace whilst continuing to deliver business as usual services

Homes and Neighbourhoods

- Increase the supply and choice of genuinely affordable homes
- Ensure effective management of council housing
- Prevent homelessness and support rough sleepers
- Make sure fewer young people are victims or perpetrators of crime

Achievements

- 4.5% (target: 4.7%) rent arrears as a proportion of the rent roll - LBI
- 88.5% (target: 85%) LBI repairs fixed first time
- 46 (target: 27) high-risk victims successfully exiting the Community MARAC

Challenges

- 10 (target: 95) genuinely affordable new homes completed by the council
- 5.4% (target: 4.9%) PFI rent arrears
- 403 (target: 365) households in nightly booked temporary accommodation.

Public Health

- Support people to live healthy lives

Achievements

- Smoking remains the single largest cause of early, preventable deaths in Islington. During 2021/22, between 57% - 62% (target 50%) smokers using Stop Smoking Services have successfully quit each quarter (measured at 4 weeks after quit rate).
- By Q3, 1,395 Long-Acting Reversible Contraception (LARC) prescriptions had been provided by local integrated sexual health services already exceeding the annual target of 1,110, despite being deeply affected by Covid-19 restrictions
- At the start of 2021/22, 11 child health clinics were being delivered weekly and by Q3 all 13 clinics were being delivered, matching pre-pandemic levels.

Challenges

- Between 12.5% - 13.8% (target 20%) of drug users each quarter completed treatment and did not represent in 6 months.
- Between 33.1% - 37% (target 42%) of alcohol users successfully completed treatment by Q3. During the pandemic the service reported an increase in demand for alcohol interventions, with a number of previous service users reporting not being able to manage recovery during the lockdown and have subsequently begun drinking once more.
- Population vaccination coverage MMR2 (measles, mumps and rubella) (Age 5) achieved a range of 68-70% by the end of Q3, close to the pre-pandemic plateau of around 70%.

Resources

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

Achievements

- Ended the year with a provisional net General Fund position of £3.205m underspend (target: +/- £1m)
- 26% (target 22%) Black, Asian and Minority Ethnic staff within the top 5% of earners
- 8% (target 6%) disabled staff within top 5% of earners

Challenges

- 93.6% (target 96.7%) of Business Rates collected in-year
- 94.1% (target 95.3%) of Council Tax collected in-year
- 82% (target 90%) of Freedom of Information Requests processed within target (20 working days)

Staffing

Headcount at end of March 2022

The latest available council's employee headcount (March 2022) is 4,773, an increase of 44 people in the last year. The gender, disability and ethnicity breakdown for Islington staff is as follows:

Staff Breakdown by Gender	
Female	53%
Male	47%

Staff Breakdown by Ethnicity	
White	51%
Black, Asian and Minority Ethnic	42%
Not Stated	7%

Staff Breakdown by Disability	
No	48%
Not Stated	43%
Yes	9%

Key Risks

We continue to see further stabilisation in risk scores as the impact of Covid-19 is no longer as acute and as unpredictable as in the previous year. The council has articulated 28 Principal Risks as at May 2022. Despite six Principal Risks reducing in overall risk score since the previous year, the council is still operating in a heightened risk environment, with 24 risks scored above the agreed target score (86%). A key factor in our external risk environment is the situation in Ukraine which has exacerbated already rising energy prices.

Key risk themes are currently presenting as follows:

- **Inflation** – a sharp increase in inflation, primarily driven by rising fuel and energy costs, is pushing up the cost of living. Inflation is a factor in most risk areas, most notably Financial Resilience of Residents and the New Homes Programme with increasing cost of construction materials putting pressure on contractors to deliver within budget. Increased financial pressure on families could lead to a rise in Youth Crime and Domestic Violence Abuse;
- **Financial Resilience of the Council** – the medium-term financial outlook for local government remains highly uncertain. Local authorities continue to receive annual funding settlements which restricts future planning. There are also potential government funding reforms on the horizon that could have a significant impact on council funding. The main financial risks identified include Financial Stability and Resilience and Volatility in the Energy Market;
- **Recruitment Market** – a challenging recruitment market is affecting the council's, and its providers', ability to resource specialist staff, for example in IT, social care and construction sectors. The council is working with specialist agencies to attract staff resource.

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

No.	Risk	Comments
1.	Financial Stability and Resilience	The council is forecasting a net balanced budget position in 2021/22 and has recently set a balanced budget for 2022/23, The 2022/23 budget includes some provision for inflation being high over the medium term. The risk trend is therefore assessed as stable for the next 12 months. There is however a significant budget gap to close over the medium-term outlook to 2025/26.
2.	Volatility of energy market cause budget pressures for the council, schools and residents	An unpredictable fuel and energy market has given rise to significant risk to the council's energy purchasing. The forward trend is assessed as increasing as uncertainty is expected to remain high until the end of the war in Ukraine.
3.	Declining financial resilience of residents	Global uncertainty is adding to an already difficult financial outlook and the cost-of-living crisis is likely to remain over the next few years. This will present challenges for residents to remain financially resilient, a significant proportion of whom already face long-term income deprivation. The risk trend is therefore assessed as increasing over the next 12 months. The council will continue to target support to our most vulnerable households through the Community Financial Resilience function and associated support.
4.	Covid-19 Outbreak Control	Many national mechanisms to manage Covid-19 outbreaks were removed by end of March 2022. Resources for the council's public health response has been tapered down but could be stepped up again if required. Local support to vulnerable settings is being maintained. Although the next 12-18 months is still a period of substantial uncertainty, the risk trend is assessed as stable as overall risk exposure has reduced.
5.	Cyber and Data Security Breach	The external risk continues to increase, and this is balanced by our continuous work to improve cyber resilience, including staff awareness and training. The situation in Ukraine is expected to lead to a further increase in malicious cyber activity and therefore the risk trend is assessed as increasing over the next 12 months.
6.	Diversity and Inclusion	The programme of work to address diversity and inclusion is progressing well and integrated with the wider Challenging Inequality Programme.
7.	Increased incidents of youth crime and serious youth violence impact on the council's ability to respond adequately	The overall risk profile has reduced in the last year based on the decreasing trend in incidents of serious youth violence, the progress made so far on the Youth Safety Strategy, the funding increase for the service, and the council's new youth offer. External factors for this risk remain challenging but the risk trend is assessed as stable due to the council's ability to respond.

No.	Risk	Comments
8.	Failure to address and challenge social inequalities	Covid-19 and the current cost of living crisis have deepened inequalities and we are working on addressing this through the Challenging Inequalities programme and the Inequality Taskforce. Whilst there have been some positive shifts in the last 12 months, our approach is still developing, and the risk trend is assessed as increasing due to the challenging external context.
9.	Serious information breach or non-compliance with legislation	The Information Governance Team has strengthened collaboration with Information Asset Owners to embed the devolved accountability model. The risk trend has stabilised following the EU's decision on the adequacy of UK's data protection legislation following EU Exit.
10.	Social care market instability cause provider failure or withdrawal	Over the last twelve months, providers have been supported financially through recruitment and retention grants which has supported their sustainability and ability to flex to meet additional responses that COVID has required. Increase in cost of energy, London Living Wage and inflation may increase provider instability and costs to the council and there is therefore an increasing risk trend for the next twelve months.
11.	Safeguarding Adults- Failure to identify or respond to preventable harm	A new quality assurance process had been developed for all packages of care and placement decisions, which is being embedded over the next few months. The risk trend remains stable.
12.	Not achieving the declared net zero carbon target (by 2030)	The net zero carbon programme is progressing well, with eight delivery work streams, each headed by a service director and supplemented with work stream leads. The first annual report on progress against the Net Zero Strategy is due in June 2022. Risk trend continues to be stable.
13.	Commissioning, procurement and contract management operating model fails to maximise value for money and social value outcomes	The progressive procurement strategy has established a clear direction and priorities, focused on in-house delivery and social value. However, the underpinning operating model is fragmented and insufficiently robust, risking the delivery of key strategic outcomes as well as generating value for money and compliance risks and issues. A corporate review of the operating model is being mobilised and will deliver a strengthened approach during 22/23 and there is a stable outlook for the next 12 months.
14.	Health and Social Care Integration -Insufficient capacity and resource to meet need	The Health & Social Care Integration White Paper published in February 2022. However, uncertainty about funding and how the model will work in practice remains and the risk trend remains increasing.

No.	Risk	Comments
15.	Non-Recent Child Abuse – Failure to deliver support payment scheme	The support payment scheme was formally agreed by Executive in October 2021 and under development, including the establishing of performance arrangements and financial monitoring. The risk trend remains stable.
16.	Serious Health & Safety incident in housing (Including Fire Safety)	The Fire Safety Act 2021 is coming into force in October 2022 and the council is working on delivering an action plan to ensure compliance with the new requirements, as well as the upcoming Building Safety Act. Risk trend remains stable.
17.	Serious H&S Incident (Occupational)	Covid-19 risk has reduced and incorporated into business-as-usual precautions in the workplace for all infectious diseases. The council is reviewing Health & Safety leadership and governance to strengthen the service. Risk trend remains stable with ongoing mitigation and monitoring in place.
18.	Safeguarding Children – Safeguarding practice and provision for children and young people are ineffective	The complexity of need has increased overall, and the impact of Covid-19 has increased pressures on families. There are also pressures in the recruitment market. Despite this, staffing has consistently been at a level where we are able to respond appropriately to safeguarding concerns. Overall, this risk has reduced since the service returned to face-to-face contact when Covid-restrictions were removed.
19.	Capital Programme slippage and/or delivery failure	The Capital Programme has an expected spend over 3 years of £539 million. It has grown significantly and therefore slippage and delivery risks are increasingly material. New capital governance arrangements were introduced in 2020 and these will be refreshed during 22/23 including closer alignment between financial and programme monitoring. The risk trend remains stable.
20.	Failure to respond to increase in domestic violence abuse	The expected spike in cases due to lockdown in 2021 did not materialise, but there has been a steady increase in safeguarding referrals over the year, many which have an element of domestic violence. The trend has stabilised as the council is well-resourced in this area and has capacity to respond to increase in cases.
21.	Well managed workforce to deliver corporate priorities	HR policies and procedures have been reviewed and simplified to support management of this risk. Key actions are due to be completed in 2022 which will reduce the risk when embedded. The risk trend is therefore assessed as improving.
22.	New Homes Programme delivery	The acute supply chain disruptions due to Covid-19 have reduced although some unpredictability remains. The council is working closely with contactors to monitor their supply chain risk management and the risk trend remains stable.

No.	Risk	Comments
23.	Effective IT Transformation and Resilience	A number of IT projects are reaching completion in summer 2022 which will improve resilience. The risk trend is assessed as stable over the next 12 months.
24.	Change Programme Delivery	Monthly Transformation Board meetings ensure a continuous focus on strategy, accountability and impact of key strategic programmes. The risk trend remains stable.
25.	Pupil attainment gap - Systemic failure to promote attendance and quality provision and interventions	Schools have continued the National Catch-up programme to support vulnerable pupils. Secondary schools have been issued guidance on GSCE and A level requirements for assessments in June 2022. In February 2022, new guidance was issued in line with the removing of national restrictions. A new strategy in being put in place to reduce covid impact on attainment and the risk trend remains stable.
26.	Failure to effectively respond and recover from critical incident as a service (organisational preparedness, resilience and business continuity)	Islington has stepped down its emergency command structure for the Covid-19 response. The Emergency Planning Team is reviewing business contingency plans for services as well as developing bespoke plans for specific incident types. As the service has moved away from Covid-19 response and back to business as usual, the risk trend is assessed as stabilised.
27.	School viability and place planning - Failure to implement a coherent strategy for managing the demand of school places impact the pattern of provision and schools' viability	Individual school balances have been in decline since 2019 caused by falling rolls, combined with increasing SEND and increasing cost pressures such as rising energy costs. A school organisation plan for 2022-2025 is in development and the outlook for the next 12 months is assessed as stable.
28.	Serious fraudulent activity	The risk level remains unchanged from the previous year. However, the risk trend has stabilised as the expected increase in fraud emanating from Covid grants did not materialise.

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

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

The Chief Financial Officer's responsibilities

The council's designated Chief Financial 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 CFO is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing these Statements of Accounts, the CFO has:

- selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Code.

The CFO has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Draft Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2022 and of its income and expenditure for the year then ended.

David Hodgkinson
Corporate Director of Resources
30 September 2022

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 2021/22	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31 March 2021 carried forward	**26,773**	**140,451**	**17,521**	**91,508**	**19,101**	**5,271**	**2,971**	**303,596**	**3,080,660**	**3,384,256**
Movement in reserves during 2021/22										
Total Comprehensive Income and Expenditure	(31,514)	-	26,729	-	-	-	-	(4,785)	334,913	330,128
Adjustments between accounting basis & funding basis under regulations (Note 13)	45,441	-	(60,000)	-	22,925	(1,070)	7,797	15,093	(15,093)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**13,927**	**-**	**(33,271)**	**-**	**22,925**	**(1,070)**	**7,797**	**10,308**	**319,820**	**330,128**
Transfers to/(from) Earmarked Reserves (Note 27)	(10,668)	2,837	33,271	(33,271)	-	-	7,831	-	-	-
Increase/ (Decrease) in 2021/22	**3,259**	**2,837**	**-**	**(33,271)**	**22,925**	**(1,070)**	**15,628**	**10,308**	**319,820**	**330,128**
Balance at 31 March 2022 carried forward	**30,032**	**143,288**	**17,521**	**58,237**	**42,026**	**4,201**	**18,599**	**313,904**	**3,400,480**	**3,714,384**

The General Fund carried forward balance of £30,032k comprises of £21,718k General Fund balances and £8,314k of school reserves as shown in the expenditure and Funding analysis footnote (Note 11).

Movement in Reserves 2020/21	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 2020 carried forward	**27,872**	**80,258**	**17,521**	**90,888**	**39,223**	**21,909**	**3,474**	**281,145**	**2,425,054**	**2,706,199**
Movement in reserves during 2020/21										
Total Comprehensive Income and Expenditure	39,259	-	22,299	-	-	-	-	61,558	616,492	678,050
Adjustments between accounting basis & funding basis under regulations (Note 13)	19,835	-	(21,679)	-	(20,122)	(16,638)	(503)	(39,107)	39,107	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**59,094**	**-**	**620**	**-**	**(20,122)**	**(16,638)**	**(503)**	**22,451**	**655,599**	**678,050**
Transfers to/(from) Earmarked Reserves (Note 27)	(60,193)	60,193	(620)	620	-	-	-	-	-	-
Increase/ (Decrease) in 2020/21	**(1,099)**	**60,193**	**-**	**620**	**(20,122)**	**(16,638)**	**(503)**	**22,451**	**655,599**	**678,050**
Balance at 31 March 2021 carried forward	**26,773**	**140,451**	**17,521**	**91,508**	**19,101**	**5,271**	**2,971**	**303,596**	**3,080,660**	**3,384,256**

Comprehensive Income and Expenditure Statement

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

2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000	Notes
121,309	(46,907)	74,402	Adult Social Services	129,014	(52,392)	76,622	
161,641	(78,616)	83,025	Children Services (excluding Schools)	146,650	(53,492)	93,158	
59,710	(122,778)	(63,068)	Schools	169,490	(160,620)	8,870	
79,391	(54,773)	24,618	Environment	91,799	(71,155)	20,644	
33,413	(15,773)	17,640	Homes and Neighbourhoods	33,648	(17,984)	15,664	
32,123	(39,268)	(7,145)	Public Health	34,273	(33,839)	434	
6,738	(400)	6,338	Fairer Together	7,871	(842)	7,029	
34,600	(22,960)	11,640	Community Wealth Building	42,965	(26,536)	16,429	
1,546	(372)	1,174	Chief Executive	2,268	(318)	1,950	
188,844	(161,456)	27,388	Resources	184,821	(154,424)	30,397	
22,638	(9,948)	12,690	Corporate Items	27,410	(13,143)	14,267	
192,760	(224,503)	(31,743)	Housing Revenue Account (HRA)	208,306	(227,874)	(19,568)	
934,713	**(777,754)**	**156,959**	**Net Cost of Services**	**1,078,515**	**(812,619)**	**265,896**	
27,425	(11,402)	16,023	Other Operating expenditure	16,688	(28,042)	(11,354)	**14**
60,102	(6,265)	53,837	Financing and investment income and expenditure	47,690	(9,638)	38,052	**15**
19	(288,394)	(288,375)	Taxation and non-specific grant income	1	(287,810)	(287,809)	**16**
1,022,260	**(1,083,815)**	**(61,556)**	**(Surplus) or Deficit on Provision of Services**	**1,142,894**	**(1,138,109)**	**4,785**	
		(656,357)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(210,614)	**17**
		5	(Surplus) or deficit from investments in equity instruments designated at fair value			(7)	**28**
		39,860	Actuarial (gains) or losses on pension assets / liabilities			(124,292)	**28**
		(616,492)	**Other Comprehensive Income and Expenditure**			**(334,913)**	
		(678,048)	**Total Comprehensive income and Expenditure**			**(330,128)**	

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 2021 £'000	Balance Sheet	31 March 2022 £'000	Notes
4,773,583	Property, Plant & Equipment	5,019,138	17
487	Heritage Assets	487	
32,633	Investment Property	39,259	18
813	Long Term Investments	10,795	22
12,582	Long Term Debtors & Prepayments	6,724	25
4,820,098	**Total Long-Term Assets**	**5,076,403**	
152,097	Short Term Investments	95,661	22
281	Short Term Assets Held for Sale	476	
1,295	Inventories	1,205	
116,941	Short Term Debtors	107,147	25
6,889	Cash and Cash Equivalents	14,713	29
277,503	**Total Current Assets**	**219,202**	
(184,948)	Short Term Creditors	(202,727)	24
(112,246)	Short Term Borrowing	(31,803)	22
-	Cash and Bank Overdrawn	-	29
(26,216)	Short Term Provisions	(27,341)	26
(34,175)	Short Term Grants Receipts in Advance	(39,666)	37
(357,586)	**Total Current Liabilities**	**(301,537)**	
(13,001)	Long Term Provisions	(12,154)	26
(263,275)	Long Term Borrowing	(245,604)	22
(973,521)	Liability Related to Defined Benefit Pensions Scheme	(916,793)	35
(82,988)	Other Long-Term Liabilities	(81,841)	22
(22,978)	Long Term Grants Receipts in Advance	(23,292)	37
(1,355,763)	**Total Long-Term Liabilities**	**(1,279,684)**	
3,384,252	**Net Assets**	**3,714,384**	
303,595	Usable Reserves	313,904	MIRS
3,080,657	Unusable Reserves	3,400,480	28
3,384,252	**Total Reserves**	**3,714,384**	

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.

2020/21 *£'000*	Cash Flow Statement	2021/22 *£'000*
61,557	**Net surplus or (deficit) on the provision of services**	**(4,785)**
91,765	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	165,057
(29,378)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(59,338)
123,944	**Net cash flows from Operating Activities (Note 30)**	**100,934**
(109,972)	Investing Activities (Note 31)	(4,231)
(34,815)	Financing Activities (Note 32)	(88,879)
(20,843)	**Net increase or (decrease) in cash and cash equivalents**	**7,824**
27,732	Cash and Cash equivalents at the beginning of the reporting period	6,889
6,889	**Cash and cash equivalents at the end of the reporting period (Note 29)**	**14,713**

Notes to the Accounts

1. Accounting Policies

i) General Principles

The Statement of Accounts summarises the council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2022. 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 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

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

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

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

iii. Cash and Cash Equivalents

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

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

iv. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual Minimum Revenue Provision (MRP) 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 way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

v. Council Tax and Non-Domestic Rates

Islington Council (as a Billing authority) acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal, collecting council tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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 Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows

vi. 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 2.8% (based on the indicative rate of return on high quality corporate bonds [Sterling Corporate Index, AA over 15 years]).

The assets of both pension funds attributable to the council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pension's liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions (scheme amendment or curtailment) whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate items.
  - Net interest on the net defined benefit liability (i.e. net interest expense for the authority) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account

any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
    - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Islington Council and LPFA pensions fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii. Events after the Balance Sheet Date

This refers to events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the council's Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period (Balance Sheet date) – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

The council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. 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 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 Comprehensive Income and Expenditure Statement 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 and 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 and Investment Expenditure line in the Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Expected Credit Loss Model

The council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair value through other comprehensive income (FVOCI)

This applies where cash flows are solely payments of principal and interest and the council's business model for managing the assets is to collect those cash flows and to sell the assets.

However, the council holds equity investments that would otherwise be accounted for under FVPL but has elected for these to the accounted for as fair value through other comprehensive income.

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

ix. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve.

Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

x. Community Infrastructure Levy

The council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new build properties (chargeable developments for the council) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

xi. Interests in Companies and Other Entities

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

xii. Investment Property

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

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

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

xiii. Joint Operations

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

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

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xv. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual 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
- Community Assets and Assets under Construction – Depreciated historical cost.
- Infrastructure – depreciated historical cost basis. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value or EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for in the following way:

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Components which are integral part of the host asset are held under the same asset class as the host.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Assets under Construction

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

xvi. Private Finance Initiative

PFI / Service Concession Agreements

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

Where the council is deemed to control the services that are provided under its PFI schemes and other arrangements, and as ownership of the Property, Plant and Equipment will pass to the council at the end of the contracts for no additional charge, the council carries such assets on the Balance Sheet during the length of such contracts as part of Property, Plant and Equipment.

The original recognition of these non-current 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 non-current assets owned by the council.

The annual amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – Debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – An interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – Increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – Applied to write down the Balance Sheet liability towards the PFI operator ((the profile of write-downs is calculated using the asset life method).
- Lifecycle replacement costs – Debited to the relevant service in the Comprehensive Income and Expenditure Statement.

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xviii. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, local taxation and retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

xix. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xx. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, where VAT collected is payable to HM Revenue and Customs and VAT paid is recoverable from them. Where VAT is not recoverable it is included as an expense.

xxi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance. Each service segment includes the appropriate charges for the use of its non-current assets and appropriate employee benefit accrued costs.

xxii. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority-maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the council.

xxiii. Fair Value Measurement of Non-Financial Assets

The council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each Balance Sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

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

2. Accounting Standards Issued, But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 Code. The following new standards and amendments to existing standards have been published and will be adopted in 2022/23:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
    - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
    - IAS 37 (Onerous contracts) – clarifies the intention of the standard
    - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

- IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (Amendment).

None of the above are expected to have a significant effect on the financial statements of the council.

3. Critical Judgements in Applying Accounting Policies

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

- 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 (2020/21) was £0.755m, and it had gross assets and liabilities of £1.006m and £0.957m respectively. None of its income was from the council however it paid £0.592m (of total spend £0.802m – 74%) to the council for services. ICo is not consolidated into the council's group accounts on grounds of materiality.
- PFI Accounting: The council has deemed 6 PFI / Service Concession schemes as on-balance sheet and the value of the assets used to deliver these schemes and the outstanding liability are shown on the council's balance sheet.

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

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

The items in the council's Balance Sheet as at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Any variation in these assumptions will affect the recognised liability, for example, if the assumed longevity increased by 1 year the net liabilities would increase by £79m. A further sensitivity analysis is provided in Note 35.

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

In the 2021/22 financial year 99.9% of the council's operational property assets were subject to an inspection and full valuation, which has minimised the uncertainty around potential impairment of assets that are not subject to valuation. A movement of 1% in PPE valuations would result in a change in asset value of c£47m and a change in depreciation charge c£0.4m in the CIES.

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

A 1 percentage point change in the Adjustment factor would change the valuation of Housing Stock, by £142m, and if the value of dwellings were to reduce by 1% this would lead to a reduction in value of about £35m.

5. Significant Agency Income and Expenditure

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

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

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

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

Adopt London North 2021/22							
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*
3,525	(567)	(604)	(694)	(449)	(444)	(768)	(3,525)

6. Pooled Budgets

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

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

Pooled funds are not legal entities. The partners in the pool will nominate one partner to be the 'host' to the pool. That 'host' has responsibility for the administration of the pool. The host partner is required to produce a memorandum account of the financial activity of the pool, which used to be subject to external audit certification until the requirement was discontinued. During 2021/22, 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) Mental Health Care of Older People (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 2021/22	**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	39,781	(32,617)	(7,164)	-	-	(39,781)
Intermediate Care Pooled Fund	6,619	(2,713)	(3,906)	-	-	(6,619)
Integrated Community Equipment Services Pooled Fund	1,992	(656)	(886)	-	(450)	(1,992)
Mental Health Commissioning Adult Mental Health Care	5,035	(2,701)	(2,334)	-	-	(5,035)
Carers Pooled Fund	953	(858)	(95)	-	-	(953)
MHCOP Pooled Fund	7,470	(3,910)	(3,560)	-	-	(7,470)
Mental Health Care Trust Pooled Fund	14,945	(2,807)	-	(12,138)	-	(14,945)
Better Care Fund	34,570	(16,016)	(18,554)			(34,570)
Totals	**111,365**	**(62,278)**	**(36,499)**	**(12,138)**	**(450)**	**(111,365)**

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

7. Members' Allowances

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

2020/21 £'000	Members' Allowances	2021/22 £'000
540	Basic Allowance	535
389	Special Responsibility Allowance	398
3	Other Allowances	5
932	**Total**	**938**

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

8. Officers' Remuneration

Senior officers' remuneration

The tables below show senior officers' remuneration in 2021/22 and 2020/21.

Senior officers' remuneration for 2021/22	Salary (Including fees & allowances)	Other Payments	Election Expenses	Total Remuneration excluding pension contributions	Employers Pension contributions	Total Remuneration including pension contributions
Post	£	£	£	£	£	£
Chief Executive - L Roberts-Egan	192,939	-	9,217	202,156	28,169	230,325
Corporate Director of Resources - D Hodgkinson	151,362	-	540	151,902	22,099	174,001
Corporate Director of Environment	143,604	-	539	144,143	20,966	165,109
Head of Communications & Change	88,209	55,819	-	144,028	12,879	156,907
Corporate Director of Homes & Neighbourhoods	135,486	-	539	136,025	19,781	155,806
Director of Public Health (i)	117,624	-	-	117,624	16,914	134,538
Corporate Director of Community Wealth Building (ii)	103,292	-	-	103,292	15,081	118,373
Corporate Director of Fairer Together (iii)	100,710	-	-	100,710	14,731	115,441
Director of Adult Social Services (iv)	64,293	-	-	64,293	9,389	73,682
Corporate Director of People - C Littleton (v)	49,041	-	-	49,041	5,581	54,622
Total	**1,146,560**	**55,819**	**10,835**	**1,213,214**	**165,590**	**1,378,804**

(i) 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.

(ii) The Corporate Director of Community Wealth Building was in from June 2021, the annualised salary was £132,804. Amount displayed reflects the period they reported to the Chief Executive.

(iii) The Corporate Director of Fairer Together was in post from June 2021, annualised salary was £132,804. Amount displayed reflects the period they reported to the Chief Executive.

(iv) The Director of Adult Social Care was in post from September 2021, the annualised salary was £114,018. Amount displayed reflects the period they reported to the Chief Executive.

(v) The Corporate Director of People was in post from April 2021 until July 2021, annualised salary was £154,305. Amount displayed reflects the period they reported to the Chief Executive.

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

(i) Corporate Director of Resources – Section 151 Officer from end of April 2020, annualised salary was £149,121.

(ii) The post of Director of Public Health is shared with London Borough of Camden and 52% of the remuneration shown in this note is recharged to them. Director of Public Health until October 2020, annualised salary was £119,622. Amount displayed reflects the period they reported to the Chief Executive.

(iii) The post of Deputy Director of Public Health is shared with London Borough of Camden and 52% of the remuneration shown in this note is recharged to them. Deputy Director of Public Health reported to Chief Executive from October 2020, annualised salary was £117,624. Amount displayed reflects the period they reported to the Chief Executive.

(iv) Director of Service Finance - Acting Section 151 Officer until end of April 2020, amounts displayed reflects the period they reported to the Chief Executive.

Senior officers' remuneration (Interim) for 2021/2022	Total Cost to the Council £
Interim Director of People (i)	203,550
Interim Programme Director - Localities (ii)	49,875
Interim Director of Corporate Transformation (iii)	53,049

i) Interim Director of People from May 2021.

ii) Interim Programme Director - Localities until June 2021.

iii) Interim Director of Corporate Transformation until June 2021.

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.

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

i) Interim Programme Director - Localities.
ii) Interim Director of Corporate Transformation.
The total cost to the council in the above tables is the amount paid to the agency for the interim post holder and does not necessarily represent the remuneration which the interim post holder received.

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

Remuneration bands above £50k

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

Remuneration Band	2020/21 Schools No of employees	2021/22 Schools No of employees	2020/21 Other No of employees	2021/22 Other No of employees
£50,000 - £54,999	111	103	223	239
£55,000 - £59,999	53	48	146	163
£60,000 - £64,999	45	38	77	107
£65,000 - £69,999	16	8	41	59
£70,000 - £74,999	10	15	25	30
£75,000 - £79,999	22	16	13	26
£80,000 - £84,999	7	9	13	10
£85,000 - £89,999	3	4	9	11
£90,000 - £94,999	4	1	15	10
£95,000 - £99,999	4	5	2	3
£100,000 - £104,999	2	4	1	3
£105,000 - £109,999	1	-	6	5
£110,000 - £114,999	2	2	1	6
£115,000 - £119,999	1	1	1	5
£120,000 - £124,999	1	-	5	4
£125,000 - £129,999	-	-	-	2
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	1
£145,000 - £149,999	-	-	-	-
over £150,000	-	-	-	-
Total	**282**	**254**	**578**	**684**

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

Termination Benefits

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

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£'000	£'000
£0 - £20,000	4	-	17	29	21	29	150	246
£20,001 - £40,000	3	-	8	4	11	4	349	114
£40,001 - £60,000	2	1	5	1	7	2	339	97
£60,001 - £80,000	-	-	-	2	-	2	-	143
£80,001 - £100,000	-	-	2	2	2	2	181	196
£100,001 - £150,000	-	1	2	2	2	3	219	401
Over £150,000	-	2	2	-	2	2	536	583
Total	9	4	36	40	**45**	**44**	**1,774**	**1,780**
Other costs associated with termination benefits							1	88
Total termination benefits							**1,775**	**1,868**

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 £88k other costs associated with termination benefits in 2021/22 relate to additional costs incurred relating to 2020/21 accruals estimates.

9. Material transactions with related parties

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

UK Central Government

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

Grants received from government departments in 2021/22 and grant balances held in receipts in advance are shown in Note 37.

Members / Officers

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

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

There are a number of organisations which are independent from the council but have an impact on its service areas. In order that the council can maintain effective partnerships with a number of these organisations, representatives of the council, usually elected councillors, sit on the various committees, boards and forums that are responsible for them. Details of these appointments are available on the council's website.

They are included in the table below.

Related Parties		**Income 2021/22**	**Expenditure 2021/22**	**Amounts owed (by)/to Islington Council 31 March 2022**
Organisation	**Nature of Relationship**	*£'000*	*£'000*	*£'000*
Members/Senior officers				
Voluntary organisations, charities and community groups	Seventeen members, one senior officer and one member's family member are involved in management of voluntary organisations, charities and community groups which transacts with Islington Council	148	1,194	14
Housing Associations	One member and one close relative of a member is involved in the management of a housing association which transacts with Islington Council.	16	12,958	650
Universities, Colleges & Schools	Three members and two senior officers are involved in the management of universities, colleges or schools which transact with Islington Council	951	5,556	305
Other Public Bodies				
NHS organisations	Five members and one senior officer 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).	41,643	23,143	13,466
Local authorities - Camden Council and City of London Corporation	Islington Council transacts with other local authorities. Camden Council and City of London Corporation are the main authorities that Islington Council transacts with.	6,086	4,011	3,231
North London Waste Authority	Two members are board members of this organisation.	1,622	7,890	1,529
Other Public Bodies	Twelve members and one senior officer hold positions of influence in public organisations which transact with Islington Council	37	85	(1)
Entities Controlled or Influenced by the Authority				
Transform Islington	Transform Islington has a number of design, build, finance and operate contracts with LBI lasting 25 years. LBI holds a 10% shareholder rights in Transform Islington.	-	14,862	(380)
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.	247	773	89
Lee Valley Regional Park Authority	One member is a board member for this organisation. Islington Council partly funds this organisation through a levy on the council tax.	-	156	-

Related Parties Organisation	Nature of Relationship	Income 2021/22 £'000	Expenditure 2021/22 £'000	Amounts owed (by)/to Islington Council 31 March 2022 £'000
Subsidiaries	Islington Ltd is a wholly owned subsidiary of the council. Three senior officers are on the board of this organisation.	532	28	1,343
Other Related Parties				
Islington Council Pension Fund	As administrator of the pension fund, the council has direct control of the fund. The related party figures shown here differ from those reported in the Pension Fund financial statements due to timing differences.	1,343	5,410	(369)

10. Fees payable to the Appointed Auditor

In 2021/22, Islington Council incurred the following fees relating to external audit:

2020/21 £'000	Fees Payable to the Appointed Auditor	2021/22 £'000
Audit Services		
285	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	252
Audit Related Services		
30	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	41
Non-Audit Services		
10	Fees payable in respect of non-audit services provided by the appointed auditor during the year	-

* 2020/21 has been restated to reflect an additional fee in relation to the external audit of the Statement of Accounts for 2020/21 by the council's External Auditors Grant Thornton (UK) LLP. The additional fee of £53,421 in addition to the previously estimated total takes the cost for 2020/21 to £285,000 (£128,821 over the PSAA Scale Fee) and has been approved by Public Sector Audit Appointments Limited (PSAA).

11. Expenditure and Funding Analysis

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

2020/21 Net Expenditure Chargeable to the General Fund and HRA Balances £'000	2020/21 Adjustments between the Funding and Accounting Basis £'000	2020/21 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Expenditure and Funding Analysis	2021/22 Net Expenditure Chargeable to the General Fund and HRA Balances £'000	2021/22 Adjustments between the Funding and Accounting Basis £'000	2021/22 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
73,025	1,377	74,402	Adult Social Services	72,792	3,830	76,622
79,726	3,298	83,025	Children (excluding Schools)	83,144	10,014	93,158
1,128	(64,196)	(63,068)	Schools	(3,920)	12,790	8,870
10,554	14,064	24,618	Environment	(5,607)	26,251	20,644
4,370	13,270	17,640	Homes and Neighbourhoods	3,758	11,906	15,664
(7,515)	369	(7,146)	Public Health	(221)	655	434
5,522	816	6,338	Fairer Together	6,047	982	7,029
11,089	551	11,640	Community Wealth Building	12,728	3,701	16,429
892	282	1,174	Chief Executive	1,514	436	1,950
23,950	3,438	27,388	Resources	25,424	4,973	30,397
(261,831)	274,520	12,688	Corporate Items	(209,584)	223,851	14,267
(621)	(31,122)	(31,743)	Housing Revenue Account	33,271	(52,839)	(19,568)
(59,711)	**216,667**	**156,956**	**Net Cost of Services**	**19,346**	**246,550**	**265,896**
-	(218,513)	(218,513)	Other Income and Expenditure	-	(261,111)	(261,111)
(59,711)	**(1,846)**	**(61,557)**	**(Surplus) or Deficit**	**19,346**	**(14,561)**	**4,785**
(216,539)			Opening General Fund and HRA Balance	(276,250)		
(59,711)			Less Deficit on General Fund and HRA Balance in Year	19,346		
			Transfer from General Fund Earmarked Reserves to Capital Grants unapplied	7,829		
(276,250)			Closing General Fund and HRA Balance	(249,078)		

31 Mar 20		31 Mar 21	General Fund and HRA Balances	31 Mar 21		31 Mar 22
(16,664)	-	(16,664)	General Fund Balance	(16,664)	(5,054)	(21,718)
(80,258)	(60,193)	(140,451)	General Fund Earmarked Reserves	(140,451)	(2,837)	(143,288)
(11,208)	1,099	(10,109)	Schools	(10,109)	1,795	(8,314)
(17,521)	-	(17,521)	HRA Balance	(17,521)	-	(17,521)
(90,888)	(620)	(91,508)	HRA Earmarked Reserves	(91,508)	33,271	(58,237)
(216,539)	(59,714)	(276,253)	Total	(276,253)	27,175	**(249,078)**

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes £'000	Adjustments for Pensions £'000	Adjustments between accounting policies for reporting £'000	Other Adjustments £'000	Total Adjustments £'000
Adult Social Services	472	3,380	-	(21)	3,831
Children (excluding Schools)	517	9,536	-	(38)	10,015
Schools	5,676	7,686	-	(573)	12,789
Environment and Climate Change	18,865	7,587	-	(201)	26,251
Homes and Neighbourhoods	10,985	940	-	(19)	11,906
Public Health	-	669	-	(13)	656
Fairer Together	-	980	-	2	982
Community Wealth Building	502	3,278	-	(79)	3,701
Chief Executive	-	447	-	(12)	435
Resources	-	5,026	-	(53)	4,973
Corporate	(35,077)	11,637	253,949	(6,658)	223,851
Housing Revenue Account	(34,908)	7,410	7,162	(32,503)	(52,839)
Net Cost of Services	**(32,968)**	**58,576**	**261,111**	**(40,168)**	**246,551**
Other Income and Expenditure	-		(261,111)	-	(261,111)
(Surplus) or Deficit	**(32,968)**	**58,576**	-	**(40,168)**	**(14,560)**

Adjustments for Capital Purposes

This column includes the following adjustments:

- Addition of depreciation, amortisation, impairments and revaluation gains and losses in the service lines as these are not chargeable under generally accepted accounting practices.
- Adjustment for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- A contribution from the Capital Receipts Reserve is made to compensate the General Fund for payments to the government capital receipts pool.
- Deduction of statutory charges for capital financing, including the Minimum Revenue Provision, as these are not chargeable under generally accepted accounting practices. Deduction of statutory charges relating to repayments of PFI and lease liabilities as these are not chargeable under generally accepted accounting practices.
- The movements in the fair value of investment properties are reversed out in the Comprehensive Income and Expenditure Statement as they are not proper charges to the General Fund.
- Capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Comprehensive Income and Expenditure Statement is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

- Adjustment in respect of revenue expenditure funded from capital under statute. The underlying revenue nature of the expenditure means that it will be debited to the Comprehensive Income and Expenditure Statement as it is incurred, but if the council applies the statutory provision to treat the expenditure as capital, it is reversed out of the Comprehensive Income and Expenditure Statement

Pensions Adjustments

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

- For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- The net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Adjustments between accounting policies for internal management and financial reporting

Adjustments to reclassify items which the Code dictates must sit outside Cost of Services in the Comprehensive Income and Expenditure Statement, but which are reported and managed internally under Corporate Services and the HRA. Notes 14, 15 and 16 provide a breakdown of the items that sit outside Cost of Services.

Other Adjustments

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- A transfer equivalent to HRA depreciation, and additional contributions required to sustain the HRA business plan, from the HRA to the major repairs reserve as these are not chargeable to the HRA under generally accepted accounting practices

- The charge representing the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

12. Expenditure and Income Analysed By Nature

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

2020/21 £'000	Expenditure and Income Analysed by Nature	2021/22 £'000
	Expenditure	
391,733	Employee expenses	421,190
579,883	Other service expenses	587,244
56,586	Depreciation	58,209
(79,760)	Revaluation (Gains) / Losses & Impairments	16,908
46,391	Interest expenses	42,598
8,080	Precepts & levies	7,718
3,720	Payments to the government Housing Capital Receipts Pool	3,781
15,626	Disposal of assets	5,246
1,022,259	**Total Expenditure**	**1,142,894**
	Income	
(327,813)	Fees, charges and other service income	(369,429)
(1,323)	Interest and investment income	(884)
(11,402)	Proceeds from the sale of assets	(28,042)
(165,155)	Income from council tax and non-domestic rates	(172,463)
(578,123)	Government grants and contributions	(567,291)
(1,083,816)	**Total Income**	**(1,138,108)**
(61,557)	**(Surplus) or Deficit on the Provision of Services**	**4,785**

13. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2021/22 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 Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	(25,834)	(32,375)	-	-	-	58,209
Revaluation gains / losses on Property Plant and Equipment	(234)	(16,674)	-	-	-	16,908
Impairment of Property Plant and Equipment	-	-	-	-	-	-
Movement in the fair value of Investment Properties	6,600	50	-	-	-	(6,650)
Capital grants and contributions applied	6,975	18,359	-	-	-	(25,334)
Revenue expenditure funded from capital under statute	(13,047)	(10)	-	-	-	13,057
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)	(4,980)	-	-	-	4,983
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	3,222	-	-	-	-	(3,222)
Repayment of lease / PFI liabilities	2,560	9,786				(12,346)
Capital expenditure charged against the General Fund and HRA	-	46,604	-	-	-	(46,604)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8,080	-	-	-	(8,080)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	283	(283)
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	13,783	14,260	(28,043)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	962	-	-	(962)
Use of capital receipts to fund disposal costs	(263)	(111)	374	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the government Housing Capital Receipts Pool	(3,781)	-	3,781	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-

2021/22 **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	-	32,374	-	(32,374)	-	-
Additional Contributions from the HRA	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	33,443	-	(33,443)
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	(87,634)	(12,789)	-	-	-	100,423
Employer's pensions contributions and direct payments to pensioners payable in the year	36,468	5,380	-	-	-	(41,848)
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	6,660	-	-	-	-	(6,660)
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,007	128	-	-	-	(1,135)
Total Adjustments	**(45,441)**	**60,002**	**(22,926)**	**1,069**	**(7,797)**	**15,093**

2020/21 Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves					
	General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	(27,112)	(29,474)	-	-	-	56,586
Revaluation gains / losses on Property Plant and Equipment	85,354	(5,594)	-	-	-	(79,760)
Impairment of Property Plant and Equipment	-	-	-	-	-	-
Movement in the fair value of Investment Properties	(3,369)	(75)	-	-	-	3,444
Capital grants and contributions applied	8,636	7,048	-	-	-	(15,684)
Revenue expenditure funded from capital under statute	(8,756)	-	-	-	-	8,756
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,872)	(5,691)	-	-	-	15,563
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	2,463	-	-	-	-	(2,463)
Repayment of lease / PFI liabilities	2,453	11,851				(14,304)
Capital expenditure charged against the General Fund and HRA	2,882	8,424	-	-	-	(11,306)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	503	(503)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	618	10,785	(11,403)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	27,641	-	-	(27,641)
Use of capital receipts to fund disposal costs	(63)	(101)	164	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the government Housing Capital Receipts Pool	(3,719)	-	3,719	-	-	-

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

14. Other Operating Expenditure

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

2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000	Other Operating Expenditure	2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000
8,079	-	8,079	Levies	7,717	-	7,717
3,720	-	3,720	Payments to the Government Housing Capital Receipts Pool	3,782	-	3,782
15,626	(11,402)	4,224	Gains/Loss on the disposal of non-current assets	5,189	(28,042)	(22,853)
27,425	**(11,402)**	**16,023**	**Total**	**16,688**	**(28,042)**	**(11,354)**

15. Financing and Investment Income and Expenditure

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

2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000	Financing and Investment Income and Expenditure	2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000
32,023	-	32,023	Interest payable and similar charges	26,626	-	26,626
20,858	-	20,858	Net interest on the net defined benefit liability	20,097	-	20,097
-	(1,323)	(1,323)	Interest Receivable and similar Income	-	(884)	(884)
7,221	(4,942)	2,279	Income and expenditure in relation to investment properties and changes in the fair value	910	(8,754)	(7,844)
-	-		Gains/Loss on the disposal of investment properties	57	-	57
60,102	**(6,265)**	**53,837**	**Total**	**47,690**	**(9,638)**	**38,052**

16. Taxation and Non-Specific Grant Income

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

2020/21 Gross Income £'000	Taxation and Non-Specific Grant Income	2021/22 Gross Income £'000
(96,724)	Council Tax Income	(103,388)
(65,634)	Business Rates Income	(69,074)
(2,798)	Business Rates Top Up Grant	(2,798)
(24,459)	Revenue Support Grant	(24,590)
(85,161)	Non-Specific Grants	(56,641)
(274,776)	**Taxation and Non-Specific Revenue Grant Income**	**(256,491)**
(13,598)	Capital grants and contributions	(31,318)
(288,395)	**Total**	**(287,809)**

17. Property, Plant and Equipment

Movement in Property, Plant and Equipment - 2021/22	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'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 2021	**3,330,468**	**1,213,300**	**39,863**	**14,627**	**193**	**75,247**	**4,673,698**	**415,070**
Additions	54,502	6,449	2,409	-	-	44,662	**108,022**	-
Depreciation written out to Gross amount on revaluation	(29,753)	(41,342)	-	-	-	-	**(71,095)**	(15,790)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	204,358	6,256	-	-	-	-	**210,614**	46,987
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(14,424)	(2,484)	-	-	-	-	**(16,908)**	536
Derecognition - Disposals	(4,614)	(68)	(4,582)	(2)	-	-	**(9,266)**	(241)
Derecognition - Other	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale and Investment Properties	(476)	-	-	-	-	(33)	**(509)**	-
Other movements in cost or valuation	6,420	4,626	9,050	-	-	(23,820)	**(3,724)**	-
As at 31 March 2022	**3,546,481**	**1,186,737**	**46,740**	**14,625**	**193**	**96,056**	**4,890,832**	**446,562**
Accumulated Depreciation and Impairment								
As at 31 March 2021	**1**	**(29,415)**	**(20,630)**	**(81)**	**-**	**-**	**(50,125)**	**(7,822)**
Depreciation charge	(29,797)	(12,293)	(3,715)	-	-	-	**(45,805)**	(8,511)
Depreciation written out to Gross amount on revaluation	29,753	41,342	-	-	-	-	**71,095**	15,790
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**	-
Derecognition - Disposals	44	-	4,576	-	-	-	**4,620**	5
Derecognition - Other	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	-	-	-	-	-	**-**	-
Other movements in depreciation and impairment	-	-	-	-	-	-	**-**	-
As at 31 March 2022	**1**	**(366)**	**(19,769)**	**(81)**	**-**	**-**	**(20,215)**	**(538)**
Net Book Value as at 31 March 2022	**3,546,482**	**1,186,371**	**26,971**	**14,544**	**193**	**96,056**	**4,870,617**	**446,024**

Movement in Property, Plant and Equipment - 2020/21	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation								
As at 31 March 2020	**3,050,446**	**731,481**	**41,356**	**27,766**	**13**	**76,173**	**3,927,235**	**375,240**
Additions	61,172	7,054	5,746	-	-	20,244	**94,216**	68
Depreciation written out to Gross amount on revaluation	(26,633)	(25,311)	-	-	-	-	**(51,944)**	(8,602)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	243,592	412,584	-	-	180	-	**656,356**	43,398
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,053)	82,813	-	-	-	-	**79,760**	5,252
Derecognition - Disposals	(8,491)	-	(7,239)	(13,025)	-	-	**(28,755)**	(171)
Derecognition - Other							**-**	-
Assets reclassified (to)/from Held for Sale and Investment Properties	(281)	-	-	-	-	(2,898)	**(3,179)**	(115)
Other movements in cost or valuation	13,716	4,679	-	(114)	-	(18,272)	**9**	-
As at 31 March 2021	**3,330,468**	**1,213,300**	**39,863**	**14,627**	**193**	**75,247**	**4,673,698**	**415,070**
Accumulated Depreciation and Impairment								
As at 31 March 2020	**(2,748)**	**(40,035)**	**(24,900)**	**(3,227)**	**-**	**-**	**(70,910)**	**(8,286)**
Depreciation charge	(26,685)	(14,691)	(2,953)	-	-	-	**(44,329)**	(8,142)
Depreciation written out to Gross amount on revaluation	26,633	25,311	-	-	-	-	**51,944**	8,602
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**	-
Derecognition - Disposals	2,801	-	7,223	3,169	-	-	**13,193**	4
Derecognition - Other	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	-	-	-	-	-	**-**	-
Other movements in depreciation and impairment	-	-	-	(23)	-	-	**(23)**	-
As at 31 March 2021	**1**	**(29,415)**	**(20,630)**	**(81)**	**-**	**-**	**(50,125)**	**(7,822)**
Net Book Value as at 31 March 2021	**3,330,469**	**1,183,885**	**19,233**	**14,546**	**193**	**75,247**	**4,623,573**	**407,248**

Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Infrastructure Assets - Movement on Balances	Infrastructure Assets 2020/21 £'000	PFI Assets Included in Infrasructure 2020/21 £'000	Infrastructure Assets 2021/22 £'000	PFI Assets Included in Infrasructure 2021/22 £'000
Net Book Value (Modified Historical Cost)				
As at 1 April	**155,904**	**7,016**	**150,011**	**6,313**
Additions	6,350	-	7,190	-
Derecognition	-	-	-	-
Depreciation	(12,234)	(702)	(12,404)	(702)
Impairment	-	-	-	-
Other movements in cost	(9)	-	3,724	-
Net Book Value at 31 March	**150,011**	**6,314**	**148,521**	**5,611**

	2020/21 £'000	2021/22 £'000
Infrastructure Assets	150,011	148,521
Other PPE Assets	4,623,573	4,870,617
Total PPE Assets	**4,773,584**	**5,019,138**

Depreciation

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

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

Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Wilks, Heads and Eve LLP carried out valuations on behalf of the council in 2021/22 and assets were valued as at 31 March. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluations	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	-	-	**26,971**	**148,521**	**14,545**	**-**	**96,055**	**286,092**
Valued at fair value as at:								
31 March 2022	3,546,482	1,185,113	-	-	-	193	-	4,731,788
31 March 2021	-	-	-	-	-	-	-	-
31 March 2020	-	1,260	-	-	-	-	-	1,260
Total Cost or Valuation	**3,546,482**	**1,186,373**	**26,971**	**148,521**	**14,545**	**193**	**96,055**	**5,019,140**

Capital Commitments

As at 31 March 2022, the council had entered into a number of significant commitments (over £500k), for the construction or enhancement of property, plant and equipment in future years, budgeted to cost £90m. Similar commitments as at 31 March 2021 were £115m. The commitments are:

31 March 2021 £'000	Capital Commitments	31 March 2022 £'000
	Housing Commitments:	
103,157	New Builds	72,073
10,468	Major Works	17,771
	Other Commitments:	
1,030	Environment & Regeneration	-
114,655	**Total**	**89,844**

18. Investment Properties

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

2020/21 £'000	Investment Properties	2021/22 £'000
(2,030)	Rental income from investment property	(2,062)
865	Direct operating expenses arising from investment property	868
(1,165)	**Net (gain)/loss**	**(1,194)**

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal.

As landlord, the council has contractual obligations to repair and maintain the exterior/structure of the building for certain investment properties as a condition of the lease.

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

2020/21 £'000	Movement in fair value of Investment Properties	2021/22 £'000
33,178	**Balance at start of the year**	**32,632**
	Disposals	(57)
(3,444)	Net gains/(losses) from fair value adjustments	6,650
2,898	Transfers (to)/from Property, Plant and Equipment	33
32,632	**Balance at end of the year**	**39,258**

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 2021 £'000	Fair Value Measurements	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2022 £'000
-	32,633	-	32,633	Investment Properties		39,259		39,259
-	193	-	193	Surplus assets		193		193
-	281	-	281	Assets Held for Sale		476		476
-	**33,107**	**-**	**33,107**	**Fair value as at 31 March**	**-**	**39,928**	**-**	**39,928**

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

19. Leases

Council as Lessee

Finance Leases

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

31 March 2021 £'000	Leased Assets	31 March 2022 £'000
	Property, Plant and Equipment:	
92,605	- Other Land and Buildings	89,218
2,257	- Community Assets	2,257
5,448	Investment Properties	6,023
100,310	**Total**	**97,498**

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 2021 £'000	Minimum lease payments	31 March 2022 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
3	- Payable within one year	3
368	- Payable after one year	365
893	Finance costs payable in future years	870
1,264	**Total minimum lease payments**	**1,238**

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

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Not later than one year	3	3	26	26
Later than one year and not later than five years	13	14	106	107
Later than five years	355	351	1,132	1,105
Total	**371**	**368**	**1,264**	**1,238**

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 2021/22 contingent rents payable by the council in respect of finance leases totalled £0.37m (£0.37m in 2020/21).

Operating Leases

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

31 March 2021 £'000	Operating Leases (Lessee)	31 March 2022 £'000
850	Not later than one year	872
1,430	Later than one year and not later than five years	678
293	Later than five years	203
2,573	**Total**	**1,753**

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 2021 £'000	Operating Leases (Lessor)	31 March 2022 £'000
5,653	Not later than one year	4,799
25,737	Later than one year and not later than five years	32,075
24,258	Later than five years	19,513
55,648	**Total**	**56,387**

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 the contingent rent recognised was deemed immaterial.

20. Private Finance Initiative and Similar Contracts

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

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

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

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

The amounts payable to the PFI operators each year are analysed into five elements, as shown in paragraph xvi of Note 1 (Accounting Policies).

The council has identified six schemes to be accounted for as service concession arrangements:

1. Housing PFI 1; a 30 year agreement, covering 2,348 dwellings, whereby the operator is required to achieve and subsequently maintain decent homes standard for the duration of the agreement. All tenants and leaseholders resident within the contracted stock retain the same rights as other council tenants. The council has agreed performance standards with the contractor, which set out the targets that have to be achieved in terms of the service provision for repairs, maintenance and housing management. There is no allowance for the contract to be renewed or extended at the end of the contract period. All assets will remain in the ownership of the council.

2. Housing PFI 2; a 16 year agreement, covering 4,124 dwellings, with similar conditions as above. The contract expires in July 2022 following a three-year programme of preparation. At the end of the reporting period all assets are in the ownership of the council and there are no outstanding payments due to the service provider.

3. Street Lighting; an agreement for the design, build, maintenance and financing of new, refurbished and existing public lighting, associated equipment and apparatus over 25 years. There are currently over 11,600 street lighting units and over 4,200 items of illuminated street furniture. The contract transfers the responsibility for maintenance and associated risk to the PFI provider and the ownership of assets remains with the council. The council has agreed performance standards with the contractor which set out the targets that have to be achieved in terms of the service provision for repairs, maintenance and replacements. The council has rights to use the specified assets for and the assets can also be used by 3rd parties with the agreement of both the council and the PFI provider. The contract enables the PFI provider to allow advertising on specified assets. This is subject to agreement by the council with a revenue sharing arrangement in place.

4. BSF Phase I; design, build and facilities management of two schools over a 25 year term. The contract transfers the responsibility for maintenance and associated risk to the PFI provider and the ownership of assets remains with the council. The council determines what services are provided, to whom and at what price is charged to the service user. The project includes a comprehensive performance monitoring regime which consists of a number of KPI's that must be delivered on, also a market testing agreement is in place to ensure value for money over the course of the contract. There is no allowance for the contract to be renewed or extended at the end of the contract period.

5. BSF Phase 2; a 25 year old agreement, covering two schools, with similar conditions as above.

6. Care Homes; 30 year agreement for the design, build, maintenance, operation and financing of residential care homes. The contract transfers the responsibility for maintenance and associated risk to the provider and the ownership of assets remains with the council. The council determines what services are provided and to whom, as it controls 100% of the care home beds. The rate to be paid is determined by the contractually agreed rates and uplifts, and the contract does not enable the provider to generate third party income. There is no allowance for the contract to be renewed or extended at the end of the contract period.

Details of the current schemes are as follows:

Service Concession Arrangements	Start Date	End Date	Total Value £ million
Street Lighting	June 2003	June 2028	48
Housing (1)	March 2003	March 2033	247
Housing (2)	Sept 2006	July 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 2020	**293,490**	**73,462**	**7,015**	**373,968**
Additions	-	68	-	68
Depreciation & Impairment	(6,182)	(1,961)	(702)	(8,845)
Revaluation	33,097	15,553	-	48,650
Disposal	(168)	-	-	(168)
Other	(115)	-	-	(115)
Net Book Value at 31 March 2021	**320,123**	**87,122**	**6,313**	**413,558**
Net Book Value at 1 April 2021	**320,123**	**87,122**	**6,313**	**413,558**
Additions	-	-	-	-
Depreciation & Impairment	(6,746)	(1,765)	(702)	(9,213)
Revaluation	43,581	3,941	-	47,522
Disposal	(236)	-	-	(236)
Other	-	-	-	-
Net Book Value at 31 March 2022	**356,722**	**89,298**	**5,611**	**451,631**
Movement in liabilities resulting from PFI or similar contracts:				
Value at 1 April 2020	**(38,438)**	**(64,770)**	**(7,610)**	**(110,817)**
New liability incurred				
Repayments made in year	11,850	2,625	669	15,144
Value at 31 March 2021	**(26,588)**	**(62,145)**	**(6,941)**	**(95,674)**
Value at 1 April 2021	**(26,588)**	**(62,145)**	**(6,941)**	**(95,674)**
New liability incurred				
Repayments made in year	9,785	2,783	743	13,311
Value at 31 March 2022	**(16,803)**	**(59,361)**	**(6,198)**	**(82,362)**

The projected payments under the agreements are as follows:

Contracted payments due within:		1 year	2-5 years	6-10 years	11-15 years	16-20 years
		£ '000	£ '000	£ '000	£ '000	£ '000
Care Homes						
	Liability	387	1,897	2,689		
	Interest	386	1,198	406		
	Service Charges	4,501	19,158	21,146		
Street Lighting						
	Liability	814	3,704	1,246		
	Interest	551	1,407	128		
	Service Charges	1,512	7,043	2,034		
Housing (1)						
	Liability	804	2,093	10,064	3,841	
	Interest	2,166	7,853	6,949	495	
	Service Charges	10,363	49,784	63,223	11,903	
Housing (2)						
	Liability	-				
	Interest	-				
	Service Charges	-				
BSF Phase 1						
	Liability	1,829	8,582	12,767	7,730	
	Interest	1,935	6,520	4,876	867	
	Service Charges	1,906	8,039	13,545	7,031	
BSF Phase 2						
	Liability	762	3,909	7,324	10,216	2,134
	Interest	2,289	8,364	7,972	4,049	201
	Service Charges	1,387	5,800	8,195	11,160	1,436

21. Capital Expenditure and Capital Financing

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

2020/21 £'000	Capital Expenditure and Sources of Capital Financing	2021/22 £'000
712,411	**Opening Capital Financing Requirement**	**703,721**
	Capital Investment	
100,566	Property, Plant & Equipment	115,213
8,757	Investment Properties / REFCUS / Other	13,057
	Sources of Finance	
(27,641)	Usable Capital Receipts	(962)
(16,187)	Capital grants & Other contributions	(25,617)
(46,112)	Major Repairs Reserve	(33,445)
(11,306)	Capital expenditure charged in-year to revenue accounts	(46,604)
	Debt Repayment	
(2,463)	Statutory provision for the repayment of debt	(3,222)
(14,304)	Repayment of PFI / lease liabilities	(12,345)
703,721	**Closing Capital Financing Requirement**	**709,796**
	Explanation of Movements in Year	
8,691	(Increase)/ decrease in underlying need to borrow	(6,075)
8,691	**(Increase)/ decrease in Capital Financing Requirement**	**(6,075)**

22. Financial Instruments

Financial Instruments - Classifications

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

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

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

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- cash and bank overdrawn
- finance leases detailed in Note 19
- Private Finance Initiative contracts detailed in Note 20
- trade payables for goods and services received

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 2022 that are shown under ‘cash and cash equivalents’ in the Balance Sheet represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value. These form part of the council’s portfolio of investments disclosed below.

Financial Instruments - Balances

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

Categories of Financial Instruments	Long-term		Short-term	
	31 March 2021 *£'000*	31 March 2022 *£'000*	31 March 2021 *£'000*	31 March 2022 *£'000*
Financial Assets				
At amortised cost:				
- Principal	742	10,716	151,723	95,526
- Accrued interest	-	-	374	135
- Loss allowance	(20)	(20)	-	-
At fair value through profit & loss:				
*- Equity investments elected FVOCI***	92	99	-	-
Total investments*	814	10,795	152,097	95,661
At amortised cost:				
- Principal	-	-	6,889	14,713
Total Cash and Cash Equivalents	-	-	6,889	14,713
Loans and receivables:				
- Trade receivables	8,315	7,626	100,822	105,351
- Loss allowance	(873)	(902)	(17,171)	(20,393)
Included in Debtors**	7,442	6,724	83,650	84,958
Total Financial Assets	**8,256**	**17,519**	**242,636**	**195,332**

* The total short-term investments include £161k (2020-21: £397k) representing accrued interest and principal repayments due within 12 months on long-term investments.

** The debtors lines on the Balance Sheet include £22,189K (2020-21: £38,430k) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions

Categories of Financial Instruments	Long-term		Short-term	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Financial Liabilities				
Loans at amortised cost:				
- Principal sum borrowed	263,275	245,604	108,335	28,668
- Accrued interest	-	-	3,911	3,135
Total borrowings *	263,275	245,604	112,246	31,803
Loans at amortised cost:				
- Bank overdrawn	-	-	-	-
Total Cash Overdrawn	-	-	-	-
Liabilities at amortised cost:				
- PFI and finance lease liabilities	82,727	78,126	13,315	4,600
- Other	-	-	-	-
Total Other Long & Short Term Liabilities	82,727	78,126	13,315	4,600
Liabilities at amortised cost:				
- Trade payables	-	-	35,908	49,157
Included in Creditors**	-	-	35,908	49,157
Total Financial Liabilities	**346,002**	**323,730**	**161,469**	**85,560**

* The total short-term borrowing includes £21,803k (2020-21: £37,246k) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

** The creditors lines on the Balance Sheet include £153,061k (2020-21: £148,597k) 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 2021/22 Code of Practice sets out specific accounting requirements for soft loans. The main soft loans consist of season ticket loans £49k, Cycle scheme loans £92k, gym membership loans £208k and home computer loans £755k. These loans are carried at nominal value in the Balance Sheet as they are due within ten months for the season ticket and gym membership loans, 12 months for the cycle scheme and two years for the computer schemes, thus the effect on the accounts is deemed to be immaterial. Similarly a 15 year loan for £100k to a charity is carried at nominal value in the Balance Sheet as it is 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		Dividends	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£'000	£'000	£'000	£'000
Islington Limited	-	-	-	-
Transform Islington Phase 1 Holdings Limited	-	-	-	23
Transform Islington Phase 2 Holdings Limited	-	-	1	27
Transform Islington Limited	99	92	-	6
Total	**99**	**92**	**1**	**56**

Items of Income, Expense, Gains or Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

Income, Expense, Gains and Losses	Financial Liabilities	Financial Assets			
	Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	2021/22 Total	2020/21 Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(22,508)	-	-	(22,508)	(25,540)
Impairment losses	-	(4,125)	-	(4,125)	(6,491)
Interest payable and similar charges	**(22,508)**	**(4,125)**	**-**	**(26,633)**	**(32,031)**
Interest income	-	760	-	760	1,256
Dividend income	-	-	124	124	66
Impairment loss reversals	-	-	-	-	-
Interest and investment income	**-**	**760**	**124**	**884**	**1,322**
Net impact on surplus/deficit on provision of services	**(22,508)**	**(3,365)**	**124**	**(25,749)**	**(30,709)**
Gains on revaluation	-	-	7	7	(5)
Impact on other comprehensive income	**-**	**-**	**7**	**7**	**(5)**
Net Gain/(Loss) for the Year	**(22,508)**	**(3,365)**	**131**	**(25,742)**	**(30,714)**

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 2022, 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 2022, 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 2022.
- 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 2021 £'000	Fair Value 31 March 2021 £'000	Balance Sheet 31 March 2022 £'000	Fair Value 31 March 2022 £'000
Financial liabilities held at amortised cost:					
Long-term loans and short-term from PWLB	2	230,244	305,677	225,817	267,527
Other long-term and short-term loans	2	69,783	71,156	41,582	42,171
Lease payables and PFI liabilities	3	96,041	149,816	82,727	120,000
Total		**396,068**	**526,649**	**350,126**	**429,698**
Liabilities for which fair value is not disclosed *		111,403		59,164	
Total Financial Liabilities		**507,471**		**409,290**	
Recorded on balance sheet as:					
Short-term creditors		49,223		53,757	
Short-term borrowing		112,246		31,803	
Cash and bank overdrawn		-		-	
Long-term borrowing		263,275		245,604	
Other long-term liabilities		82,727		78,126	
Total Financial Liabilities		**507,471**		**409,290**	

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

** The other long-term liabilities figure of £81,841k (2020-21 £82,988k) on the Balance sheet includes £130k (2020-21 £260k) council tax liability which is not a financial instrument balance hence excluded from the above table.

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 2021 £000s	Fair Value 31 March 2021 £000s	Balance Sheet 31 March 2022 £000s	Fair Value 31 March 2022 £000s
Financial assets held at fair value:					
Shares in unlisted companies	3	92	92	99	99
Financial assets held at amortised cost:					
Long-term loans to local authorities	3	-	-	10,000	9,609
Long-term loans to companies	3	691	829	672	734
TOTAL		**783**	**921**	**10,771**	**10,442**
Assets for which fair value is not disclosed *		250,108		202,079	
TOTAL FINANCIAL ASSETS		**250,891**		**212,850**	
Recorded on balance sheet as:					
Long-term debtors		7,442		6,724	
Long-term investments		813		10,794	
Short-term debtors		83,650		84,958	
Short-term investments		152,097		95,661	
Cash and cash equivalents		6,889		14,713	
TOTAL FINANCIAL ASSETS		**250,891**		**212,850**	

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

23. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the council
- *Liquidity Risk:* The possibility that the council might not have the cash available to make contracted payments on time
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices

Credit Risk

Treasury Investments

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

A limit of £15m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a period of 6months applies. No more than £30m in total can be invested for a period longer than one year.

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

Credit Rating	31 March 2022		31 March 2021	
	Long-term £'000	Short-term £'000	Long-term £'000	Short-term £'000
A2	-	-	-	15,000
Unrated local authorities	10,000	115,500	-	136,700
Unrated private companies and other organisations (net of loss allowance)	695	61	726	59
Total	**10,695**	**115,561**	**726**	**151,759**
Credit risk not applicable *	99	-	92	-
Total Investments	**10,794**	**115,561**	**818**	**151,759**

*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 2022, £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 2021		31 March 2022	
		Gross receivable	Loss allowance	Gross receivable	Loss allowance
Public Sector Debtors		£'000	£'000	£'000	£'000
Other Public Sector Debtors	0% - 100%	43,963	(2,571)	42,224	(990)
LBI Pension Fund	0%	1,615	-	1,446	-
Non-Public Sector Debtors					
Residential & Domiciliary Care	49%	6,716	(2,373)	8,115	(2,570)
Leaseholders: Major Works	10.5% - 95%	18,734	(1,026)	18,724	(1,076)
Housing Rents	0% - 95%	14,895	(8,319)	15,469	(9,318)
Other Non-Public Sector Debtors	0% - 100%	23,213	(3,756)	26,771	(7,111)
Total		**109,137**	**(18,044)**	**112,749**	**(21,065)**

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 £21m of the £48m balance is past 30 days from invoice date. The remaining £27m 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 2021 £'000	31 March 2022 £'000
Less than three months	28,869	34,247
Three to six months	3,272	3,381
Six months to one year	7,716	5,291
More than one year	2,797	5,175
Total	42,654	48,094

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 £642k (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 2021 £'000	Borrower	Exposure type	Risk exposure 31 March 2022 £'000
661	Buildings Schools for the Future (BSF) private companies as listed below	Loans at market rates	642
	-Transform Islington Phase 1 Holdings Ltd		
	-Transform Islington Phase 2 Holdings Ltd		
	-Transform Islington Ltd		
50	Islington Ltd (iCo)	Loans at market rates	50
90	Highbury Roundhouse Association Ltd		84
801	**Total**		**776**

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 £000	Lifetime expected credit losses Simplified approach for receivables £000	Total loss allowance £000
Opening allowance 1 April 2021	(21)	(17,816)	(17,837)
Change in risk	-	2,967	2,967
Closing allowance 31 March 2022	**(21)**	**(14,849)**	**(14,870)**

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 31 March 2021	PWLB 31 March 2022	Local Authorities 31 March 2021	Local Authorities 31 March 2022	Other 31 March 2021	Other 31 March 2022	Total 31 March 2021	Total 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	4,335	8,668	18,000	10,000	11,000	10,000	33,335	28,668
Between one and two years	8,668	13,062	10,000	10,000	-	-	18,668	23,062
Between two and five years	40,398	31,671	30,000	21,000	-	-	70,398	52,671
Between five and ten years	26,057	30,391	-	-	-	-	26,057	30,391
Between ten and twenty years	44,175	35,507	-	-	-	-	44,175	35,507
More than twenty years	103,976	103,976	-	-	-	-	103,976	103,976
Total	**227,609**	**223,275**	**58,000**	**41,000**	**11,000**	**10,000**	**296,609**	**274,275**
Accrued Interest *							3,911	3,135
Trade creditors *							35,908	49,157
Cash Overdrawn *							-	-
Total Carrying Amount							**336,428**	**326,567**

* 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 2022, the whole debt portfolio was held in fixed rate instruments.

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

	£'000
Increase in interest payable on variable rate borrowings	n/a
Increase in interest receivable on variable rate investments	n/a
Increase in government grant receivable for financing costs	n/a
Impact on the Provision of Services (surplus/deficit)	n/a
Share of overall impact debited/credited to HRA	764
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*	(29,507)

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

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

Price Risk

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

Foreign Exchange Risk

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

24. Short-term Creditors

Restated 31 March 2021 £'000	Short-Term Creditors	31 March 2022 £'000
	Public Sector Creditors	
63,941	GLA/MHCLG: Council Tax and Business Rates	58,764
4,653	HMRC: Tax	8,090
2,380	DWP: Housing Benefit Subsidy	2,504
1,047	MHCLG: Pooling of Capital Receipts	3,781
34,910	Public Sector Receipts in Advance	44,216
5,168	Other Public Sector Creditors	10,021
112,099	**Total Public Sector Creditors**	**127,375**
	Non-Public Sector Creditors	
11,333	Council Tax and Business Rates	14,672
13,315	Short-Term Lease Liabilities	4,601
9,309	Non-Public Sector Receipts in Advance	10,355
7,917	Accumulated Absences	6,783
6,327	Capital Creditors	7,353
24,649	Other Creditors	31,587
72,850	**Total Non-Public Sector Creditors**	**75,352**
184,949	**Total Short-Term Creditors**	**202,727**

The 2020/21 figures for Other Public Sector Creditors, Public Sector Receipts in Advance, and Non-Public Sector Receipts in Advance have been restated to correct a misclassification of receipts in advance balances.

25. Debtors

31 March 2021 Gross Debt £'000	31 March 2021 Impairments for Doubtful Debt £'000	31 March 2021 Net Debt £'000	Debtors	31 March 2022 Gross Debt £'000	31 March 2022 Impairments for Doubtful Debt £'000	31 March 2022 Net Debt £'000
			Public Sector Debtors			
15,325	-	15,325	HMRC: VAT	11,138		11,138
1,615	-	1,615	LBI Pension Fund	1,446		1,446
-	-	-	Pension Fund Prepayments	-		-
45,813	(2,571)	43,242	Other Public Sector Debtors	43,882	(990)	43,882
			Non-Public Sector Debtors			
22,026	(7,565)	14,461	Non-Domestic Rates	7,623	(7,147)	476
26,528	(24,400)	2,128	Council Tax	27,528	(25,689)	1,839
14,416	(13,101)	1,315	Housing Benefit Overpayments	13,673	(11,947)	1,726
29,321	(27,811)	1,510	Parking Fines	38,324	(35,683)	2,641
6,716	(2,373)	4,343	Residential & Domiciliary Care	8,115	(2,570)	5,544
18,734	(1,026)	17,708	Leaseholders: Major Works/Service Charges	18,724	(1,076)	17,648
14,895	(8,319)	6,576	Housing Rents	15,469	(9,318)	6,151
1,843	-	1,843	Prepayments	2,712	-	2,712
23,213	(3,756)	19,457	Other Non-Public Sector Debtors	26,997	(7,340)	19,657
220,445	**(90,922)**	**129,523**	**Total Debtors**	**215,633**	**(101,762)**	**113,871**
206,990	(90,049)	116,941	Short term debtors	208,007	(100,858)	107,147
13,455	(873)	12,582	Long term debtors*	7,626	(902)	6,724

*All long-term debtors in 2021/22 relate to leaseholder contributions to major works

26. Provisions

Provisions 2021/22	Insurance	Business Rate Appeals	Thames Water	Social Services Charges	Disrepair claims	Other minor	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021	**16,782**	**9,953**	**10,324**	**675**	**512**	**971**	**39,217**
Additional provisions made in 2021/22	-	3,120	-	-	1,076	-	**4,197**
Amounts used in 2021/22	(354)	(383)	-	(3)	(562)	(42)	**(1,343)**
Unused amounts reversed in 2021/22	-	-	(1,731)	4	(206)	(641)	**(2,574)**
Balance at 31 March 2022	**16,428**	**12,690**	**8,593**	**676**	**820**	**288**	**39,495**

Analysis of Balance at 31 March 2022							
Settled within 12 months	4,950	12,690	8,593	-	820	288	**27,341**
More than 12 months	11,478	-	-	676	-	-	**12,154**
	16,428	**12,690**	**8,593**	**676**	**820**	**288**	**39,495**

Legal claims outstanding (Social Services Charges)

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

Thames Water

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

Business Rate Appeals

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

Insurance Provision

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

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

Insurance Fund	*£'000*
Employers' Liability	1,639
Public Liability/Tree Roots	7,946
Motor	1,077
Property and Miscellaneous	4,712
Adjustment for Aggregate Breaches	(1,345)
Total for 2007/08 to 2020/21	**14,029**
MMI Clawback	393
Total Funding Requirement as at 31st March 2022	**14,422**
Buffer for Unexpected Losses (75% Confidence)	2,006
Total Funding Requirement as at 31st March 2022 (Including Buffer)	**16,428**

27. Transfers to/from Earmarked Reserves

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

Transfers to/from Earmarked Reserves	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022
	£'000	£'000		£'000
General Fund				
BSF PFI 1 reserve	5,762	-	7	5,769
Budget Risk and Insurance Reserve	25,425	(3,991)	4,240	25,675
Budget Strategy	21,111	(5,297)	3,772	19,588
Business Continuity	10,000	-	-	10,000
Capital Financing	-	-	3,120	3,120
Care Experience	16,000	-	-	16,000
Community Infrastructure Levy - Strategic	3,692	(3,511)	16	196
Community Infrastructure Levy - Neighbourhood	4,743	(4,743)	-	-
Core Funding	41,465	(22,636)	14,751	33,580
Dedicated Schools Grant	-	-	5,218	5,218
Energy and Inflation	-	-	5,509	5,509
Islington Assembly Hall Restoration Levy	-	-	18	18
Joint Cemetery Trading A/c	2,107	(375)	-	1,731
Levies	-	-	2,726	2,726
Net Zero Carbon	2,548	(67)	-	2,481
Pooled Schools Budgets	-	-	828	828
Public Health	1,353	(171)	530	1,712
Social Care	5,985	(1,244)	4,258	8,999
Street Market Reserves	260	(122)	-	138
General Fund Total	**140,451**	**(42,157)**	**44,994**	**143,288**
PFI - Housing PFI I	5,510	(5,510)	-	-
HRA Tenants' Heating & Hot Water	1,687	-	187	1,874
HRA Risk Equalisation	84,312	(29,695)	1,746	56,363
HRA Total	**91,509**	**(35,204)**	**1,933**	**58,237**

- Building Schools for the Future (BSF) PFI Smoothing reserve – The annual costs of PFI schemes fluctuate over the lifecycle of the schemes. This reserve helps to smooth the budgetary impact of PFI costs across financial years.
- Budget Risk and Insurance 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 – This reserve provides one-off funding for expenditure related to the delivery of the medium-term financial strategy (e.g. transformation projects, revenue costs of capital projects, redundancy costs).
- Business Continuity – This reserve mitigates the risk of disruption to key council services and systems, including cyber security risks.

- Capital Financing – This reserve helps to smooth the potential budgetary impact in future financial years of an increased revenue cost of financing the capital programme, in the context of rising interest rates and a very uncertain interest rate outlook.
- Care Experience – This reserve provides for the potential direct and indirect costs of the non-recent child abuse support payment scheme.
- Community Infrastructure Levy (CIL) reserves – These reserves are the balance of CIL funding earmarked for administration costs in future financial years.
- Core Funding – This reserve comprises the one-off financial gain from the former London Business Rates Retention Pilot Pool, and up-front government grant income that will fund Collection Fund losses that will come out of future year budgets (due to Collection Fund accounting timing differences). The remaining balance not relating to Collection Fund losses has been set aside for risks around taxation income and government funding streams.
- Dedicated Schools Grant – This reserve is the balance of Dedicated Schools Grant held by the council that will be spent in future financial years.
- Energy and Inflation – This reserve is earmarked to smooth the budgetary impact of dramatically increasing energy prices and record high levels of inflation.
- HRA PFI 1 Smoothing – This reserve helps to smooth the budgetary impact of PFI costs across financial years.
- HRA Risk Equalisation – This reserve mitigates against HRA financial pressures arising from legislative changes.
- HRA Tenants' Heating and Hot Water – This reserve allow us to manage a stable tenant charging policy by insulating tenants from the volatility of the gas market.
- Islington Assembly Hall Restoration Levy – This reserve earmarks income from the Islington Assembly Hall Restoration Levy on events ticket sales towards funding restoration works in future financial years.
- Joint Cemetery Trading A/c – 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.
- Levies – This reserve mitigates the significant uncertainty around levies estimates over the medium term, particularly concessionary fares and the North London Waste Authority levy.
- Net Zero Carbon - This reserve supports the delivery of the council's Net Zero Carbon programme.
- Pooled Schools Budgets – This reserve holds the unspent balance of pooled schools budgets that will be spent in future financial years.
- Public Health – This reserve is the balance of ring-fenced public health grant funding carried forward to spend in future financial years.
- Social Care - This reserve mitigates significant uncertainty in social care demographic growth estimates and earmarks funding for one-off social care expenditure.
- Street Markets – The council operates three street markets at Chapel Market, Whitecross Street and Exmouth Market. Under laws governing the operation of these markets, any surplus at the end of each financial year is carried forward through this reserve for the future costs of operating the markets.

28. Unusable Reserves

31 March 2021 £'000	Unusable Reserves	31 March 2022 £'000
1,660,158	Revaluation Reserve	1,854,626
2,442,984	Capital Adjustment Account	2,494,820
92	Financial Instruments Revaluation Reserve	98
(991,468)	Pensions Reserve	(925,752)
(23,189)	Collection Fund Adjustment Account	(16,529)
(7,918)	Accumulated Absences Account	(6,783)
3,080,657	**Total Unusable Reserves**	**3,400,480**

a) Revaluation Reserve

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

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

2020/21 £'000	Store of unrealised gains on revaluation of non-current assets - Revaluation Reserve	2021/22 £'000
(1,016,704)	**Balance as at 1 April**	**(1,660,158)**
(709,296)	Gains on revaluations	(258,696)
11,512	Less Depreciation on revalued amounts	14,785
52,940	Less revaluation losses and impairments written off to previous gains	48,082
1,390	Less gains written out for disposed assets	1,361
(1,660,158)	**Balance as at 31 March**	**(1,854,626)**

b) Capital Adjustment Account:

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements or accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluations Reserve to convert fair value figures to a historical cost basis). The Capital Adjustment Account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and subsequent costs.
The Capital Adjustment Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council.
The Capital Adjustment Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2020/21 £'000	Capital Adjustment Account	2021/22 £'000
(2,316,657)	**Balance as at 31 March**	**(2,442,984)**
(27,642)	Capital Expenditure Financed from Usable Capital Receipts	(962)
(46,112)	Capital Expenditure Financed from the Major Repairs Reserve	(33,445)
(11,306)	Capital Expenditure Financed from Revenue Resources	(46,604)
(16,186)	Capital Expenditure funded by Grant	(25,606)
8,756	REFCUS Financing	13,046
(79,760)	Gains / Losses on revaluation of non-current assets	16,908
-	Impairments of non-current assets	-
56,586	Depreciation of PPE non-current Assets	58,209
(2,463)	Minimum Revenue Provision	(3,222)
(14,305)	Repayment of Obligations arising from PFI Contracts/Lease liabilities	(12,346)
(1,390)	Write out of Gains relating to Revalued Disposed Assets	(1,361)
15,563	Current Value of Disposed Assets	4,983
(11,512)	Write out of depreciation on revalued amounts (HCA)	(14,785)
3,444	Net Gains/(Losses) from Fair Value adjustments to Investment Properties	(6,650)
(126,327)	**Total Increase / (Decrease) in Amounts Set Aside to Finance Capital**	**(51,835)**
(2,442,984)	**Balance as at 31 March**	**(2,494,819)**

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.

2020/21 £'000	Financial Instruments Revaluation Reserve	2021/22 £'000
(97)	**Balance as at 1 April**	**(92)**
5	Upward revaluation of investments	(7)
(92)	**Balance as at 31 March**	**(98)**

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.

2020/21 £'000	Pensions Reserve	2021/22 £'000
(911,488)	**Balance at 1 April**	**(991,468)**
(39,860)	Actuarial gains or losses on pensions assets and liabilities	124,292
(70,895)	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	(100,423)
30,775	Employer's pensions contributions and direct payments to pensioners payable in the year	41,847
(991,468)	**Balance at 31 March**	**(925,752)**

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.

2020/21			Collection Fund Adjustment Account	2021/22		
Council Tax £'000	Non-Domestic Rates £'000	Total £'000		Council Tax £'000	Non-Domestic Rates £'000	Total £'000
1,022	7,798	8,820	**Balance at 1 April**	(1,438)	(21,751)	(23,189)
(434)	(6,606)	(7,040)	Contribution to General Fund from previous year's (surplus) / deficit	(111)	22,748	22,637
(2,026)	(22,943)	(24,969)	Current year's collection fund surplus / (deficit)	4,139	(20,116)	(15,977)
(1,438)	**(21,751)**	**(23,189)**	**Balance at 31 March**	**2,590**	**(19,119)**	**(16,529)**

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.

2020/21 £'000	2020/21 £'000	Accumulated Absences Account	2021/22 £'000	2021/22 £'000
	5,734	**Balance at 1 April**		**7,918**
		Business combinations		
(5,733)		Settlement or cancellation of accrual made at the end of the preceding year	(7,918)	
7,917		Amounts accrued at the end of the current year	6,783	
	2,184	Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,135)
	7,918	**Balance at 31 March**		**6,783**

29. Cash and Cash Equivalents

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

31 March 2021 £'000	Cash and Cash Equivalents	31 March 2022 £'000
-	Liquid investments	20,000
80	Cash held by the authority	33
6,809	Bank accounts	(5,320)
6,889	Cash and Cash Equivalents	14,713
6,889	**Total Cash and Cash Equivalents**	**14,713**

Further information on liquid investments is included in note 22.

30. Cash Flow Statement – Operating Activities

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

2020/21 £'000	Operating Activities Adjustments	2021/22 £'000
61,557	**Net Surplus or (Deficit) on the Provision of Services**	**(4,785)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
56,586	Depreciation	58,209
(79,760)	Impairment and downward valuations	16,908
87,069	Increase/Decrease in Creditors	25,798
(19,621)	Increase/Decrease in Debtors	(1,579)
888	Increase/Decrease in Inventories	94
22,173	Movement in Pension Liability	67,563
(322)	Increase/(decrease) in impairment for bad debts	29
15,563	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	4,983
9,189	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(6,948)
91,765	**Total**	**165,057**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(11,403)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(28,043)
22	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	23
(17,997)	Any other items for which the cash effects are investing or financing cash flows	(31,318)
(29,378)	**Total**	**(59,338)**
123,944	**Net Cash Flows from Operating Activities**	**100,934**

The cash flows for operating activities include the following items:

2020/21 £'000	Operating Activities (Interest)	2021/22 £'000
1,382	Interest Received	1,123
(31,501)	Interest Paid	(27,413)

31. Cash Flow Statement – Investing Activities

2020/21 £'000	Investing Activities	2021/22 £'000
(98,286)	Purchase of property, plant and equipment, investment property and intangible assets	(114,063)
(293,700)	Purchase of short-term and long-term investments	(124,500)
(16,539)	Other payments for investing activities	(324)
12,127	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	26,081
237,000	Proceeds from short-term and long-term investments	170,700
49,426	Other receipts from investing activities	37,875
(109,972)	**Net cash flows from investing activities**	**(4,231)**

32. Cash Flow Statement – Financing Activities

2020/21 £'000	Financing Activities	2021/22 £'000
190,900	Cash receipts of short- and long-term borrowing	46,000
(15,146)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(13,315)
(165,400)	Repayments of short- and long- term borrowing	(143,335)
(45,169)	Other payments for financing activities	21,771
(34,815)	**Net cash flows from financing activities**	**(88,879)**

Reconciliation of Liabilities arising from Financing Activities	31 March 2021 £'000	Financing Cash Flows £'000	Non-Cash Changes £'000	31 March 2022 £'000
Long-term borrowings	(263,274)	36,246	(18,575)	(245,603)
Short-term borrowings	(112,246)	65,000	15,443	(31,803)
Lease Liabilities	(718)	(33)	-	(751)
On Balance Sheet PFI Liabilities	(95,324)	13,348	-	(81,976)
Total Liabilities from Financing Activities	**(471,562)**	**114,561**	**(3,132)**	**(360,133)**

33. Contingent Liabilities and Assets

Legal claims pending settlement

There are 33 outstanding employment tribunal claims and 10 Special Educational Needs claims where the council is the Respondent. A liability will arise if either the council settles a claim and agrees to pay compensation, or the decision of the Employment Tribunal is in favour of the Claimant and the council is ordered to pay compensation. The estimated maximum potential liability for these outstanding cases is £750k (employment cases) and £1.620m (education cases).

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

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.

Support Payment Scheme

On 14 October 2021, the council's Executive approved a Support Payment Scheme (SPS) for persons who suffered emotional, physical, and sexual abuse whilst resident in the council's children's homes from 1966 to 1995. The SPS will enable abuse survivors to receive a financial support payment of £10,000 without having to bring a civil compensation claim. It has been designed to enable eligible applicants to receive a payment more quickly than having to go through the trauma of a lengthy civil compensation claims process.

To help inform the SPS, an actuarial firm was appointed to conduct a study at the end of 2019 to estimate the number of individuals who were resident at any point in Islington children's homes in the 30-year period 1965 to 1995. This was based on a sample of Islington Council's family files and estimated only the numbers resident, not the numbers who suffered abuse. There is no complete list of children's home records for the period in question. The actuary estimated that between 1,700 and 2,400 individuals were resident in Islington children's homes at any time during the period, and were still alive, with a best estimate of 2,000. The actuarial study was important in estimating the maximum direct cost of the SPS (£20m), based upon the number of surviving residents and the amount of the proposed SPS per surviving resident (assuming SPS criteria would have been met).

The council's earmarked reserves include £20m to fund the estimated maximum direct cost of the SPS.

Termination Benefits

The cost of termination benefits in 2021/22 is detailed in Note 8. Some further reductions to the council's workforce may take place over the medium term. The costs of terminating employment contracts in the future cannot be estimated with any great degree of accuracy. This will depend on a number of factors related to the individuals concerned, such as grade and length of service.

Contractual claims pending

The council has underwritten the potential loss of income by Isledon Arts CIC (the outsourced provider of universal youth services) as a result of the COVID-19 pandemic. It is estimated that this could total £345k over the course of 2022/23 and 2023/24.

Guarantees given

The council has given a guarantee to make additional financing available to its trading subsidiary, ICo Limited. In ICo Limited's audited financial statements for 2020/21, the company's net assets as at 31 March 2021 totalled £48.5k.

Contingent Assets

None known.

34. Events after the Balance Sheet Date

The draft Statement of Accounts 2021/22 was authorised for issue on 30 September 2022 by David Hodgkinson, Corporate Director of Resources. Events taking place after this date are not reflected in the financial statements or notes.

Adjusting events

Where events taking place before this date provide information about conditions existing as at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The council is aware of one such adjusting event.

In March 2023, the council received the results of the 2022 Local Government Pension Scheme (LGPS) triennial valuation. This valuation, and the financial and demographic assumptions that underpin it, reflect the position as at 31 March 2022.

In May 2023, the council's actuary provided updated IAS19 reports as at 31 March 2022 for the LGPS, taking account of the 2022 triennial valuation. These were used to update the 2021/22 statement of accounts. This has meant an overall reduction of £9.4m in the balance sheet carrying value of the net pension liability (£916.8m as at 31 March 2022) when compared to the value as at 31 March 2022 derived from a roll-forward of the 2019 actuarial valuation (on which basis the 2021/22 statements were originally prepared).

The updated IAS19 reports reflect actual movements in scheme membership up to 31 March 2022 which were not known before the 2022 triennial valuation was completed. For example, the actual rate of salary increases has been higher than that assumed in the roll forward of the 2019 valuation. Life expectancies for future and current pensioners have reduced in expectation compared to the 2019 valuation.

The financial and demographic assumptions used in the actuarial valuations are discussed in Note 4. Details of the accounting entries relating to the council's defined benefit pension schemes are given in Note 35.

Non-adjusting events

The financial statement and the notes have not been adjusted for the following event, which took place after 31 March 2022, as it provides information that is relevant to an understanding of the council's financial position but does not relate to conditions at that date:

At the beginning of August 2022, a burst water main in Tollington Road caused severe flooding which affected a Council owned property. The ground floor of Sobell Leisure Centre was exposed to significant water damage due to the mass flooding. It also affected nearby roads and a number of neighbouring residential and commercial properties. The full extent of the damage is still to be determined.

35. Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The council participates in two post-employment schemes:

- the Local Government Pension Scheme for non-teaching employees, administered by both this council and the London Pensions Fund Authority (for those former employees of GLC/ILEA) – this is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. This includes discretionary benefits in relation to the Teachers' Pension Scheme.

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

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 2021	31 March 2022	31 March 2021	31 March 2022
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs including admin. expenses	57,979	77,857	-	-
Other operating income and expenditure				
Past service costs including curtailments	1,071	2,469	-	-
Settlements	-	-	-	-
Financing and Investment Income and Expenditure	-	-		
Net Interest Expense	19,796	19,141	1,062	956
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**78,846**	**99,467**	**1,062**	**956**
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(262,435)	(106,120)	-	-
Actuarial (gains) and losses arising from changes in demographic assumptions	(395)	(118,057)	(13)	(1,569)
Actuarial (gains) and losses arising from changes in financial assumptions	343,654	(28,606)	4,602	(232)
Changes in effect of Asset Ceiling	2,751	7,858	-	-
Other (if applicable)	(47,335)	121,989	(969)	445
Total Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**36,240**	**(122,936)**	**3,620**	**(1,356)**
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**115,086**	**(23,469)**	**4,682**	**(400)**
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	(78,846)	(99,467)	(1,062)	(956)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	36,484	38,668	3,304	3,179
Retirement Benefits Payable to Pensioners			(3,304)	(3,179)

*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: London Borough of Islington Pension Fund 31 March 2021 £'000	Funded Liabilities: London Borough of Islington Pension Fund 31 March 2022 £'000	Funded Liabilities: London Pensions Fund Authority 31 March 2021 £'000	Funded Liabilities: London Pensions Fund Authority 31 March 2022 £'000	Unfunded Liabilities: Discretionary Benefits 31 March 2021 £'000	Unfunded Liabilities: Discretionary Benefits 31 March 2022 £'000	Total 31 March 2021 £'000	Total 31 March 2022 £'000
Present Value of defined benefit obligation	(2,484,056)	(2,544,396)	(42,688)	(40,342)	(47,234)	(43,662)	**(2,573,978)**	**(2,628,400)**
Fair Value of Plan Assets	1,557,505	1,671,053	48,655	54,224	-	-	**1,606,160**	**1,725,277**
Impact of Asset Ceiling	-	-	(5,703)	(13,670)	-	-	**(5,703)**	**(13,670)**
Net liability	**(926,551)**	**(873,343)**	**264**	**212**	**(47,234)**	**(43,662)**	**(973,521)**	**(916,793)**

The total net liability of £916m 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 2021/22	Funded Liabilities: London Borough of Islington Pension Fund £'000	Funded Liabilities: London Pensions Fund Authority £'000	Unfunded Liabilities: Discretionary Benefits £'000
Balance as at 31 March 2021	**2,484,056**	**42,688**	**47,234**
Current service costs	76,318	131	
Interest cost	51,678	768	956
Contributions by scheme participants	13,361	20	-
Remeasurement (gains) and losses:			
Actuarial (gains) and losses arising from changes in demographic assumptions	(118,057)	-	(1,569)
Actuarial (gains) and losses arising from changes in financial assumptions	(27,606)	(1,000)	(232)
Other (if applicable)	121,898	91	445
Past service costs	243	-	-
Losses/(gains) on curtailment	2,111	-	-
Liabilities assumed on entity combinations	-	-	-
Benefits paid	(59,743)	(2,302)	(3,179)
Liabilities extinguished on settlements	-	-	-
Adjustment to opening balance	137	(54)	7
Balance as at 31 March 2022	**2,544,396**	**40,342**	**43,662**

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

Reconciliation of 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 2021/22	Funded Liabilities London Borough of Islington Pension Fund	Funded Liabilities London Pensions Fund Authority	Unfunded Liabilities Discretionary Benefits
	£'000	£'000	£'000
Closing Fair Value of Scheme Assets as at 31 March 2021	**1,557,505**	**48,655**	**-**
Interest Income	32,531	881	-
Remeasurement gain/(loss)			
The return on plan assets, excluding the amount included in the net interest expense	99,153	6,967	-
Other (if applicable)	-	-	-
Business combinations	-	-	-
Settlements	-	-	-
Contributions by the employer	29,615	65	3,179
Contributions by scheme participants	13,361	20	-
Benefits paid	(59,743)	(2,301)	(3,179)
Administration expenses	(1,345)	(63)	-
Adjustment to opening balances	(24)	-	-
Closing Fair Value of Scheme Assets as at 31 March 2022	**1,671,053**	**54,224**	**-**

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

Reconciliation of 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 2022, discounted at the IAS19 discount rate as at 31 March 2022.

Reconciliation of Asset Ceiling 2021/22	London Pension Fund Authority
	£'000
Closing impact of Asset Ceiling as at 31st March 2021	**(5,706)**
Interest on Asset Ceiling	(106)
Actuarial (loss)/gain	(7,858)
Closing impact of Asset Ceiling as at 31st March 2022	**(13,670)**

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 2021 £000	31 March 2022 £000
Equities			
UK quoted	Y	155,746	163,764
Private equity	N	15,575	11,697
Global - North America	Y	280,347	324,184
Global - Europe	Y	264,772	300,790
Global - Japan	Y	31,150	33,421
Global - Pacific (ex Japan)	Y	31,150	33,421
Global - Emerging / Other	Y	77,874	140,368
Sub-total equities		**856,614**	**1,007,645**
Bonds			
UK other	Y	171,323	200,526
Sub-total bonds		**171,323**	**200,526**
Property			
UK	Y	233,622	257,342
Overseas	N	15,575	16,711
Sub-total property		**249,197**	**274,053**
Alternatives			
Class 1	Y	**202,473**	**187,158**
Cash			
Cash accounts	N	77,874	1,671
Sub-total cash		**77,874**	**1,671**
Total assets		**1,557,481**	**1,671,053**

Local Government Pension Scheme Assets (LPFA)	Quoted	Fair value of scheme assets 31 March 2021 £000	31 March 2022 £000
Equities			
Global	Y	20,437	25,487
Private equity	N	4,136	9,761
Sub-total equities		**24,573**	**35,248**
Bonds			
Total return quoted	Y	5,401	6,507
Fixed Income	Y	2,044	1,627
Sub-total bonds		**7,445**	**8,134**
Alternatives			
Infrastructure	N	4,039	5,423
Property funds	N	4,428	-
Cash	Y	3,747	1,085
Cash	N	487	-
Credit	N	3,941	4,338
Sub-total alternatives		**16,642**	**10,845**
Total assets		**48,660**	**54,227**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 2022.

The significant assumptions used by the actuary have been:

	Funded and Unfunded				Unfunded	
	London Borough of Islington Pension Fund		London Pensions Fund Authority		Discretionary Benefits Teachers Pension Scheme	
	31 March 21	31 March 22	31 March 21	31 March 22	31 March 21	31 March 22
Mortality assumptions						
Longevity at 65 for current pensioners (in years):						
Men	22.8	21.7	20.6	20.6	22.8	22.7
Women **	25.3	24.0	23.6	23.7	25.3	25.3
Longevity at 65 for future pensioners (in years):						
Men	24.3	22.9	22.6	22.6	n/a	n/a
Women **	27.2	25.7	25.9	26.0	n/a	n/a
Rate of inflation	2.7%	3.3%	2.9%	3.5%	2.7%	3.5%
Rate of increase in salaries *	4.2%	4.8%	3.9%	4.5%	0.0%	0.0%
Rate of increase in pensions	2.8%	3.4%	2.9%	3.5%	2.8%	3.6%
Rate of discounting scheme liabilities	2.1%	2.8%	1.9%	2.6%	2.1%	2.8%

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

Impact on the Defined Benefit Obligation in the Scheme	LGPS		LPFA	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	*£000*	*£000*	*£000*
Longevity (increase or decrease in 1 year)	78,935	(78,935)	2,863	(2,665)
Rate of inflation (increase or decrease by 0.25% LGPS and 0.1% LPFA)	115,082	(115,082)	480	(475)
Rate of increase in salaries (increase or decrease by 0.25% LGPS and 0.1% LPFA)	11,558	(11,558)	15	(15)
Rate of increase in pensions (increase or decrease by 0.1%)	115,082	(115,082)	480	(475)
Rate for discounting scheme liabilities (increase or decrease by 0.5% LGPS and 0.1% LPFA)	(212,154)	212,154	(493)	499

Impact of the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Contribution rates applicable in 2021/22 were set based on the 2019 triennial valuation. The council agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 19 years. Funding levels are monitored on an annual basis.

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 £30.4m in contributions to the LGPS and LPFA schemes in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members within LGPS is 16 years in 2021/22 (16 years in 2020/21), and within LPFA is 12 years in 2021/22 (12 years in 2020/21).

The authority is exposed to a number of risks:

<u>LGPS</u>

- Investment risk. The Fund's primary risk is that assets fall short of liabilities in the long-term and as a result it is not able to honour promised benefits to members. The Fund has identified the investment risk inherent in the predominantly equity based strategy, as its biggest risk. The

Investment Strategy adopted by the Pension Sub-Committee to mitigate this risk includes a diversified asset allocation to include property, private equity and bonds. The equity portfolio is diversified by region and company holdings. The committee monitors regularly by performance benchmark and reviews strategies as markets evolve.

- Price Risk. The Fund quantifies prices risk by observing the potential market movement on the riskier assets and possible change in valuation.
- Currency risk. Overseas equities held by the Fund are currently 50-75% hedged hence mitigating any volatility in the major currencies of the dollar, yen and euro. 75% of the overseas equities are in the basket of the passive currency overlay hedge.
- Other risks.
  - Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.
  - There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes.

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 2022, the council owed LGPS £1.9m and LPFA £22k in contributions and pension strain.

36. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

In 2021/22 the council paid £ 11.8m to Teacher's Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/21 were £11.9m and 23.68%, respectively. The contributions due to be paid in the next financial year are estimated to be £11.8m. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2021/22 these amounted to £0.8m (£0.8m in 2020/21).

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 2021/22, £158.4k was payable by the council to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing an average rate of 14.38% of pensionable pay. The figures for 2020/21 were £185.6k and 16.26%, respectively.

37. Grant Income

The council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

Income from Grants, Contributions and Donations	2020/21 *£'000*	2021/22 *£'000*
Credited to Taxation and Non-Specific Grant Income		
COVID-19	36,957	14,505
New Homes Bonus	5,269	2,458
Business Rates Relief Grant	36,401	25,440
Capital Grants	13,598	31,318
Revenue Support Grant	24,459	24,590
Other Non-specific Grants	10,426	17,036
Total	**127,111**	**115,347**
Credited to Services		
Dedicated Schools Grant	149,173	159,629
Housing Benefit Subsidy	156,962	147,600
Public Health Grant	26,563	27,366
Private Finance Initiative	32,937	33,036
Pupil Premium Grant	10,423	10,175
Additional Better Care Fund	1,820	-
Improved Better Care Fund	11,088	14,154
Asylum Seeker Grant	3,067	2,211
Flexible Homelessness	2,141	2,172
Sixth Form Funding	2,282	2,150
COVID-19 NCS	21,963	17,279
Other Grants and Contributions	32,593	36,171
Total	**451,012**	**451,943**
Total Grants and Contributions	**578,123**	**567,291**

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 2021 £'000	Grant Balances	31 March 2022 £'000
	Grants Receipts in Advance - Short Term	
	Revenue Grants	
(4,646)	Dedicated Schools Grant	-
(2,585)	Other government grants balances	(17,271)
(907)	Other contributions	(244)
(8,139)	**Total**	**(17,515)**
	Capital Grants	
(20,423)	Government grants	(18,612)
(5,080)	s106 contributions	(3,105)
(533)	Third party contributions	(434)
(26,036)	**Total**	**(22,151)**
	Grants Receipts in Advance - Long Term	
	Capital Grants	
(551)	Government grants	(552)
(22,427)	s106 contributions	(22,740)
(22,978)	**Total**	**(23,292)**

38. Dedicated Schools Grant

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

Over and under-spending on the two elements must be accounted for separately. Details of the deployment of DSG receivable for 2021/22 are as follows:

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000	Total 2020/21 £'000
Final DSG for 2021/222 before Academy recoupment	-	-	194,017	186,209
Academy recoupment 2021/22	-	-	37,811	35,204
Total DSG after Academy recoupment for 2021/22	**-**	**-**	**156,206**	**151,005**
Brought forward from 2020-21	4,646	-	4,646	2,680
Agreed initial budgeted distribution for 2021/22	**37,113**	**123,738**	**160,852**	153,685
In-year adjustments	-	(424)	**(424)**	**134**
Final budgeted distribution for 2021/22	**37,113**	**123,314**	**160,427**	**153,819**
less: Actual Central Expenditure	(31,895)	-	(31,895)	(27,684)
less: Actual ISB deployed to schools	-	(123,314)	(123,314)	(121,489)
plus local authority contribution for 2021/22	-	-	**-**	**-**
Carry forward to 2022/23	**5,218**	**-**	**5,218**	**4,646**

39. Trust Funds and Other Third-Party Funds

The council does not act as sole trustee or custodian trustee for any trust funds, nor is it a trustee for any other funds. However, the council is responsible for the administration of a number of third party funds. These funds do not represent assets of the council and, therefore, have not been included in the council's Balance Sheet. These funds totalled £29m as at 31 March 2022 (£31.0m as at 31 March 2021) 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

2020/21 £'000	Housing Revenue Account Income and Expenditure Statement	2021/22 £'000
	Expenditure	
35,255	Repairs and maintenance	36,287
118,236	Supervision and management	119,569
1,087	Rents, rates, taxes and other charges	1,093
-	Rent rebates	-
29,474	Depreciation of non-current Assets	32,375
5,594	Gain or loss on Revaluation of non-current Assets	16,674
295	Debt management costs	289
189,941	**Total Expenditure**	**206,287**
	Income	
(157,216)	Dwellings rents (gross)	(160,480)
(1,420)	Non-Dwellings rents (gross)	(1,440)
-	Transfer from PFI Smoothing fund	-
(41,686)	Charges for services & facilities	(41,388)
(816)	Transfers from General fund - Communal use	(816)
-	HRA Subsidy receivable	-
(22,855)	PFI Government grant receivable	(22,855)
-	Revaluation and gain on non-current Assets	-
(143)	Contributions towards Expenditure	(201)
-	Other income	(1,131)
(224,136)	**Total Income**	**(228,311)**
(34,195)	**Net Cost of Services as included in the Comprehensive Income and Expenditure Statement**	**(22,024)**
2,452	HRA services' share of Corporate and democratic core	2,456
-	HRA share of non-allocated spec. services	-
(31,743)	**Net (Income) / Cost of HRA Services**	**(19,568)**

	HRA share of operating income in the Comprehensive Income and Expenditure Statement:	
(5,093)	Gain or loss on sale of property, plant & equipment	(9,282)
(89)	Gain or loss on sale of investment properties	263
-	Income and expenditure in relation to investment properties	-
75	Gain or loss on revaluation of investment properties	(50)
20,853	Interest payable and similar charges	19,763
1,788	Movement in the allowance for bad debts	1,338
(7,048)	Capital grants and contributions receivable	(18,359)
(1,043)	Interest and investment income	(834)
(22,300)	**(Surplus)/Deficit for the year on HRA Services**	**(26,729)**

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.

2020/21 £'000	Movement on the HRA Statement	2021/22 £'000
(17,521)	**Balance on the HRA at the end of the previous year**	**(17,521)**
(22,300)	(Surplus) or Deficit for year on the HRA Income and expenditure account	(26,729)
21,680	Adjustments between accounting basis and funding basis under statute	60,000
(620)	**Net (Increase) or decrease before transfers to or from reserves**	**33,271**
620	Transfers to / (from) reserves	(33,271)
-	**(Increase) or decrease in year on the HRA**	**-**
(17,521)	**Balance on the HRA at the end of the current year:**	**(17,521)**

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

2020/21 £'000	Note on Reconciling Items for the HRA Balance	2021/22 £'000
	Adjustments between accounting basis and funding basis under statute	
-	Impairment of non-current Assets	-
7,048	Capital grants received transferred to Grants reserve	18,359
-	REFCUS	(10)
11,851	Repayment of PFI / lease liabilities	9,786
5,093	Gain or loss on sale of HRA non-current assets	9,278
(5,594)	Gain or loss on revaluation of council dwellings	(16,674)
(9,691)	Reversal of charges made for retirement benefits in accordance with IAS 19	(12,790)
-	Differences between interest payable and similar charges including amortisation of premiums and discounts	-
5,029	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	5,380
(304)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	128
(75)	Gain or loss on revaluation of investment properties	50
(101)	Capital Receipts funding of Disposal Costs	(111)
(29,474)	Transfer from Capital Adjustment Account equivalent to depreciation	(32,375)
8,424	Capital Expenditure funded by the HRA	46,604
29,474	Transfers to/(from) Major Repairs Reserve	32,375
	Transfer to / from earmarked reserves	
-	Transfer to/(from) PFI Smoothing fund	-
200	Transfer to/(from) Tenants' Heating & hot water reserve	187
420	Amounts transferred to/(from) HRA Reserve	(33,458)
22,300	**Net additional amount required by statute to be debited or credited to the HRA Balance for the year**	**26,729**

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 2021 *Nos*	Housing stock numbers	31 March 2022 *Nos*
22,829	Flats	22,856
2,470	Houses	2,467
25,299	**Total**	**25,323**

2. Value of Dwellings

The value of Council Dwellings as at 31st March 2022 was £3.547 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 the occupation by a secure tenant. The vacant possession factor remained at 25% in 2021/22 which means that the vacant possession value of the dwellings within the HRA as at 31st March 2022 is £14.188 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 2021 *£'000*	Housing Stock - Value	31 March 2022 *£'000*
	Operational Assets	
3,330,469	Council Dwellings	3,546,482
	Other	
30,082	Other Land & Buildings	33,517
19,131	Infrastructure assets	19,416
3,283	Vehicles, Plant & Equipment	2,889
193	Surplus non-operational assets	193
3	Community Assets	2
1,289	Investment Properties	1,922
60,674	Assets under Construction	34,411
281	Assets held for Sale	476
3,445,405	**Total**	**3,639,308**

3. Major Repairs Reserve

2020/21 £'000	Major Repairs Reserve	2021/22 £'000
(21,909)	**Balance as at 1 April**	**(5,271)**
(29,474)	Transfer from HRA equivalent to HRA depreciation	(32,375)
-	Other transfer to/(from) HRA	-
46,112	Capital Expenditure on Dwellings	33,445
(5,271)	**Balance as at 31 March**	**(4,201)**

4. Capital Expenditure and Capital Receipts

The council spent £99.5m on the housing stock in 2021/22 (£84.5m in 2020/21). HRA capital receipts in year amounted to £14.3m of which £3.8m was paid to central government.

2020/21 £'000	HRA Capital Expenditure	2021/22 £'000
84,503	Works to HRA Dwellings / Other Properties	99,488
-	REFCUS*	-
84,503	**Total**	**99,488**

2020/21 £'000	Capital Expenditure by Funding Source	2021/22 £'000
-	Borrowing*	-
(22,718)	Usable Capital receipts*	(18,009)
(8,424)	Revenue Contributions	(46,604)
(46,112)	Major Repairs Reserve	(33,445)
(7,249)	Other	(1,430)
(84,503)	**Total**	**(99,488)**

2020/21 £'000	Summary of Capital Receipts	2021/22 £'000
7,064	Usable	10,478
3,720	Paid to the government Housing Capital Receipts Pool	3,781
10,784	**Total**	**14,259**

5. Depreciation

2020/21 £'000	Depreciation	2021/22 £'000
26,685	Council Dwellings	29,797
851	Other Land & Buildings	406
1,347	Infrastructure Assets	1,387
591	Vehicles, Plant & Equipment	785
-	Surplus non-operational assets and Community Assets	-
-	Intangible Assets	-
29,474	**Total Depreciation**	**32,375**

6. Contribution to Pension Reserve

HRA share of the contribution to the Pension Reserve in 2021/22 was £7.4m (£4.7m in 2020/21).

7. Rent Arrears

Outstanding rent arrears as at 31 March 2022 were £12.6m. The amounts outstanding as at 31 March 2021 were £12.3m. During 2021/22, irrecoverable rent arrears of £0.69m were written off. The cumulative bad debt provision for rent arrears within the HRA account is £7.4m. The table below shows closing rent arrears for 2021/22 and 2020/21.

2020/21 £'000	Rent Arrears	2021/22 £'000
8,544	Current tenants	8,290
3,773	Former tenants	4,293
12,317	**Total**	**12,583**

Collection Fund Statement

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

Collection Fund expenditure for both council tax and NNDR was set (per regulations) as part of the 2021/22 budget setting process. Subsequently, the COVID-19 pandemic struck and had a substantial impact on collectable Collection Fund income. This included the impact of the expanded government business rates reliefs to properties within the retail, hospitality, and leisure sectors. Consequently, there is a substantial deficit in the Collection Fund at the end of 2021/22. The element of the Collection Fund deficit relating to expanded government business reliefs will be repaid by the billing authority (the council) and preceptors (the GLA and central government) in 2022/23, funded by up-front Section 31 grant received from the government. The exceptional element of the Collection Fund deficit not relating to expanded government reliefs will be repaid by preceptors over 3 years instead of the normal 1 year, and will be partially offset by compensation from the government's 75% Tax Income Guarantee scheme.

Income and Expenditure Statement

2020/21 Council Tax	2020/21 Non-Domestic Rates	2020/21 Total	Summary of Income and Expenditure Account as at 31st March 2022	2021/22 Council Tax	2021/22 Non-Domestic Rates	2021/22 TOTAL
£'000	£'000	£'000		£'000	£'000	£'000
			Income			
(126,935)	(227,543)	(354,478)	Income collectable from Taxpayers (net of benefits, discounts for prompt payments and reliefs)	(135,422)	(242,901)	(378,323)
-	(6,725)	(6,725)	Business Rate Supplement Income	-	(7,119)	(7,119)
			Transfers from General Fund			
-	(1,803)	(1,803)	Transitional Relief	-	445	445
(126,935)	**(236,071)**	**(363,006)**	**Total Income**	**(135,422)**	**(249,575)**	**(384,997)**
			Expenditure			
			Precepts, Payments & Demands			
19	-	19	Lloyd Square	19	-	19
26,971	107,800	134,771	Greater London Authority	28,270	109,904	138,174
-	6,621	6,621	BRS Payments	-	7,012	7,012
98,750	87,405	186,155	London Borough of Islington	99,230	89,111	188,341
-	96,146	96,146	Payments with respect to Central Share	-	98,022	98,022
125,740	**297,972**	**423,712**	**Total Precepts & Demands**	**127,519**	**304,049**	**431,568**
			Collection & Admin Costs			
-	724	724	Costs of Collection	-	726	726
-	104	104	BRS Administrative Costs	-	107	107
			Other Transfers to the General Fund			
-	79	79	Renewable Energy Schemes	-	79	79
			Contributions			
			Towards previous year's Collection Fund Surplus			
434	6,606	7,040	London Borough of Islington	111	(22,747)	(22,636)
117	3,716	3,833	Greater London Authority	30	(28,855)	(28,825)
-	951	951	Central Government	-	(25,712)	(25,712)
			Bad and Doubtful Debts / Appeals			
41	367	408	Current Year Write Offs	50	258	308
-	1,616	1,616	Appeals Provision	-	10,402	10,402
3,743	11,687	15,430	Allowance for Bad Debts Provisions	2,503	1,006	3,509
130,075	**323,822**	**453,897**	**Total Expenditure**	**130,213**	**293,313**	**369,526**
3,140	**87,751**	**90,891**	**(Surplus) / Deficit for the Year**	**(5,209)**	**(10,262)**	**(15,471)**

			Collection Fund Account Reserves			
(1,301)	(13,757)	(15,058)	(Surplus)/Deficit brought forward	1,839	73,993	75,832
3,140	87,750	90,890	(Surplus)/Deficit for the year	(5,209)	(10,263)	(15,472)
1,839	**73,993**	**75,832**	**Closing Collection Fund Balance**	**(3,370)**	**63,730**	**60,360**

			Current Share of (Surplus)/Deficit			
1,439	21,751	23,190	London Borough of Islington	(2,589)	19,119	16,530
400	27,626	28,026	Greater London Authority	(781)	23,580	22,799
-	24,616	24,616	Central Government	-	31,031	21,301
1,839	**73,993**	**75,832**	**Total (Surplus)/Deficit c/f**	**(3,370)**	**63,730**	**60,360**

Notes to the Collection Fund Statement

C1. Council Tax

2021/22 Council Tax income is made up of the following elements:

2020/21 £'000	Council Tax Income	2021/22 £'000
(182,977)	Gross Opening Charge	(195,086)
	Less: Adjustments	
11,064	Exemptions	11,795
77	Disabled Relief	70
15,813	Discounts	17,299
29,088	Council Tax Support	30,500
(126,935)	**Income collectable from Taxpayers**	**(135,422)**

Council tax support costs in 2021/22 are net of £2.816m discretionary relief funded by the General Fun (in relation to the discretionary extension of the government's £150 Hardship Fund Scheme for 2020/21).

C2. Council Tax Base

The 2021/22 council tax base was 77,737 equivalent Band D properties (81,221 in 2020/21), which was used to calculate the Band D council tax of £1,640.14 (excluding Lloyd Square Garden area). The table below shows the number of properties in each band and the number of Band D equivalent properties after allowing for non-collection.

Bands	Chargeable No. of dwellings	Band Ratio	2021/22 Band D No. of dwellings	2020/21 Band D No. of dwellings
A	2,233	0.667	1,489	927
B	3,103	0.778	2,414	2,699
C	16,941	0.889	15,061	16,318
D	21,993	1.000	21,993	23,092
E	13,842	1.222	16,915	17,185
F	7,395	1.444	10,678	10,701
G	6,173	1.667	10,290	10,260
H	858	2.000	1,716	1,696
Total	**72,538**			
Total Band D Equivalents Dwellings			**80,556**	**82,878**
Budgeted Collection Rate			96.50%	98.00%
Council Tax Base			**77,737**	**81,221**

C3. Non-domestic Rates (NDR)

The council collects non-domestic rates for the local authority area that are based on commercial property rateable values set by the Valuation Office Agency multiplied by the business rates multiplier set nationally by government. The total rateable value at 31st March 2022 was £716m (£724m at 31st March 2021). The standard multiplier for 2021/22 was 51.2p (51.2p in 2020/21), and the Small Business Rate Relief multiplier for 2021/22 was 49.9p (49.9p for 2020/21).

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

2020/21 *£'000*	Business Rates (NDR)	2021/22 *£'000*
(367,040)	**Gross rates and empty rates due at the end of the year**	(355,737)
	Less allowance and adjustments:	
7,846	NDR Payable in respect of previous years	7,771
1,803	Transitional Protection Payments	(445)
24,016	Mandatory Relief	26,159
11,921	Unoccupied Property Relief	17,630
83,989	Retail, Hospitality and Leisure Reliefs ** (Note 1)	52,314
8,491	Small Business Rate Relief	8,287
94	Revaluation Relief	-
202	Supporting Small Business Relief	139
31	Pub Relief	1
1,104	Discretionary Relief	980
139,497	**Total Reliefs and Adjustments**	**112,836**
(227,543)	**Net Rates Payable After Reliefs and adjustments**	**(242,901)**

Note 1: In response to continuous COVID impact and government's commitment to ongoing support, the expanded retail discounts scheme to retail, leisure and hospitality sector was continues in 2021/22 at 100% rate for the first three months, from 1 April 2021 to 30 June 2021, and then at 66% for remaining part of the year, from 1 July 2021 to 31 March 2022. The actual costs of expanded retail discounts however was reimbursed to billing and major precepting authorities under the Government's general fund section 31 grant scheme. Thus, significant losses in the current year collection fund will partially be offset by the balance held in earmarked reserves in the future years.

** The above figure includes nursery reliefs.

C4. Business Rates Supplement (BRS) - Crossrail.

The BRS was levied by GLA on non-domestic properties with a rateable value of £70,000 or more.

The aggregate rateable value of properties liable for BRS on 31st March 2022 was £530m (£536m at 31 March 2021). 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 2021/22 was £7.119m (£6.725m in 2020/21). The £7.012m (£6.621m in 2020/21) payable to GLA is net of £0.1m collection costs and other adjustments retained by the council.

2020/21 £'000	Business Rates Supplement (Crossrail)	2021/22 £'000
(6,725)	**BRS Due At Year End**	**(7,119)**
	Less allowance and adjustments:	
-	Refund of overpayments	-
86	Losses in collection	89
86	**Total**	**89**
(6,639)	**Income due from Business Ratepayers**	**(7,030)**
18	Costs of Collection	18
(6,621)	**Total**	**(7,012)**

C5. Collection Fund Share of (Surplus)/Deficit

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

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

Non-domestic rates is shared between the council (30%), the Greater London Authority (37%) and the central government (33%).

Islington Pension Fund

Fund Account

2020/21 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2021/22 £'000	Note
	Contributions receivable		
29,104	Employer contributions	31,449	7a
28,037	Deficit recovery contributions	1,252	7a
13,533	Members contributions	14,457	7b
5,021	Transfers in from other pension funds	2,667	8
2,399	Other Income	2,321	9
78,094	**Total Income**	**52,146**	
	Benefits payable		
(50,422)	Pensions	(51,746)	10
(8,827)	Lump sum benefits	(10,707)	10
(8,404)	Payment to and on account of leavers	(4,518)	11
(67,653)	**Total Expenditure**	**(66,971)**	
10,441	**Net additions/ (withdrawals) from dealing with members**	**(14,825)**	
(2,837)	**Management Expenses**	**(3,114)**	12
7,604	**Net additions/ (withdrawals) including fund management expenses**	**(17,939)**	

	Returns on investments		
16,340	Investment return gain/(loss)	13,081	13
281,099	Change in market value (realised & unrealised)	128,410	
297,439	**Net Returns on investments**	**141,491**	
305,043	Net increase/(decrease) in fund in year	123,552	
1,358,812	**Opening net assets of the scheme**	**1,663,855**	
1,663,855	**Closing net assets of the scheme**	**1,787,407**	

Net Assets Statement

2020/21 £'000	Net Assets Statement for the year ended 31 March 2022	2021/22 £'000	Note
	Investments		
1,638,824	Investment assets	1,767,578	14
23,294	Other Investment and Cash	16,845	14
1,662,118	**Total Investments**	**1,784,423**	
	Current Assets and Liabilities		
4,195	Current assets	5,727	16
(2,458)	Current liabilities	(2,743)	17
1,663,855	**Net assets of the scheme *available to fund benefits* at 31 March**	**1,787,407**	

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)
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Council has delegated the investment arrangements of the scheme to the Pensions Sub-Committee who decide on the investment policy most suitable to meet the liabilities of the Scheme and the ultimate responsibility for the investment policy lies with it. The Committee is made up of four elected members of the council who each have voting rights, and four observers, representing members of the fund, who do not have voting rights. The Committee reports to the Audit Committee and has fully delegated authority to make investment decisions. The Committee obtains and considers advice from the Corporate Director of Resources, as necessary from the Pension Fund's appointed actuary (including specific investment advice), investment managers and investment advisers.

Investment managers manage the investment portfolio. The fund has two private equity fund managers Pantheon Ventures (total commitments £36.99m) and Standard Life (total commitments £49.93m). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1, II and III (total commitment £99.0m). The fund has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £51.0m) and Pantheon Access £76.1m. The fund also has two Private Debt managers Churchill Middle Market (total commitment £72.3m) and Permira Credit Solutions (total commitment £50m).

The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee. Islington has funds that are managed by the London CIV, (see note 28). Islington Council is one of the 33 London Boroughs that oversees the operation of London LGPS CIV Ltd. The CIV has been established to facilitate the mandatory pooling of all London pension fund investments, which includes the Islington Pension Fund. A Joint Committee of London Councils who represent the shareholders will recommend the appointment of 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.

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.

List of the scheduled and admitted bodies to the fund are detailed below:

Administering Authority	**Islington Council**
Schedule 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 Primary School	Pleydell
St Mary Magdalene Academy: The Courtyard	NCP Services (Islington South)
Elliot Foundation	SSE Contraction Ltd (Islington Lighting)
Pears Family School Academy	Brunswick
The Bridge School	Caterlink
City of London Academy, Highbury Grove	Engie Services Ltd(Cofely Workplace Ltd)
City of London Academy, Highgate Hill	Greenwich Leisure Ltd
The Bridge Satellite Provision	Isledon Arts CIC
The Bridge Integrated Learning Space	Alliance in Partnership
City of London Primary Academy, Islington	Bouyges ES FM UK Ltd.
Clerkenwell Parochial CofE Primary School	
Hungerford School	
London Screen Academy	

c) Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	No's	*No's*	*No's*	*No's*	*No's*	*No's*	*No's*	*No's*
Employees Contributing into the Fund	5,961	6,087	134	106	429	519	6,524	6,712
Pensioners	5,643	5,778	480	501	45	50	6,168	6,329
Widows/ Children's Pensions	918	914	53	55	5	6	976	975
Deferred Benefits	7,320	7,333	676	660	293	333	8,289	8,326
Totals	**19,842**	**20,112**	**1,343**	**1,322**	**772**	**908**	**21,957**	**22,342**

d) Funding

Contributions are credited to the Pension Fund consisting mainly of:

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

ii. Employers' contributions determined by the triennial actuarial review. The last review as at 31 March 2019, effective from 1 April 2020 fixed at 14.6% of pensionable payroll costs phased over 3 years (14.6% in 2019/20). In common with many other local authorities, the Pension Fund has a deficit. It was agreed with the actuary that the deficit on past service should be met by separate additional lump sum payments and recovered over nineteen years. The Council made a lump sum payment of £28.04 in 2020-21 to the Pension fund in advance instead of paying the amount over a three-year period (2020-2022) to fund the deficit following the triennial valuation.

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

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

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

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. Voluntary Scheme Pay, Mandatory Scheme Pay and Lifetime Allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

iii. 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 addition, 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 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 exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

iv. 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

v. 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 2021/22 financial year and its positions as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Updated in 2021/22), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. There are no Code changes affecting pension funds for 2021/22, nor new CIPFA Guidance in 2021/22.

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

<u>Fund Account – revenue recognition</u>

A) Contributions

Normal contributions are accounted for on an accruals basis as follows:

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

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

B) Transfers

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

C) Investment Income

- **Interest income** is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- **Dividend Income** - Dividends have been accounted for on an accruals basis. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.
- **Distributions from pooled funds** are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset in the net asset statement.

- **Movement in the net market value of investments** – Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.
- **Foreign Currencies** - Foreign income has been translated into sterling at the date of the transaction. Foreign income due at the year-end has been translated into sterling at the rate ruling as at 31 March 2022.

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.

F) VAT

Input VAT is generally recoverable on all Fund activities.

G) Mandatory Scheme Pays (MSP), Voluntary Scheme Pays (VSP) and lifetime allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

H) 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

I) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14. Any gains or losses on investment sales arising from changes in the fair 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.

J) 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.

K) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Derivative contracts’ changes in fair value are included in change in market value. The fund holds forward exchange contract consists of an asset and liability.

L) 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.

M) 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.

N) 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.

O) Stock Lending

The fund does not participate in stock lending.

P) 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 but are disclosed for information in Note 20.

Q) 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

There were no critical judgements made during 2021/22.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations; however, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Actuarial present value of promised retirement benefits.</td><td>Estimation of the net liability to pay pensions and the judgements used in these estimations are carried out by the actuary, Mercer.
The significant judgements are in regard to the discount rate used, salary increase projections, and retirement age.</td><td>
<table>
<tr><th>Change in assumptions – year ended 31st March 2022</th><th>Approx % change in liabilities</th><th>Approx monetary value £m</th></tr>
<tr><td>0.5% p.a. decrease in discount rate</td><td>8% increase</td><td>£223m increase</td></tr>
<tr><td>0.5% p.a. increase in salary increase rate</td><td><1% increase</td><td>£13m increase</td></tr>
<tr><td>0.5% p.a. increase in inflation / pension increase rate</td><td>8% increase</td><td>£223m increase</td></tr>
<tr><td>1 year increase in member life expectancy</td><td>3% increase</td><td>£80m increase</td></tr>
</table>
</td></tr>
<tr><td>Private equity and Infrastructure investments</td><td>The Partnership’s investments in Portfolio Partnerships are carried at fair value as determined in good faith by the General Partner in accordance with US GAAP.
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.</td><td>Private equity and infrastructure investments are valued at £136.2 in the financial statements. These investments were valued as at the 31st March 2022.
These assets have been predicted a sensitivity range of 6.6% –9.6% by the performance analytics. (See note 26a).</td></tr>
<tr><td>Property and Pooled Property funds</td><td>Valuation techniques are used to determine the carrying amount of pooled property funds.
Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.</td><td>The total Property Funds are £300.497m (including pooled property). These assets were valued as at 31st March 2022.
Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by 6.60% (See note 26a).</td></tr>
</table>

6. EVENTS AFTER THE REPORTING DATE

Members re- committed $100m to infrastructure with Quinbrook Net Zero Fund in August 2022. The In-House UK passive fund was transitioned to LGIM Paris Aligned Fund in August 2022.

7. Contributions Receivable

a) Employers' Contributions

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

Contributions receivable - Employers' contributions	Normal Contributions		Special Contributions		Strain Recovery	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Administering Authority						
Islington Council *	53,702	28,189	-	-	634	1,543
Scheduled Bodies						
St Mary Magdalene Academy	258	246	-	-	-	24
City of London Academy	152	163	-	-	-	-
The New North Academy	107	104	-	-	-	-
William Tyndale School	127	141	-	-	-	-
The Courtyard School	29	44	-	-	-	-
Elliot Foundation	218	187	-	-	-	-
The Bridge School	542	586	-	-		-
The Bridge School Academy	74	78	-	-	-	-
Pears Family School Academy	24	28	-	-	-	-
City of London Academy Highbury Grove	327	341	-	-	-	-
City of London Academy, Highgate Hill	72	90	-	-	-	-
The Bridge Satellite Provision	60	46	-	-	-	-
City of London Primary Academy, Islington	20	26	-	-	-	-
Clerkenwell Parochial Academy	64	35	-	-	59	10
Hungerford School	61	166	-	-	-	-
London Screen Academy	108	109	-	-	-	-
Sub-Total Scheduled Bodies	**2,243**	**2,390**	**-**	**-**	**59**	**34**
Admitted bodies						
Volunteering Matters (CSV)	-	100	-	-	-	-
Camden & Islington NHS Foundation Trust	51	53	-	-	-	-
Braithwaite	7	7	-	-	-	-
Pleydell	24	30	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	-	-	-	-	-	-
Brunswick	31	30	-	-	-	-
Caterlink	178	168	-	-	-	-
Engie Services Ltd(Balfour Beatty)	79	92	-	-	-	-
Mears Ltd	12	-	-	-	-	-
Greenwich Leisure Ltd	47	51	-	-	19	-
Isledon Arts CIC	7	7	-	-	-	-
Alliance In Partnership	33	4	-	-	10	-
Bouygues ES FM UK Ltd.	5	3	-	-	-	-
Sub-total Admitted Bodies	**474**	**545**	**-**	**-**	**29**	**-**
Totals	**56,419**	**31,124**	**-**	**-**	**722**	**1,577**

* 3-year advance deficit lumpsum contribution of £26.9m is included in Islington Council's 2020-21 normal contributions. The entire amount was accounted for, in previous years it was treated as a prepayment.

b) Members' Contributions

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

Contributions receivable - Members contributions	Normal Contributions (inc Added Years Contributions)	
	2020/21	2021/22
	£'000	£'000
Administering Authority		
Islington Council	12,569	13,452
Scheduled Bodies		
St Mary Magdalene	112	102
City of London Academy	73	77
The New North Academy	29	27
William Tyndale School	33	36
The Courtyard School	15	24
Elliot Foundation	141	152
The Bridge School	141	153
The Bridge School Academy	34	37
Pears Family School Academy	9	11
City of London Academy Highbury Grove	76	78
City of London Academy, Highgate Hill	41	45
The Bridge Satellite Provision	18	18
City of London Primary Academy, Islington	7	10
Clerkenwell Parochial academy	11	1
Hungerford School	21	21
London Screen Academy	40	62
Sub-Total Scheduled Bodies	**801**	**854**
Admitted bodies		
Volunteering Matters (CSV)	-	-
Camden & Islington NHS Foundation Trust	7	7
Braithwaite	2	2
Pleydell	7	8
NCP Services (Islington South)	6	6
SSE Contracting Ltd (Islington Lighting)	5	5
Brunswick	8	7
Caterlink	51	50
Engie Ltd (Balfour Beatty)	34	38
Mears Ltd	9	-
Greenwich Leisure Ltd	22	24
Isledon Arts CIC	3	3
Alliance In Partnership	8	-
Bouyges ES FM UK Ltd.	1	1
Sub-total Admitted Bodies	**163**	**151**
Totals	**13,533**	**14,457**

8. Transfers in

2020/21 £'000	Transfers in	2021/22 £'000
-	Group transfers in from other schemes	-
5,021	Individual transfers in from other schemes	2,667
5,021	**Total transfers in**	**2,667**

9. Other Income

2020/21 £'000	Other Income	2021/22 £'000
2,399	Other	2,321
2,399	**Total other income**	**2,321**

Other income are pension recharges and miscellaneous fees.

10. Benefits

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

Benefits Payable	Pensions 2020/21 £'000	Pensions 2021/22 £'000	Lump sum benefits 2020/21 £'000	Lump sum benefits 2021/22 £'000	Lump sum death 2020/21 £'000	Lump sum death 2021/22 £'000
Administering Authority						
Islington Council	46,713	48,013	6,501	8,108	1,745	2,101
Scheduled Bodies						
St Mary Magdalene Academy	26	33	-	30	-	-
City of London Academy	58	63	137	7	-	-
The New North Academy	26	28	-	9	-	-
William Tyndale School	26	27	6	-	-	-
The Courtyard	5	5	-	-	-	-
Tech City (Stem 6th form Academy)	2	2	-	-	-	-
The Bridge Integrated Learning Space	6	10	16	-	-	-
Pears Family School Academy	1	1	5	-	-	-
City of London Academy Highbury Grove	8	21	-	-	-	-
City of London Highgate Hill	-	8	-	50		-
Clerkenwell	-	24	-	9		-
City of London Primary Academy, Islington	2	-	20	-	-	-
Hungerford School	8	7	-	-	-	-
Sub-Total Scheduled Bodies	**168**	**229**	**184**	**105**	**-**	**-**
Admitted Bodies						
Volunteering Matters (CSV)	1,292	1,297	105	55	-	133
Aquaterra	229	222	-	-	-	-
CEA	864	866	2	35	-	-
FSST	4	4	-	-	-	-
Kier Islington Ltd (Caxton)	603	599	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	73	73	-	-	-	-
ALA	21	21	-	-	-	-
Notting Hill Trust	15	15	-	-	-	-
Camden & Islington NHS Foundation Trust	87	88	-	-	-	-
Pleydell	13	13	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	56	57	-	-	-	-
Brunswick	10	10	-	-	-	-
Southern Housing Group	9	9	-	-	-	-
Cushman & Wakefield LLP (Dunlop Haywards)	8	8	-	-	-	-
Mouchel Parkman	33	33	-	-	-	-
Caterlink	57	44	95	-	-	74
Engie Ltd (Balfour Beatty)	29	29	-	-	-	-
Kier Support Services	21	21	-	-	-	-
Breyers	8	7	-	-	-	-
Mears	16	18	-	96	-	-
Greenwich Leisure Ltd	63	52	195	-	-	-
WJ Catering	23	10	-	-	-	-
Alliance In Partnership	3	4	-	-	-	-
Sub-total Admitted Bodies	**3,541**	**3,504**	**397**	**186**	**-**	**207**
Totals	**50,422**	**51,746**	**7,082**	**8,399**	**1,745**	**2,308**

11. Payments to and on Account of Leavers

2020/21 £'000	Payment to and on Account of Leavers	2021/22 £'000
79	Refunds of Contributions	62
8,325	Individual Transfer	4,456
8,404	**Total payments to and on account of leavers**	**4,518**

12. Management Expenses

2020/21 £'000	Management Expenses	2021/22 £'000
1,442	Administrative Cost (12a)	1,464
983	Investment Management Expenses (12b)	1,173
412	Oversight and Governance Cost (12c)	477
2,837	**Total Management Expenses**	**3,114**

12(a) Administrative Expenses

2020/21 £'000	Administrative expenses	2021/22 £'000
1,322	Employee Cost	1,354
120	Support services	110
1,442	**Total administrative expenses**	**1,464**

All other costs of administration are borne by Islington Council.

12(b) Investment Expenses

2020/21 £'000	Investment Expenses	2021/22 £'000
941	Management Fees	1,134
42	Custody Fees	39
983	**Total investment management expenses**	**1,173**

12(c) Oversight and Governance Cost

2020/21 £'000	Oversight & Governance Cost	2021/22 £'000
35	Performance Management Services	14
242	Advisory Services Fees	284
91	Operation and Support	99
19	Actuarial Fees	60
25	Audit Fees	20
412	**Total Oversight & Governance Cost**	**477**

13. Income from Investments

2020/21 £'000	Investment return (Gain/loss)	2021/22 £'000
4,855	UK Equities	6,256
5,314	Global & emerging equities	5,208
141	Private equity	(4)
-	Private Debt	(139)
4,537	Property	5,249
1,396	Derivatives	(3,932)
95	Other investments & Dividends	253
2	Cash	190
16,340	**Net returns on investment**	**13,081**

14. Reconciliation Of Movements In Investments and Derivatives

Investments	Market Value as at 31 March 2021 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 March 2022 £'000
Equities	158,367	15,407	(17,843)	13,509	169,440
Pooled Multi-Asset	132,289	-	(22,500)	4,651	114,440
Global & Emerging Equities	738,032	5,235	(66)	66,247	809,448
Fixed Interest	75,364	-	-	628	75,992
Property	243,594	4,571	-	34,294	282,459
Pooled property - o/seas	14,899	5,644	(3,037)	530	18,036
Bonds	166,463	176	(25,000)	(7,951)	133,688
Private Equity - P.I.V	16,690	419	(7,939)	2,517	11,687
Private Debt	-	28,924	(1,604)	482	27,803
Infrastructure - PIV	93,127	20,914	(8,014)	18,558	124,585
	1,638,825	**81,290**	**(86,003)**	**133,465**	**1,767,578**
Derivatives - Forward FX	(673)	15,321	(15,321)	(5,055)	(5,728)
	1,638,152	**96,611**	**(101,324)**	**128,410**	**1,761,850**
Other Investment & Cash	23,966				22,573
Total Investments	**1,662,118**				**1,784,423**

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.

14 (a) Investment Detail

Investment Assets by Type		2020/21 £'000	2021/22 £'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		73	67
Total Fixed interest securities		**73**	**67**
Index -linked			
UK public sector quoted		113	121
Total Index -linked		**113**	**121**
Equities (valued at Bid Price)			
UK quoted		125,607	142,307
Overseas quoted		32,760	27,133
Total Equities		**158,367**	**169,440**
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	243,594	282,459
	Pooled Multi Asset	132,289	114,440
	Bond	166,463	133,687
	Fixed interest)	75,178	75,804
Overseas Managed Funds	Other : Equity	738,032	809,448
	Property	14,899	18,037
	Private Equity	16,690	11,687
	Bond: Private Debt	-	27,803
Infrastructure Investment		93,127	124,585
Total Pooled investment vehicles		**1,480,272**	**1,597,950**
Other investment balances (valued at Amortised cost)			
Outstanding dividends & RWT		1,334	1,542
Derivatives - Forward FX		(673)	(5,728)
Cash deposits : Sterling		22,376	20,402
Cash deposits : Other		256	629
Total Other investment balances		**23,293**	**16,845**
Total Investment Assets		**1,662,118**	**1,784,423**

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

14 (b) Analysis of derivatives

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

Settlement	Currency Code Purchased	Asset Value	Liability Value
		£'000	£'000
3 Months	Euros		(45,426)
	Japanese Yen		(17,877)
	Pound Sterling	274,022	
	US Dollars		(216,447)
		274,022	**(279,750)**

Net Forward FX at 31 March 2022	(5,728)
Net Forward FX at 31 March 2021	(673)

15. Investments exceeding 5% of net assets

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

Security	Market value 31 March 2021 £'000	% of total fund	Market value 31 March 2022 £'000	% of total fund
LBI Self-Managed UK quoted	120,171	7.2%	136,306	7.6%
London CIV Pooled - Newton MSCI All Country World	291,204	17.5%	321,802	18.0%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	166,462	10.0%	133,687	7.5%
Aviva Lime Property UK Unit Trust	131,173	7.9%	149,466	8.4%
Threadneedle Pooled Investment Property AREF IPD All Balanced	84,104	5.1%	104,274	5.8%
Legal & General Pooled Investment Vehicle	207,277	12.5%	236,108	13.2%
Schroders Pooled Investment Multi Asset	132,289	8.0%	114,440	6.4%
London CIV RBC EQ RBC Bmk	165,290	9.9%	180,227	10.1%

16. Current Assets

2020/21 £'000	Current Assets	2021/22 £'000
1,919	Contributions due from Employers & Employee	2,478
60	Sundry Debtors	50
2216	Cash Balances	3,199
4,195	**Total**	**5,727**

17. Current Liabilities

2020/21 £'000	Current Liabilities	2021/22 £'000
(226)	Accrued Benefits	(243)
(548)	Sundry Creditors	(839)
(1,684)	Accrued Expenses	(1,661)
(2,458)	**Total Current liabilities**	**(2,743)**

18. Actuarial Position

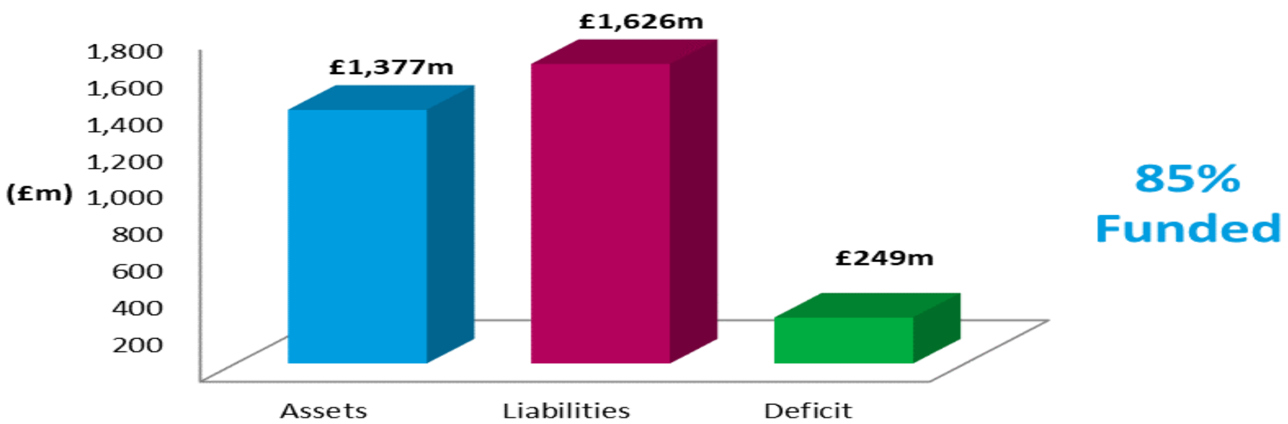
ISLINGTON COUNCIL PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022 - STATEMENT BY THE CONSULTING ACTUARY

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

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

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



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

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

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

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

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

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

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

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

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

The assets were assessed at market value.

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

The McCloud Judgment

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

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

Impact of Covid 19 / Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the 2022 valuations currently ongoing. 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. Contributions will be reviewed and updated as part of the 2022 valuation.

In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer circumstances, in line with the new regulations on contribution flexibilities introduced in September 2020. There is flexibility within the Rates and Adjustments certificate for employers to opt to make additional contributions, for example where it is cost effective to do so or to support reduced risk. The position will 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 Benefits for the Purposes of IAS 26

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2022 (the 31 March 2020 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.4% per annum
Rate of pay increases*	4.2% per annum	4.9% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.5% per annum

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

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

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was offset by an increase in the expected long-term rate of CPI inflation increased during the year, from 2.7% p.a. to 3.4%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £2,615 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£54 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£35 million (this includes any increase in liabilities arising as a result of early retirements). There was also a decrease in liabilities of £12 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £2,692 million.

GMP Indexation

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

Paul Middleman

Fellow of the Institute and Faculty of Actuaries

Michelle Doman

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

June 2022

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. Total contribution paid by members during 2021/22 is £147,129.40 and the value of the fund as at 31 March 2022 is £2m.

2020/21 *Market Value £'000*	**Additional Voluntary Contribution**	**2021/22** *Market Value £'000*
1,239	Prudential	1,767
173	Utmost (formerly Equitable life)	170
77	Phoenix Life (formerly NPI)	73
1,489	**Total Additional Voluntary Contributions**	**2,010**

21. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2021/22.

22. Contractual Commitments

The fund has outstanding commitments totalling £167.7m as at 31 March 2022 (£55.8m~31 March 2021). Two private equity fund managers Pantheon Ventures £4.2m and Standard Life £4.1m. One fund of funds private global property manager, Franklin Templeton Fund 1, II and III £41.6m. The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £0m and £23.1m respectively. Two Private debt managers Churchill Middle Market £44.7m and Permira Credit Solutions £50m.

23. Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2022, the Pension Fund is due from the Islington Council £0.372m (£0.062m~31 March 2021). Full contributions from the council for the year are disclosed in Note 7.

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

24. Key Management Personnel

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

2020/21		2021/22
£'000		*£'000*
(64)	Short-term benefits	(65)
(7)	Post-employment benefits	(55)
-	Termination benefits	(20)
(71)		**(141)**

*Post-employment benefits are at the state retirement age

25. Risk and Risk Management

The Fund's primary risk is that assets fall short of liabilities in the long term and as a result not able to honour promised benefits to members. The Fund has identified the investment risk inherent in the predominantly equity based strategy, as it biggest risk.

Investment Strategy adopted by the pension sub-committee to mitigate this risk includes a diversified asset allocation to include property, private equity and bonds. The equity portfolio is diversified by region and company holdings. The committee monitors managers regularly by performance benchmark and reviews strategies as markets evolve.

Market Risks

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. To mitigate market risk, the Council and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

26a. Price and Currency Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices other than those arising from interest rate risk or foreign exchange risk, whether those changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all similar instruments in the market.

The fund is exposed to share and derivative price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

<u>Price risk</u>

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Price Risk	Final Market Value as at 31 March 2022	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	196,902	15.82%	228,052	165,752
Overseas Equities	782,787	14.05%	892,769	672,806
Total Bonds	237,482	5.78%	251,208	223,755
Pooled Multi Asset	114,440	2.56%	123,183	105,697
Cash	16,043	1.12%	16,223	15,863
Property	300,497	7.64%	308,190	292,804
Infrastructure	124,585	9.08%	136,545	112,625
Private Equity	11,687	9.60%	12,748	10,626
Total Assets	**1,784,423**	**7.18%**	**1,912,544**	**1,656,301**

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

Price Risk	Final Market Value as at 31 March 2021	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	174,748	16.40%	203,319	146,176
Overseas Equities	723,237	14.30%	826,371	620,104
Total Bonds	241,826	5.80%	255,949	227,703
Pooled Multi Asset	132,289	7.90%	142,793	121,786
Cash	21,707	0.70%	21,861	21,553
Property	258,493	2.00%	263,740	253,245
Infrastructure	93,128	7.20%	99,786	86,469
Private Equity	16,690	11.30%	18,576	14,804
Total Assets	**1,662,118**	**8.20%**	**1,798,998**	**1,525,238**

Currency risk

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

Currency Risk (by asset class)	Final Market Value as at 31 March 2022	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Overseas Equities	782,787	6.60%	834,473	731,101
Overseas Private Equity	11,687	6.60%	12,458	10,915
Overseas Infrastructure	124,585	6.60%	132,811	116,359
Overseas Private Debt	27,803	6.60%	29,639	25,967
Overseas property	18,037	6.60%	19,228	16,846
Total Assets	**964,899**	6.60%	**1,028,609**	**901,188**

Currency Risk (by asset class)	Final Market Value as at 31 March 2021	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Overseas Equities	723,237	6.50%	770,079	676,396
Overseas Private Equity	16,690	6.50%	17,771	15,609
Overseas Infrastructure	93,128	6.50%	99,159	87,096
Overseas property	14,899	6.50%	15,864	13,934
Total Assets	**847,954**	6.50%	**902,873**	**793,035**

26b. 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 2022	Impact of 1% decrease	Impact of 1% increase
	£'000	£'000	£'000
Cash and cash equivalent	20,044	19,844	20,244
Fixed interest securities	67	66	68
Total	**20,111**	**19,910**	**20,312**

Assets Exposed to interest rate risk	Value at 31 March 2021 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	25,509	25,254	25,764
Fixed interest securities	73	72	74
Total	**25,582**	**25,326**	**25,838**

26c. 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.

26d. 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 2022, liquid assets were £1,620m representing 91% of total fund assets (£1,537m at 31 March 2021 representing 92% of the Fund at that date).

The majority of these investments can in fact be liquidated within a matter of days at a cost. The fund also manages a Passive UK Equities in house, which gives access to cash dividend income on a regular basis.

27. Financial Instruments

The following table provides an analysis of the financial assets and liabilities of Pension Fund grouped into Level 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2022	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
Asset Type	*£'000*	*£'000*	*£'000*	*£'000*
Financial Assets				
Financial assets at fair value through profit and loss				
UK Equities	169,440	-	-	169,440
Pooled Multi Asset	114,440	-	-	114,440
Global & Emerging Equities	573,340	236,108	-	809,448
Fixed Interest	75,992	-	-	75,992
Bonds	-	133,687	-	133,687
Property	-	282,459	-	282,459
Infrastructure	-	-	124,585	124,585
Overseas – Private equity	-	-	29,724	29,724
Private Debt	-	-	27,802	27,802
Derivatives	-	(5,728)	-	(5,728)
Cash	21,031	-	-	21,031
Other investments / Dividends	1,543	-	-	1,543
Loans and Receivables	(3,199)	-	-	(3,199)
Total Financial Assets	**952,587**	**646,526**	**182,111**	**1,781,224**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(249)	-	(249)
Total Financial Liabilities	**-**	**(249)**	**-**	**(249)**
Net Financial Assets	**952,587**	**646,277**	**182,113**	**1,780,977**

Values at 31 March 2021	Restated Quoted Market Price Level 1 £'000	Resated Using Observable Inputs Level 2 £'000	With Significant Unobservable inputs Level 3 £'000	Total £'000
Financial Assets				
Financial assets at fair value through profit and loss				
UK Equities	158,367			158,367
Pooled Multi Asset	132,289			132,289
Global & Emerging Equities	530,754	207,277		738,031
Fixed Interest	75,365			75,365
Bonds		166,462		166,462
Property		243,594		243,594
Pooled property - o/seas		14,898		14,898
Infrastructure			93,127	93,127
Private equity			16,690	16,690
Derivatives		(673)		(673)
Cash	22,632			22,632
Other investments / Dividends	1,335			1,335
Loans and Receivables	2,216	-	-	2,216
Total Financial Assets	**922,958**	**631,558**	**109,818**	**1,664,334**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	(13)	-	(13)
Financial liabilities at amortised cost	-	-	-	-
Total Financial Liabilities	**-**	**(13)**	**-**	**(13)**
Net Financial Assets	**922,958**	**631,545**	**109,818**	**1,664,321**

Valuation of financial instruments carried a fair value

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Pooled funds are pooled fund with other institutions and hold individual securities, buildings or bonds and can be priced daily as such they are classified as level I.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which The Islington Council Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December Cash flow adjustments are used to roll forward the valuation to 31 March as appropriate.

The valuation basis for each category of investment is set out below.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
UK equities	The published bid market price on the final day of the accounting period.	Not required	Not required
Pooled Multi Asset (Diversified Growth Fund)	Quoted market value based on current yields.	Not required	Not required
Other Equities (Global & Emerging)	Quoted market value based on current yields.	Not required	Not required
Fixed Interest	Published exchange price at year end.	Not required	Not required
Cash Deposits	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required	Not required

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 2			
Pooled Funds: (Global/Emerging equities & Property)	Closing bid price where bid and offer prices are published	Evaluated price feeds	Not required
Private equities: (Property)	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Fixed Interest: (Bond)	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Derivatives	Market Forward exchange rates at the year end	Exchange rate risk	Not required

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 3			
Private equities (Infrastructure and Capital market)	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	NAV-based pricing set on a forward pricing basis	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Private equities: (Property)	Closing bid price where bid and offer prices are published Closing single price where single price published.	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Private Debt	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	NAV-based pricing set on a forward pricing basis	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts

27a. Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2021 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Value at 31 March 2022 £'000
Private Equity - o/seas	31,589	6,063	(10,977)	3,049	29,724
Infrastructure - PIV	93,127	20,914	(8,015)	18,558	124,584
Private Debt	-	28,924	(1,604)	482	27,803
Total Level 3 Assets	**124,716**	**55,902**	**(20,595)**	**22,089**	**182,111**

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 and is disclosed in note 5. 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 the level 3 underlying investments will not have a significant impact on the whole portfolio.

28. Investment Assets by Fund Manager

Investment Assets by Fund Manager	2020/21 £'000	2021/22 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	120,171	136,306
Overseas quoted - LBI self-managed	32,760	27,133
CASH DEPOSITS		
Sterling	6,187	15,349
Other	6,834	1,371
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,280	1,515
FIXED INTEREST		
UK	73	67
INDEX-LINKED		
UK	113	121
POOLED FUNDS		
UK	5,437	6,000
Total LBI In House Fund	**172,855**	**187,862**
Newton - London CIV		
POOLED FUNDS		
UK quoted	291,204	321,802
CASH DEPOSITS		
Sterling	11	1
Other	242	264
OTHER INVESTMENT BALANCES		
Outstanding Dividends	54	27
Total Newton	**291,511**	**322,094**
RCM		
CASH DEPOSITS		
Sterling	377	-
Other	7	-
Total RCM	**384**	**-**
Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	166,462	133,687
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	3,474	2,503

Investment Assets by Fund Manager	2020/21 £'000	2021/22 £'000
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	13,216	9,184
Aviva Lime Property		
UK UNIT TRUSTS		
Property	131,173	149,466
Threadneedle Pensions		
POOLED INVESTMENT: Property	84,104	104,274
Thesis		
POOLED INVESTMENT: Property	28,317	28,719
BNY Mellon		
CASH DEPOSITS : Sterling	8,976	5,052
outstanding fx trades	(673)	(5,728)
Total BNY Mellon	**8,303**	**(676)**
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds - Equities	207,277	236,108
Franklin Templeton		
Pooled Investment Global Property	14,899	18,037
Schroders		
Pooled Investment Multi Asset	132,289	114,440
BMO		
Pooled Investment Managed Funds - Equities	74,259	71,312
Cash - other	-	(1,005)
	74,259	**70,307**
Pantheon Infrastructure		
Infrastructure	32,640	53,779
Quinbrook Infrastructure		
Infrastructure	60,487	70,805
RBC/ LONDON CIV		
POOLED FUNDS - Equities	165,290	180,227
M&G AOF		
Pooled Investment Managed Funds - Fixed interest (Bonds)	75,178	75,804
CHURCHILL		
Private debt - overseas	-	27,803
Total Investment Assets	**1,662,118**	**1,784,423**

Glossary of Financial Terms

Accounting Standards: 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 accounting concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Bad Debt Provision: Amount set aside to meet the cost of monies owed to the council that are not expected to be repaid.

Business Rates (NDR): The rates paid by businesses. The amount paid is based on a rateable value set by the Valuation Office Agency (VOA) multiplied by a national rate in the £ set by the government less any business rates reliefs set by the government. Under the business rates retention system, the council retains 30% of the rates collected and pays over 37% to the GLA and 27% to the government.

Capital Expenditure: Expenditure on the acquisition, construction, enhancement and replacement of council assets such as land, buildings and roads.

Capital Receipts: Income over £10,000 from the sale of a non-current asset.

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 business rates.

Contingent Asset: 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.

Contingent Liabilities: A contingent liability is 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 (1) it is not probable that a transfer of economic benefits will be required to settle the obligation, (2) or the amount of the obligation cannot be measured with sufficient reliability.

Council Tax: A local tax on domestic properties set by the council and the Greater London Authority (GLA). The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

Creditors: Amounts of money owed by the council for goods of services received.

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 financial years.

Depreciation: A provision made in the accounts to reflect the value of tangible non-current assets.

Finance Lease: A lease that substantially transfers the risks and rewards of a fixed asset to the lessee. Any lease that is not a finance lease is known as an operating lease.

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.

Housing Revenue Account (HRA): A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment: A reduction in the carrying value of a non-current asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

Infrastructure: A classification of non-current assets which includes facilities required to enable other developments to take place (e.g. roads, street lighting) and similar environmental works.

Levies: Payments that the council is required to make to levying bodies such as the North London Waste Authority, the London Pension Fund Authority, the Environment Agency and the Lee Valley Regional Park Authority.

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 that the council must charge to the General Fund to prudently provide for the repayment of debt.

Movement in Reserves Statement: This presents the movement in usable and unusable reserves.

Net Book Value: The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

Precept: The demand made upon the Collection Fund by the GLA for monies which it requires to finance the services it provides.

Provision: A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits

Prudential Code: Since 1 April 2004, local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the Code are to ensure that the local authority's capital investment plans are affordable, prudent and sustainable, with councils being required to set specific prudential indicators.

Related Party Transactions: These are material transactions between the council and another organisation or individual that has a pre-existing relationship with the council. A related party transaction can occur where a councillor or senior officer in the council (or their close family member) has control or joint control or significant influence over the council and is in a similar position in an organisation that transacts with the council. This can include directorships, employment at a senior level or significant financial interests in organisations that have material transactions with the council. Related parties also include the Pension Fund.

Reserves: Local authorities generally hold reserves for three purposes: working balance to help cushion the impact of uneven cash flows, contingency to cushion the impact of unexpected events or emergencies and building up funds to meet known or predicted requirements (including capital expenditure). In addition to such useable reserves, local authorities have unusable reserves on their balance sheets. These reserves, such as the Pension Reserve and Capital Adjustment Account, hold costs that the authority has accrued but not yet financed and cannot be spent on council services.

Revenue Expenditure: Day to day expenditure on the running of council services including salaries, wages, contract payments, supplies and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS): Legislation in England allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

Revenue Support Grant (RSG): The main government grant paid to local authorities to support revenue expenditure.

Settlement Funding Assessment: This comprises Revenue Support Grant and the amount of retained business rates that the government expects the council to collect.

Specific Grants: A grant receivable that relates to expenditure incurred on providing a particular service e.g. Dedicated Schools Grant (DSG).

Accounts Index

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Islington Council
Islington Town Hall
London
N1 2UD

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Islington Council: Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Islington Council for the year ended 31 March 2022 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 2021/22 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 2021/22 ("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. Such accounting estimates include PPE and Investment Property valuations. 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. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable 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's 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 these 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. 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:

   a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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.

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's 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 from whom you determined it necessary to obtain audit evidence.

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

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

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. 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

xxvi. 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

xxvii. 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's 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 [ENTER DATE].

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Islington Council
Islington Town Hall
London
N1 2UD

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Islington Council Pension Fund: Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Islington Council Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the 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 2021/22 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 Fund'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 2021/22 ("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 Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund 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. Such accounting estimates include the actuarial present value of promised retirement benefits, and investment values. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:
   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the Fund 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.

vii. 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.

viii. 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.

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

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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

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

xiii. We have updated our going concern assessment. We continue to believe that the Fund’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 that :

a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the 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 Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.

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

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

xvii. 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.

xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, 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.

xix. 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.

xx. 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.

xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

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

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

Approval

The approval of this letter of representation was minuted by the Fund’s Audit Committee and Audit Committee (Advisory) at its meeting on [ENTER DATE].

Yours faithfully

Name……………………………

Position…………………………

Date…………………………….

Name……………………………

Position…………………………

Date…………………………….

Signed on behalf of the Fund

The Audit Findings for Islington Council and Islington Council Pension Fund

Year ended 31 March 2022

August 2023

Contents

Your key Grant Thornton team members are:

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

This Audit Findings 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. Its contents have been discussed with management and Audit Committee and Audit Committee (Advisory).

Paul Dossett
For Grant Thornton UK LLP
August 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Islington Council ('the Council'), Islington Council Pension fund ('the Fund') and the preparation of the Council and Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

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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's financial statements including the Pension fund give a true and fair view of the financial position of the Council and Pension Fund's income and expenditure for the year;
- 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 was completed on remotely during October to December and March to April. Sector wide issues in respect of accounting for infrastructure assets and IAS19 pension valuation assumptions impacted the completion of financial statement audits for most upper tier authorities.

Our findings are summarised on pages 4 to 25. Following the Triennial Valuation of the Pension Fund as at 31 March 2022 which was finalised in March 2023 additional information became available that required the Council to obtain revised IAS19 report from the actuary and to update the Pension Liability balance in the financial statements. The overall impact was a decrease in net pension liability of £9.4m.

We identified further adjustments and disclosure misstatements to the financial statements. Appendix C shows all adjustments identified and details if these have been adjusted for. We have also raised 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 substantially complete subject to the outstanding matters set out on page 5.

We have concluded that the other information to be published with the financial statements – the narrative report and annual governance statement – is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinions for both the Council and the Pension Fund will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on page 27, and our detailed commentary is set out in the separate Interim Auditor's Annual Report, which was presented at the May 2023 Audit Committee and Audit Committee (Advisory) meeting. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our review did not identify any significant weaknesses in your arrangements and we agreed with management three improvement recommendations.

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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 intend to delay the certification for the closure of the 2021/22 audit of Islington Council until after the conclusion of the following:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'.
- the work necessary to issue of an auditor's report on the pension fund annual report.
- the work necessary on objection from a local government elector from prior year.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. We have encountered some delays in obtaining information from your valuation expert to complete our testing on Property, Plant and Equipment valuations.

The national issues on both infrastructure assets and IAS19 valuation assumptions have also delayed the conclusion of our work on PPE disclosures and pension valuation. The latter requires the Council to restates its accounts in respect of Pension Disclosures.

Additionally audit procedures were also necessary to complete and conclude our testing of journals, debtors and pension fund investments, derivatives and classification testing. Similarly, additionally audit procedures and time was required in concluding our work on investments, provisions and sample testing uncleansed transaction listings with material debits and credit balances.

2. Financial Statements

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 and the Audit Committee and Audit Committee (Advisory).

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.

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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 controls environment, including its 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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinions on the Council and Pension. These outstanding items include:

- conclusion of valuation expert queries on PPE assets and pension fund unfunded liabilities, clear outstanding query on manual journal and debtors, complete pension fund classification, derivatives and investment testing
- review of subsequent events;
- completion of Senior Manager, Engagement Leader, Review Partner, Audit quality of Pension Fund hot review quality reviews and satisfactory resolution of any residual queries;
- receipt of management representation letters for the Council and Pension Fund; and
- receipt and review of the revised final set of financial statements

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. 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.

We have revised the performance materiality due to the actual gross expenditure changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

Materiality levels remain the same as reported in our audit plan for the Pension fund.

We detail in the table below our determination of materiality for Islington Council.

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	Council Amount (£000)	Pension Fund Amount (£000)
Materiality for the financial statements	17,100	16,600
Performance materiality	11,900	11,600
Trivial matters	855	830

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Applicable to:	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. The Council faces external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business 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: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Council** Our risk assessment identified a total of 104 journals for testing for the Council. Our review is in progress. Our journal review has taken substantially longer to complete as part of our process includes documenting our understanding and appropriateness of each journal which often necessitated a Teams meeting with the preparer or approver of the journal. The number of different journal posters within our sample has taken additional time to complete. Our testing is substantially complete subject to a final query on manual journals. Additionally, we carried out a review of journals posted by 'superusers' as part of our risk factors. IT system superusers have a greater level of access rights than finance staff with ability amend standing data including the ability to forward or back post journals. Our expectation was they would not be involved in day to day processing of journals. Our review of journals posted by superusers identified over 22,000 such journals which is unusual. We challenged management to understand why and assess if this group of journals created a greater risk of management override of controls. We understand these journals were income transactions which go through Civica, the Income Management system. The relevant income relates to various income streams, including housing rents and council tax. Transactions are initially posted into suspense if the transaction does not match the rule set against the income account. At the end of each day, clearing takes place by superusers and sometime by finance staff, after which a reconciliation document is produced by a system administrator who has processed the batch, which reconciles Cedar records to Civica. Each reconciliation is reviewed and signed off by a different superuser. Our review of a sample of these transactions confirm there is an appropriate separation of duties between the preparer and approver and in our view did not represent a great risk of management override due to the compensating controls in place. The use of superusers in day to day finance activities creates a greater risk of management override. However, manual intervention of this magnitude by superusers is inefficient and does not represent value for money. We recommend management review the whole process to minimise the volume of income transactions initially posted to a temporary suspense. We further recommend clearance of the daily suspense be limited to finance teams only. The detailed work we have carried out in this area is mandatory under auditing standards. **Pension fund** Our risk assessment identified a total of 53 journals for testing for the Pension fund. We have not identified any material issues from our work.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Applicable to:	Commentary
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	Council and Pension Fund	We reported in our joint Audit Plan that under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the Council and Pension Fund, we have determined that it is likely that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including London Borough of Islington, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for the Council or the Pension Fund. Our assessment remain unchanged.
Valuation of land and buildings including Council dwellings The Council revalues its land and buildings and Council Dwellings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.5 billion) and the sensitivity of this estimate to changes in key assumptions. Management has engaged the services of a valuer to estimate the current value as at 31 March 2021. We therefore identified valuation of land and buildings, specifically council dwellings, other land and buildings and surplus assets, as a significant risk of material misstatement, and a key audit matter.	Council	Audit procedures undertaken in response to the identified risk included: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which included to date. engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • assess the value of a sample of assets in relation to market rates for comparable properties; • test 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; • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. Our work is substantially complete. We identified a small number of errors in data sent to the valuer in relation to floor areas used and the assumptions applied to your valuation of land and buildings. At the end of August, we were awaiting final responses to our queries from your valuer to conclude our work. We will report to those charged with governance the results at the conclusion of our work. We have not identified any material issues from our work on Council dwellings valuation to date.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Applicable to:	Commentary
Valuation of pension fund net liability The pension fund net liability, as reflected in the 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 (£960million in the Council's balance sheet at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	Council	Audit procedures undertaken in response to the identified risk included: • update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; and • undertake 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. Our work was substantially complete, however a national issue arose in April which delayed the conclusion of this work. By way of background, Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. Furthermore, IAS 10 'Events after the Reporting Period' requires management to determine how the impact of material developments after the year-end should be reflected in the financial statements as an adjusting event (one which 'provides evidence of conditions that existed at the end of the reporting period') or a non-adjusting event. In response to the national issue, Management requested and received updated IAS 19 report as at 31 March 2022 in May. Your assessment is the change in net pension liability was not material however you propose adjusting the accounts for these changes. That work is currently in progress. The NAO have commissioned PWC to carry out a national review of actuaries revised assumptions. We recommend you also review if there are changes in key assumption including salary increase and mortality assumptions. Additional disclosures to the accounts will be required to support the changes. We will review the updated accounts and disclosures, update our procedures above and report our conclusion to those charged with governance. Update: IAS19 pensions liability has been revised due to additional information becoming available from the 31 March 2022 actuarial triennial valuation. This has led to a decrease in the pensions liability by £9,047k. Further details are set out on page 17.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Applicable to:	Commentary
Valuation of the Private Finance Initiative (PFI) The Council has six schemes to be accounted for as PFI arrangements. These include two Housing PFI schemes, two Schools schemes, or a Street Lighting scheme and a Care Homes scheme. The total liability relating to these schemes on the balance sheet was £95.7m as at the 31 March 2021. 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: • review your PFI models and assumptions contained therein. • compare your PFI models to previous year to identify any changes. • review and test the output produced by your PFI models to generate the financial balances within the financial statements. • ensure the PFI disclosures are consistent with the Internal accountancy Standard IFRIC12. We will check additional disclosures that you include within the financial statements to the PFI models. Our review is complete. No significant issue arising from our review to report to those charged with governance
Valuation of Level 3 Investments 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 (£110 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 as valuation experts to estimate the fair value as at 31 March 2022.	Pension fund	Audit procedures undertaken in response to the identified risk included: • evaluate management's processes for valuing Level 3 investments; • review 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 request year-end confirmations from investment managers and the custodian; • for a sample of investments, test 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. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • where available review investment manager service auditor report on design and operating effectiveness of internal controls. Our testing is in progress. As at end of August, we were awaiting from your fund managers and custodian a sample of capital statements, contract notes to complete derivatives testing and classification testing. As part of gaining assurance over Level 3 investments, we review the audited statements of individual pension fund investments. We note in four of these investments with a total of £4m, the auditor's opinion therein included an 'emphasis of matters' (EoM) stating the audited accounts were not prepared on a going concern basis. We challenged management on how they gain assurance appropriateness of these individual pension fund investments. We requested management provide copies of the unaudited quarterly capital statements to March 2023 for each of the four pension fund investments with an EoM in the opinions. We will report to those charged with governance the results at the conclusion of our work.

Other risks identified

Risk	Applicable to:	Reason for risk identification	Key aspects of our proposed response to the risk
Completeness of non-pay operating expenditure and associated short-term creditors	Council	Non-pay expenditure on goods and services represents a significant percentage of the Council's 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.	Audit procedures undertaken in response to the identified risk included: • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; and • obtain and test a listing of non-pay payments made in April and May 2022 to ensure that they have been charged to the appropriate year. We have not identified any material issues from our work.
Value of Infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note	Council	Infrastructure assets includes roads, highways, streetlighting and coastal assets. Each year the Council spends circa £6.4m on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £129.3m which is over 8 times materiality. In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: 1. The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. 2. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.	Audit procedures undertaken in response to the identified risk included: • reconcile the Fixed Asset Register to the Financial statements • using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets • obtain assurance that the UEL applied to Infrastructure assets is reasonable • document our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated The Department for Levelling Up, Housing and Communities issued an update in December 2022 to the Local Authority Capital Finance and Accounting Regulations to remove the requirement to consider component derecognition for infrastructure assts i.e. the statutory override. The Council has opted to adopt the statutory override and amended the infrastructure disclosures. Our review is complete. No other significant issue arising from our review to report to those charged with governance.

Other risks identified continued

Risk	Applicable to:	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in Expenditure Recognition	Council and Pension Fund	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity is required to meet financial targets. Having considered the risk factors relevant to Surrey County Council and Surrey Pension fund and the nature of the expenditure at the Council and Fund, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 7 relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of Management Override of Controls as set out on page 7.	Audit procedures undertaken in response to the identified risk included: • obtain an understanding of the design effectiveness of controls relating to operating expenditure. • perform testing over post year end transactions to assess completeness of expenditure recognition. • test a sample of operating expenses to gain assurance in respect of the accuracy of expenditure recorded during the financial year. We have not identified any material issues from our work.
Contributions	Pension Fund	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.	Audit procedures undertaken in response to the identified risk included: • evaluate the Fund's accounting policy for recognition of contributions for appropriateness; • gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls; • agree changes in Admitted/Scheduled bodies to supporting documentation and agree total contributions for each employer to employer contributions reports; • test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • test 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 employees to ensure that any unusual trends are satisfactorily explained. Our review identified one error in the employee contribution rate which was incorrectly recorded at 6.50% rather than 5.80%. The extrapolation error was trivial. No other significant issue to bring to Committee's attention.

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Other risks identified continued

Risk	Applicable to:	Reason for risk identification	Key aspects of our proposed response to the risk
Pension Benefits Payable	Pension Fund	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.	Audit procedures undertaken in response to the identified risk included: • evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; • test a sample of lump sums and associated individual pensions in payment by reference to member files; and • test 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. We note for some sample items, we were not able to agree the figures used in the calculation form to the payslips as the payroll data is pre-2006 and is no longer held by the Council has since changed payroll systems. Thus we were not able to verify the inputs used for the pension calculation first hand. We undertook alternative procedures to gain assurance.
Valuation of Level 2 Investments	Pension Fund	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.	Audit procedures undertaken in response to the identified risk included: • gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; • review 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; and • review investment manager service auditor report on design effectiveness of internal controls. Our work is substantially complete subject to the findings on page 10 on classification testing.
Actuarial Present Value of Promised Retirement Benefits	Pension Fund	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 (£2.6 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.	Audit procedures undertaken in response to the identified risk included: • update 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; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • test the consistency of disclosures with the actuarial report from the actuary; and • undertake 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. Refer to page 9 of this report which summarises our findings.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Investments • Our testing of £95.5m of Investments held as at 31 March 2022 note that a total of £33m were with borough council counterparties that had issued S114 notices in the last couple of years *(S114 notice indicates expenditure of the authority incurred in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure)*	We challenged management over accuracy of the valuation of these investments. We note: • The Council's lending arrangements to counterparties include taking independent advice from Arlingclose Ltd • Two investments totalling £18m had been repaid during 2022/23 and were not renewed with the counterparty. Based on independent advice, the two counterparty are suspended from the list of parties it can lend funds to. • The balance of £15m was rolled over during 2022/23 in two tranches (£10m before the S114 notice was issue and £5m after the notice was issued).	We gained assurance over accuracy of the valuation of these investments held with counterparties.
Working papers and cleansing of data • Some income, expenditure balance sheet took longer to audit due to the significant number of contra entries and small value of items within the population resulting in larger than expected samples for testing • Where both credit and debit items within an item of balance for testing are material, we are required to test both debit and credit items separately, doubling sample sizes in many cases. • The impact results in additional time and cost to the audit.	For example, in our testing of 'Fees and Charges income' with a balance of £218m from which we sampled: • The population listing included credit balances of £380m and debits of £162m. • Contra entries which net to nil amounted to £101m across 12,500 individual lines. • Additionally, within the residual balance for testing (net of contra entries), there was over 41,000 individual lines of income with a value of £100 or less with a combined total of £740k. More that 85% of these lines were income and debit transactions of £30 or less each.	Recommend management continue to review and cleanse individual population listings for sample testing.
Prior period adjustment ST creditors • You advised us of a material prior year classification error between 'public sector' and 'non public sector' receipt in advance creditor.	The note was restated with narrative explanation. There was no change to total prior year ST creditors. We carried the following: • reviewed and agreed the restatement to supporting analysis • a consultation with our firm's internal Quality team., and • ensured the narrative explanation was consistent with the Code.	We gained assurance over the restated prior year classification between 'public sector' and 'non public sector' receipt in advance creditor.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Investment Properties Our testing of Investment properties (IP) held as at 31 March 2022 note the following: • *One sample from our testing where the annual lease value used in valuation did not include other lease income within the block* • *One sample where the retrospective rent review had not been considered in the IP valuation*	We assess the impact and concluded the omissions would not result in IP being materially misstated.	We gained assurance over accuracy of the valuation of these investment properties held with counterparties. Recommend IP reviews include all lease income within a block or properties and undertake timely rent reviews prior to IP year end valuations.
Review of post year end income (classification) *Our review of post year end income in April and May 2022 identified three income invoices ranging £20k to £86k relating to 2021/22 that were not properly accrued for.*	We undertook additional procedures to assure ourselves that the risk of income being materially misstated was low.	We gained assurance that income was not materially misstated. Recommend you strengthen your closedown arrangements to ensure income above pre agreed closedown thresholds are accrued for at year end.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations: Other Land and Buildings £1,199m Investment Properties £39m	Other land and buildings which were revalued during the year comprise £1,015m 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 (£182m) are not specialised in nature and were required to be valued at existing use value (EUV) at year end. Te residual of assets not revalued in year was not material at £1.3m. The Council engaged Wilks Head Eve to complete the valuation of properties as at 31 March 2022. Approximately 100% of Other land and buildings, Council dwellings and Investment properties were revalued during the year.	• We have assessed management's expert, Wilks Head Eve, to be competent capable and objective. • The valuer has correctly prepared the valuation using DRC on a modern equivalent asset basis for specialised properties, and EUV for non-specialised properties. • 99.8% of properties have been valued as at 31 March 2022. • We engaged our own valuation specialist, Gerald Eve, to provide a commentary on the instruction process for Wilks Head Eve, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements. Our review is substantially complete. Our expert valuer raised follow up queries which we have followed up with your valuer. We await clearance of these issues between valuers to complete our work.	Light purple

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Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations: Council Dwellings £3,547m	The Council owns 25,323 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting g 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 £3.6 billion, a net increase of £194m from 2020/21.	• From the work performed, 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). Our assessment is complete and there are no issues to report.	*Light purple*

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Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £926m	The Council's total net pension liability at 31 March 2022 is £926m (PY £973m) comprising the London Borough of Islington Pension Fund and the London Pension Funds Authority obligations. The Council uses Mercer and Barnett Waddingham respectively to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The net funded liabilities balance in the draft accounts for the London Borough of Islington Pension Fund is £881m (PY £926m) and net funded liabilities balance for the London Pension Fund Authority in the draft accounts is £45k (PY £47k).	See audit comments below	*Light blue*

Audit Comments

- We have assessed the actuary, Mercer and Barnett Waddingham to be competent, capable and objective.
- We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for Mercers comparison of actuarial assumptions:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.8%	2.7 – 2.8%	●
Pension increase rate	3.4% (3.5%)	3.0 – 3.5%	●
Salary growth	4.8% (4.9%)	1.25% - 1.50% above CPI	●
Life expectancy – Male Pensioners / Non-pensioners	21.7 / 22.9	20.7 – 23.3 / 22.2 – 24.8	●
Life expectancy – Females Pensioners / Non-pensioners	24.0 / 25.7	23.8 – 25.5 / 25.7 – 27.5	●

Figures are based on revised IAS19 disclosure (original estimate in brackets)

As set out on page 9, in response to the national issue, Management requested and received updated IAS 19 report as at 31 March 2022 in May. Your assessment is the change in net pension liability was not material however you propose adjusting the accounts for these changes. The assumptions above may also have changed and will be updated on receipt of the amended accounts and updated IAS19 report.

The NAO have commissioned PWC to carry out a national review of actuaries revised assumptions. We will use PwC as our auditor's expert to assess the methods and updated IAS19 report.

We reviewed your revised assumptions and disclosures and note minor rate changes particularly for pension rate and salary growth. We challenged management on the appropriateness of the revised rates. We reviewed management's representation and concluded the revised rates were reasonable. As a result of the additional information becoming available from the 31 March 2022 actuarial triennial valuation, the pensions liability decreased by £9,047k.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation - £567m	The government financial support packages to the Council as a result of the pandemic continues to reduce (£14.5m PY£37m). These included additional funding to support the cost of services or offset other income losses, and also grant packages to be paid out to support local businesses. The Council continues to consider the nature and terms of each of the various Covid-19 measures in order to determine the appropriate accounting treatment, including whether there was income or expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) for the year. In doing so, management has considered the requirements of section 2.3 of the Code of Practice on Local Authority Accounting which relates to accounting for government grants, as well as section 2.6 which describes how the accounting treatment for transactions within an authority's financial statements shall have regard to the general principle of whether the authority is acting as a principal or agent, in accordance with IFRS 15. The three main considerations made by management in forming their assessment were: • Where funding is to be transferred to third parties, whether the Council was acting as a principal or agent, and therefore whether income should be credited to the CIES or whether the associated cash should be recognised as a creditor or debtor on the Balance Sheet • Whether there were any conditions outstanding or unused at year-end, and therefore whether the grant should be recognised as income or a receipt in advance or creditor • Whether the grant was awarded to support expenditure on specific services or was in the form of an un-ringfenced government grant – and therefore whether associated income should be credited to the net cost of services or taxation and non-specific grant income within the CIES.	• We are satisfied that management has effectively evaluated whether the Council is acting as the principal or agent for each relevant support scheme, which has determined whether any income is recognised. • We have evaluated the completeness and accuracy of the underlying information used to determine whether there were conditions outstanding (as distinct from restrictions) at the year-end that would determine whether the grant should be recognised as a receipt in advance or income, and concluded that this was appropriate. • We have considered management's assessment, for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. We are satisfied that the presentation in the CIES is appropriate. • Management's disclosure of the Council's accounting treatment for grant income in both the financial statements and Narrative Report is sufficient.	*Light purple*

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Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £3.2m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. Since 2017/18, the Council has adopted the asset life (annuity) method (based on a prudent assessment of average asset life) for both 'supported' and 'unsupported' borrowing. In calculating the asse life (annuity) MRP, the average interest rates published by the Public Loans Board in the relevant financial year for new annuity loans is used. The year end MRP charge was £3,222k, a net increase of 759k from 2020/21.	• The MRP charge for the year has been calculated in accordance with the methodologies permitted in the statutory guidance • The Council's policy on MRP in relation to borrowing taken out for the acquisition of non-housing General Fund assets complies with statutory guidance • The Council's policy on MRP was discussed and agreed with those charged with governance and approved by full Council as part of the Treasury Strategy in February 2021. • There have been no changes to the Council's MRP policy since 2020/21 • The level of increase in the MRP charge is reasonable in the context of additional borrowing incurred during the year.	*Light blue*

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Assessment

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

2. Financial Statements – key judgements and estimates – Pension Fund

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Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Private Equity Investments – £136m	The Pension Fund has investments in private equity funds that in total are valued on the net assets statement as at 31 March 2022 at £136m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management relies on information provided by the General Partners to the private equity funds, who prepare valuations in accordance with the International Private Equity and Venture Capital Valuation Guidelines, and produce accounts to 31 December 2021 which are audited.	• We have assessed 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 2021 • We have assessed the consistency of the estimate against peers and industry practice • We have reviewed the reasonableness of the increase in the estimate • We have assessed the adequacy of disclosure of estimate in the financial statements We note that the Pension fund have Level 3 investments of £27.8m described as Private debt which is material. The disclosure narrative accompanying the hierarchy of Valuation of Financial Instruments at Fair Value should disclose nature of the debt, how it is valued and when it was valued in accordance with the Code. Management agreed to amend the disclosure. We also note four of the individual pension fund investment audited accounts with a total of £4m included an EoM. Refer to page 10 for further details. Additionally, we note timing differences of £5.1m between the valuation of investments and the publication of the draft accounts sometimes means that the values in the draft Accounts do not reflect the most recent valuation.	Grey
Level 2 Investments – £670m	The Pension Fund has investments in pooled equity that in total are valued on the balance sheet as at 31 March 2022 at £167.5m. Other Level 2 investments include Pooled funds of £369m and Bonds of £133.7m. The investments are not 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,	• We have assessed the appropriateness of the underlying information used to determine the estimate • We have assessed the consistency of the estimate against peers and industry practice • We have reviewed the reasonableness of the increase in the estimate • We have assessed the adequacy of disclosure of estimate in the financial statements Our work is substantially complete subject to the findings above and on page 10 on classification testing.	Grey

Assessment

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

2. Financial Statements - other communication requirements

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.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the chair of the Audit Committee and Audit Committee (Advisory). We have not been made aware of any significant incidents in the period and no other 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 letter of representation will be requested from the Council and Pension Fund which is included in the Audit Committee and Audit Committee (Advisory) papers.

2. Financial Statements - other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council and Pension Fund's banking and investment counterparties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. We wrote to those solicitors who worked with the Council and Pension Fund during the year, to confirm the completeness of provisions and contingent liabilities. All responses requested have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review identified some disclosures that were not consistent with the Code, these findings are detailed in Appendix C. No material omissions were identified in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided thought we await the outstanding matters detailed on page 3 to conclude the audit. The financial statements were published on the 30 September 2022 and commenced the audit in October. We experienced some delays in receiving key papers and timely responses to our audit queries from both the finance team and also from other teams outside of finance. This has contributed to delays in completion of the audit within the 3 months from the start date of the audit. The national issues on both infrastructure assets and IAS19 valuation assumptions have also delayed the conclusion of our work on PPE disclosures and pension valuation. Additionally audit procedures were necessary to complete and conclude our testing of journals, debtors and pension fund investments, derivatives and classification testing. Similarly, additionally audit procedures and time was required in concluding our work on investments and sample testing uncleansed transaction listings with material debits and credit balances. We made a recommendation in Appendix A *to improve the quality of the working papers provided for audit and the efficiency of the audit process.* Achieving the 30 September 2022 target for publishing audited financial statements remains a significant challenge for all local authorities. Achieving this for an organisation of your size and complexity, with a lean finance team, is particularly difficult. Management and officers have worked hard to mitigate these factors as far as possible, including identifying and utilising additional resource within the Council.

2. Financial Statements - other communication requirements

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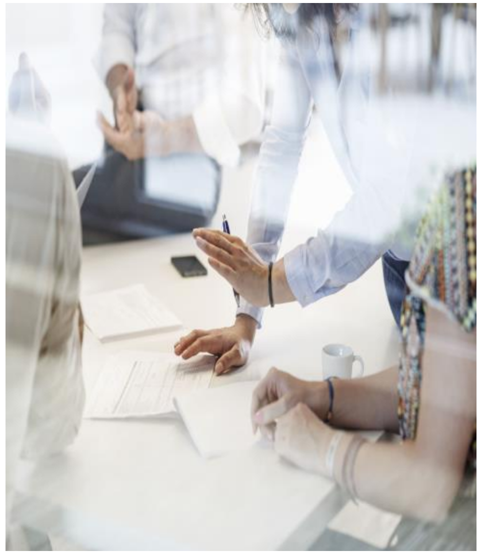
Our responsibility

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).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council including the Pension fund and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - 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 number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have nothing to report on these matters.



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
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. Note that detailed testing will not be required as the Council does not exceed the set thresholds.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of **Islington Council** in the audit report, as detailed in Appendix E, due to the following: • our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'. • the work necessary to issue of an auditor's report on the pension fund annual report. • the work necessary to respond to an objection from a local government elector in 2020/21.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Interim Auditor’s Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness in your arrangements and we agreed with management three improvement recommendations. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. 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.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 (grantthornton.co.uk)]

5. Independence and ethics

Audit 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 audit related and non-audit services were identified. We have detailed below the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	7,500	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 £7,500 in comparison to the proposed fee for the audit of £290,237 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 , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return	7,500	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 £7,5000 in comparison to the proposed fee for the audit of £290,237 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 , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	28,000	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 £28,000 in comparison to the proposed fee for the audit of £290,237 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 , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
There are no non-audit related services in 2021/22			

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These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee and Audit Committee (Advisory). None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 5 recommendations for the Council and Pension fund 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 2022/23 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.

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Assessment	Issue and risk	Recommendations
Medium	**Journals** Our review of journals posted by superusers identified over 22,000 such journals which is unusual. We challenged management to understand why and assess if these group of journals created a greater risk of management override of controls. We understand these journals were income transactions which go through Civica, the Income Management system. Transactions are initially posted into suspense if the transaction doesn't match the rule set against the income account. At the end of each day, clearing takes place superusers and sometime by finance staff, after which a reconciliation document is produced by a system administrator who has processed the batch, which reconciles Cedar records to Civica. Each reconciliation is reviewed and signed off by a different superuser.	The use of superusers in day to day finance activities creates a greater risk of management override. However, manual intervention of this magnitude by superusers is inefficient and does not represent value for money. We recommend management review the whole process to minimise the volume of income transactions initially posted to a temporary suspense and clearance of the daily suspense be limited to finance teams only. Management response
Medium	Pension Fund Level 3 investments From our review of the sample of investment audited accounts, we identified 4 investments totalling £4m where the auditor's report on the investments was unqualified but reported an 'emphasis of matter' on going concern. Risk of Fund investment valuations may be materially overstated	We recommend management put in place additional procedures that include regular reviews of Fund investments audited accounts and auditor's report for modification or qualification of opinion and where Funds are in liquidation. These procedures should specify the actions to be taken where issues are identified and who is responsible for carrying out the actions. Management response

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

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Assessment	Issue and risk	Recommendations
Medium	**Working papers and cleansing of data** Some income, expenditure balance sheet took longer to audit due to the significant number of contra entries and small value of items within the population resulting in larger than expected samples for testing Where both credit and debit items within an item of balance for testing are material, we are required to test both debit and credit items separately, doubling sample sizes in many cases. Risk audit takes additional time to complete and increased cost to the audit.	In order to improve the quality of the working papers provided for audit and the efficiency of the audit process, we recommend management continue to review and cleanse individual population listings for sample testing. **Management response**
Low	**Investment Properties** Our testing of Investment properties (IP) held as at 31 March 2022 note the following: • *One sample from our testing where the annual lease value used in valuation did not include other lease income within the block* • *One sample where the retrospective rent review had not been considered in the IP valuation* Risk that missed or inaccurate lease income could materially misstate the value of IP	Recommend IP reviews include all lease income within a block or properties and undertake timely rent reviews prior to IP year end valuations.
Low	***Review of post year end income (classification)*** Our review of post year end income in April and May 2022 identified three income invoices ranging £20k to £86k relating to 2021/22 that were not properly accrued for. Risk that low value income are not accrued for and may cumulatively be significant or material	Recommend you strengthen your closedown arrangements to ensure income above pre agreed closedown thresholds are accrued for at year end

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Islington Council's 2020/21 Audit Findings report.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Closed	**Use of M10 Actuary report, rather than the most up to date version** Management used the month 10 actuary report when producing the Pension liability note. This meant that the updated actuaries report showed an understatement of the net liability of £13,419k. Using M10 actuary reports for such a significant estimate creates the risk of material movements in the balance. It also creates the risk management are not fully informed of the latest position on the pension fund when making decisions in relation to the management of the Pension lability. **Recommendation** Management should ensure the latest actuary report is used when producing the pension note and lability within the accounts.	**Auditor assessment** This recommendation has been closed as developments in 2021/22 have superseded the recommendation. Refer to page 9.
Closed	**Uncleansed Transaction Listings provided for Audit** Within our working paper requirements agreed with management, contains the requirement for cleansed transaction listings. This is key for our audit as without cleansed listings in which reversing entries are removed we have to select significantly larger sample sizes. This has an impact on the amount of auditor and management time spent in testing and responding to these requests and it also caused delays in us sending out samples for the audit. We estimate this issue has increased our sample sizes by up to 50% in some parts of the audit. This issue has the potential to create additional costs to the Council due to increased audit time, as well as creating additional pressure on the Council's finance team. **Recommendation** Management should ensure transaction listings are reviewed and cleansed prior to the audit starting	**Auditor assessment** Similar issues arose during 2021/22 audit (refer page 14) and we have repeated the recommendation in Appendix A above

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	PFI- use of latest RPI Index in PFI Model When calculating the estimate for the PFI liability for the year, the Council use a PFI model which has key data inputs. One of these inputs is the RPI value for which the Council has used historic data that is a from the 31 March 2020. The Council note that if there were a material difference between it and the value at the year end they would update the accounts and do this as the information does not become available until the end of April for the year end. We note that within the current accounts the difference in the RPI was so negligible it did not impact the 31 March 2021 year end balance. **Recommendation** Management should consistently apply the most up to date figures for key inputs within PFI models.	**Management update** For 2021/22 we used the latest available RPI rate, which was Feb 2022. **Auditor assessment** This recommendation has been closed
X	De Minimis Accrual Level The Council for both capital has a de minimis level of £10k for revenue accruals and £50k for capital accruals. The audit team notes that this is a high de minimis level to set. In addition the decisions in relation to applying this is left to management discretion, which creates the risk of inconsistencies in the treatment between departments and financial years. **Recommendation** • Management's discretion should be removed when determining if an accrual should be raised– we do not deem this appropriate as this could be used to manipulate the financial position of a particular service area. The policy and de minimis level should be consistent and not be subject to discretion. • An appropriate threshold should be set, with sufficient audit evidence to verify why this threshold has been chosen and in addition how this threshold will not lead to material differences within the accounts	**Management update** The Council has reviewed the materiality limit and has deemed it appropriate. Accruals under the de minimis will only be accepted where this is a legal or funding requirement to do so (for example Central Government Grant Spending where the council acts as an agent). For 2022/23 Closing, an accruals panel has been set up to independently review all accrual postings prior to upload - This will ensure adequate controls are in place to prevent erroneous postings. **Auditor assessment** We will follow up in 2022/23
✓	Disclosures Our work identified a number of disclosure errors within the draft accounts (refer Appendix C). In addition to this we found a number of minor disclosure adjustments across a large number of the notes to the accounts. **Recommendation** Further strengthen the quality review arrangements of the draft financial statements to improve quality of reporting and minimise the disclosure errors.	**Management update** The Council has reviewed the closing of accounts timetable to ensure sufficient QA for each note and the overall Statement of Accounts document **Auditor assessment** We made a few improvement recommendations to the accounts and pension fund. Refer to Appendix C.

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Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Contingent Liabilities and Provisions Within the Contingent liabilities and provisions note the Council's working papers do not clearly set out the justification and accounting treatment and basis of each item. This lead to the audit team having to discuss with legal the treatment of the items, who advise the finance team on these items. This creates the risk that without the finance team formally reviewing each item that items could be incorrectly treated within the accounts. **Recommendation** Management should ensure all provisions and contingent liabilities treatment and the basis for the treatment are clearly set out and reviewed on a regular basis.	**Management update** The Contingent Liabilities and Provisions notes will be enhanced to incorporate this recommendation. The notes will include reconciliation forms of each item to prevent discussions on accounting treatment. **Auditor assessment**
✓	Related Parties Our review of the Council's Related Parties note identified the Council had not clearly established if each related party disclosed met the requirements of 3.9.27 of the Code. From our review of the register of interest we noted it does not obtain sufficient detail, for management to make this judgement. Therefore there is a risk that the related parties note is overstated with interests disclosed that do not meet the Code requirements. **Recommendation** Management should review the register of interests form and the process for producing the related parties note, to ensure each disclosure meets the requirements set out in 3.9.27 of the CIPFA Code. In addition, the note should provide evidence of managements judgement of this.	**Management update** The Related Parties note and working paper will be enhanced to incorporate this recommendation. **Auditor assessment** No issues arising from 2021/22

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Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ (partly)	Inadequate oversight around generic users across in scope applications and database Our Specialist IT team undertook a review of the Council's IT system and identified one high priority control finding. This related to there not being controls in place to monitor the usage of and continued need to retain active generic accounts within Civica Pay, Cedar and Resource Link SQL database. We identified the following : 1. Civica Pay: generic id (civica.admin) remained active yet it was uncertain whether this account was still required 2. Resource Link SQL: database: the default system administration account (SA) and payroll processing (Ibibacsip) remained active with no monitoring of the activity undertaken. 3. Cedar: generic user IDs(SUPPORT2 ,SUPPORT3 and TSO61) remained active yet the account was no longer used. 4. Furthermore, no password reset controls were configured to enforce the periodic rotation of passwords. Recommendations: 1. Generic accounts should be removed with individuals assigned their own uniquely identifiable user accounts to ensure accountability for actions performed. 2. Alternately, management should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded. 3. For accounts assigned to IT support partners, the Council should confirm how they obtain assurance over appropriate IT controls being operated by these third-party service organisations. 4. Management should consider implementing Single Sign-On and Multifactor Authentication mechanisms for the in-scope applications. This also relates to the Pension Fund as well as the Council	Management update **Resource link** - The SA and Ibibacsip accounts are service accounts and not generic accounts. These are not used by individuals to sign into the Resource Link database. The passwords are not publicised and are held in a password vault, which is accessible by the SQL DBA. The SA account is used to run background processes on the HR-RL-SQL-L-V1 database instance on which the Resource Link database resides. **The Ibibacsip** account does not access the Resource Link database and is used by the SMARTERPAY application. SQL Management Studio does not keep a record of historical logs, these are generated on the fly and display current logins. It may be possible to enable auditing tools on the database to capture this information, but this will have a detrimental effect on the performance of databases and associated applications will be moving to a cloud version of Resource Link. As part of this migration, Zellis will be responsible for the database administration. **Civica Pay** - Generic accounts have been removed a part of a previous audit for CIVICAWS\Admin. Cedar - Support2 and 3 have been disabled. User TSO61 is used by a QED Mapping and not an individual, this cannot be disabled as it would stop processing Auditor assessment 1. This finding has been partially remediated. For Civica pay We acknowledge that the generic account – civica admin was disabled on 28th Oct 2021. However, we noted that user account was active partly during the audit period and the activity logs for the usage of the account during audit period were captured but not proactively monitored for suspicious/unauthorised events. Additionally, we were unable to obtain evidence for periodic rotation of passwords since the account was disabled. Therefore, the observation is valid for current year.

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Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ (partly)	Inadequate oversight around generic users across in scope applications and database	Auditor assessment <u>For Resource link</u> 1. We acknowledge that system administrator 'sa' account is configured in the system as service account. However this account is an interactive user account delivered by Microsoft for performing system administrative functions within the SQL database. We noted that there no user activity logs captured and monitored for usage of this account. We further noted that payroll processing (Ibibacsip) is a service account used by Resource Link database for interfacing with SMARTERPAY application. <u>For Cedar</u> We acknowledge that generic user accounts - Support 2 and Support 3 were disabled on 19th October 2021; however, we were unable to obtain the lastlogon date. We further noted that user activity logs for generic account 'SUPPORT 2' were not proactively monitored for any suspicious/unauthorised events during the audit period. Additionally, we noted that generic account 'TSO61' is configured as a service account. 2. This finding has been not remediated. We acknowledge that there have been no changes around the leavers process within Civica Pay and Cedar. Additionally, we were informed by Management that a new workflow tool will be implemented during the course of the next financial year. Therefore, the observation remains the same for current year. 3. This finding has been partially remediated. We acknowledge that for Civica Pay, Cedar, Alusta and Resource link, the user activity logs are now maintained, but are not monitored periodically. 4. This finding has been partially remediated. We acknowledge that the minimum password length within Cedar has been set as 8 characters, this now aligns to the password policy. However, weaknesses in other password parameters identified last year have not been amended. We acknowledge that there have been no changes made to the password complexity within Civica pay and Resource Link.

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Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	PPE Disposal- identified in 2019/20, this issue was found to still exist as part of our testing in 2020/21 Our sample testing of Property Plant and Equipment disposals identified a number of Council dwellings (892k), land and building (£3.2m) and equipment (539k vehicles) that should have been written out of the balance sheet in earlier years but had only been written out this year following a review of the asset register. If assets remain on the balance sheet in excess of true disposal. Following this finding management undertook a further review of assets held. This review identified several assets that the Council did not have ownership off, as is disclosed, significant matters discussed with management. In addition to this we identified an asset had been written off due to historical records of the asset meaning the Council could not identify if it existed. Management should ensure they continue to carry out more regular existence review of assets held on the balance sheet to gain assurance that those assets are owned by the Council and in use. In addition, we note management should ensure records kept of assets capitalised enable them to clearly identify the asset.	**Management update** Management have strengthened its processes in relation to existence testing. **Auditor assessment** We did not identify a similar issue in 2021/22, action closed.
✓	Long and short term debtors- identified in 2019/20 We note from our debtor sample testing instances of old debtor as well as old credit balance dating back more than six years old. Analysis of your aged debtor balance indicate these immaterial historical balances date back to 1999. These balances were correctly provided for. We identified that there were still a number of old debtors within parking debtors for which the same issue remained	**Management update** Appropriate action will be taken in relation to aged debts **Auditor assessment** We did not identify a similar issue in 2021/22, action closed.
Closed	Journals - identified in 2019/20 Our testing of journals identified three 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 and system administrations not undertake finance operational tasks. Journal testing during 2020/21 identified further examples of manual journals posted by system administrators with super user rights. Recommendation not yet addressed.	**Management update** Manual Journals are processed in conjunction with finance staff **Auditor assessment** We identified issues with superusers (refer to page 7) and made a recommendation in Appendix A. This recommendation is closed as another has superseded it.

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Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Cash and bank (third party cash) - identified in 2019/20 Our sample testing of third party cash identified one account where evidence of the closing bank statement that corroborates payments in year had not been retained. The bank account has since been closed. In our testing of third party bank accounts we identified one bank account that could not be agreed back to a historic bank statement that dated back to 2016. The balance of which was £1,009,425, although we gained comfort over this balance via alternative procedures this illustrates that this finding still impacted the current year audit. Due to this the recommendation that third party bank statements are retained still stands, as the issue continues to impact the current year's audit.	**Management update** Bank statements are now retained as recommended **Auditor assessment** We did not identify a similar issue in 2021/22, action closed
✓	PPE Asset Under construction (AUC)- issue identified in 2019/20 audit. Our sample testing identified £2m of AUC incorrectly recognised against assets completed in 2018/19 rather than 2019/20. The error had no impact on the reported class of asset. We identified that management should ensure the records for this asset are updated. Auditor evaluation In our testing of Reclassifications of Assets Under Construction in 2020/21 it was identified that in our sample of 5 an asset valued £2,252k should have been reclassified in the previous financial year. The impact of this was that depreciation was undercharged on the asset in the 2021 financial year. It also creates the risk that Assets under construction may be overstated and operational assets understated. From our work we are satisfied this error is not material but note as the Council increase their capital programme in future years this could present a greater risk of material misstatement. Management should ensure that as assets are brought into use that this is captured in a timely manner to ensure they are correctly recorded in the right financial year.	**Management update** Management have processes to ensure assets brought into use are captured in a timely manner and reported accordingly. **Auditor assessment** We did not identify a similar issue in 2021/22, action closed

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Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Scope of Custodian's Valuation and Management understanding the Custodian report fully** From our audit work we identified the following issues: • The custodian had not independently valued £1,378m of the investments instead relying on the Fund managers market pricing. This lead to additional audit work as we were unable to place sufficient reliance on the custodians work due to this. • Management had restated the accounts based on the classifications for the Investments provided by the custodian. However when this was discussed with the custodian it became clear they had not considered the principles set out in IFRS9 when setting these classifications. The above issues both highlight control weaknesses in relation to the communication with the custodian and in setting out the scope of the work. This has lead to significantly more work by both the auditors and management to complete work on Investments, as well as material adjustments to the classifications within the financial instruments note. The above also creates a risk that the custodian does not provide management with an independent view of the Pension fund's investment and provide a third party perspective on fund managers performance. **Recommendation** • Management should consider the scope of the work sent out to the custodian and ensure they instruct them to value all Investments independently of the Fund manager. • Management should also consider in their instructions requesting the custodian to classify assets in line with IFRS 9's fair value hierarchy in their reports. • Management working papers should detail their judgements and challenges around the hierarchy of Investments provided independently by their fund managers and custodian	**Management update** Responded on Inflo via F116 on the 10/03/23 and via PF inflo G8 on the 29/03/2022. **Auditor assessment** Pension fund investments were not valued independently by the custodian and Fund Managers. Accordingly, we have had to undertake additional procedures to gain assurance over investment valuations which has taken longer to complete. Additionally, we note in four of these investments with a total of £4m, the auditor's opinion therein included an 'emphasis of matters' (EoM) stating the audited accounts were not prepared on a going concern basis – refer to page 10 for more details. Our review remains in progress at the time of writing.

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Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	No Specific Internal Audit Review of Pension Fund since 2015 Within our review of the Pension Fund's control environment we identified that the Internal Audit team had not carried out any specific procedures on the Pension Fund since 2015. Although we understand a review is planned next year and that a cyclical approach is applied to the Pension Fund, this is a large gap in procedures taking place and creates the risk that issues within the control environment of the Pension Fund could be left undetected for several years. **Recommendation** Management should consider the regularity of the work carried out by Internal Audit on the Pension Fund	**Auditor assessment** We understand a review of the Pension Fund was completed in February and issued for Management comment in March 2023. At the time of writing, we are yet to receive the final report.
✓	**Disclosures- issue identified in 2019/20** Our work identified a number of minor trivial disclosure errors within the draft accounts. In addition to this we found a number of minor disclosure adjustments across a large number of the notes to the accounts. **Recommendation** Further strengthen the quality review arrangements of the draft financial statements to improve quality of reporting and minimise the disclosure errors.	**Auditor assessment** A quality review of the Pension Fund was undertaken by our Audit Quality team. Amendments to the disclosure have been agreed with management. At the time of writing, we are yet to receive the revised Fund statements with the agreed amendments. Action deemed closed.
TBC	Pension fund L1 , l2 and L3 investments- identified in 2019/20 In assessing the classification between level 1 and 2 investments, you reclassified L1 pooled funds to L2. We note some number of funds within your pooled funds are actively traded and should be classified as L1. In our audit testing of this note we identified significant issues within the classification, that were more significant than in the prior year. This has led to a material change in the classification of level 1, level 2 and level 3 Investment in the financial instruments note. We have identified that management should improve the quality of their working papers in this area, clearly documenting their judgements of this note to avoid similar issues in future years. Due to the more significant issues identified in this financial year we have judged this deficiency to be a medium risk going forwards.	**Auditor assessment** Our testing of classification between levels 2 and 3 is in progress. We will update this assessment at the conclusion of the testing.

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Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Journals- identified in 2019/20 Our testing of journals identified three 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 and system administrations not undertake finance operational tasks. Journal testing during 2019/20 identified further examples of manual journals posted by system administrators with super user rights. Recommendation not yet addressed.	**Auditor assessment** We did not identify a similar issue in 2021/22, action closed

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Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

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

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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 2022.

Detail - Council	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000
Unwinding of Thames water provision over 7 years (year 1) *(HRA Reserves also updated)*	(1,731)	1,731.
Format error in Business rates provision calculation	1,552	(1,552)
Overstatement in expenditure and income within Adult Social Services within CIES	945 (945)	nil
IAS19 pensions liability has been revised due to additional information becoming available from the 31 March 2022 actuarial triennial valuation.	(9,406)	9,406
Overall impact	**(9,585)**	**9,585**

Misclassification and disclosure changes

The table overleaf provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

C. Audit Adjustments

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 unadjusted misstatements

The table below provides details of unadjustments identified during the year audit not made within the final set of 2021/22 financial statements, and details of how they impacted upon the 2021/22 financial statements.

Council	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Investment properties – gain on change in market value Three yield rates used in Investment Property valuation were outside the expected rate of our auditor's expert. We further compared against third source of information (i.e. GT Real Estate Market Update report, and Knight Frank report). We performed an assessment as to the impact of these, and have determined a range of the potential misstatement, considering both the upper and lower limits of the range, of £1.6m and £6.1m, respectively	1,600 to 6,100	1,600 to 6,100	(1,600) to (6,100)	Cumulative impact is not material
Overall impact	1,600 to 6,100	1,600 to 6,100	(1,600) to (6,100)	

C. Audit Adjustments – 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.

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Impact of unadjusted misstatements

The table below provides details of unadjustments identified during the year audit not made within the final set of 2021/22 financial statements, and details of how they impacted upon the 2021/22 Pension Fund statements.

Pension Fund	Fund account £000	Net Assets Statement £000	Impact on closing Net Assets £000	Reason for not adjusting
Level 1 investments We identified 4 items during our testing where the variance percentage between the prices from third-party independent source and the prices used by the custodian was above 0.5% threshold. We challenged the source of the prices used by the custodian but they were not able to provide us the evidence. We are unable to gain assurance over the reasonableness of the valuation for the 4 investments. The projected misstatement from these items is £1,365k (understatement).	1,365	1,365	1,365	Cumulative impact is not material
Level 1, 2 and 3 Investments Timing differences between the valuation of investments and the publication of the draft accounts sometimes means that the values in the draft Accounts do not reflect the most recent valuation. The overall movement for all funds are £5,134k.	5,134	5,134	5,134	Cumulative impact is not material
Overall impact	**6,499**	**6,499**	**6,499**	

C. Audit Adjustments – Pension Fund

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements, and details of how they impacted upon the 2021/22 financial statements.

Unadjusted prior year misstatements on Fund	Fund Account £'000	Net Assets Statement £' 000	Impact on Closing Net assets £'000	Reason for not adjusting
Level 3 Investments In our review of Level 3 Investments testing which in the updated Accounts for the Pension Fund have a value of £108,958k it was identified the valuation used by the Pension Fund was based on the roll forward of the December valuation method. At the date of auditing the balance the final valuations of these investments were available and we identified the balance had a difference of £1,940k, with the updated valuation being valued at £110,898k. As this difference is below materiality management have decided not to adjust this in the Financial statements	(1,940) Net Increase in fund in year	1,940 Investment assets	1,940	Cumulative impact is not material in prior or current year.
Overall impact	(1,940)	1,940	1,940	

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Applicable to	Auditor recommendations	Adjusted?
Narrative	Council	Total HRA earmarked reserves in the Narrative report was inconsistent with the MIRS HRA reserves. Should be the sum of HRA, Earmarked HRA Reserves and Major Repairs Reserve.	✓
CIES	Council	Following a management restructure in 2021/22, the prior year CIES Cost of Services has been restated. No impact on prior year Net Cost of Services	✓
Note 3 Critical judgements in applying accounting policies	Council	In our view, the Council's disclosures include items with no critical judgements made by management in applying accounting policies. For example, future levels of funding for local government and exclusion of academies, voluntary aided, voluntary controlled or free schools.	✓
Note 4 Assumptions made about the future and other major sources of estimation uncertainty	Council	The Council's disclosure includes items in our view that is unlikely to give rise to a significant risk of a material adjustment in the next financial year. For example, depreciation and amortisation, and bad debt provision.	✓
Note 6 Pooled budgets	Council	Disclosure error in Pooled budget analysis and total	✓
Note 8. Officers' Remuneration:	Council	Disclosure errors identified in salary bands and exit package disclosure	✓
Note 10 Fees payables to appointed auditor	Council	Narrative disclosure at the foot of the table of fees needs to delete 'subject to approval by PSAA' to 'approved by PSAA'	✓
Note 12: Expenditure and Income Analysed By Nature	Council	Disclosure error where an item of income was incorrectly included twice and other income was understated by an equal amount	✓
Note 22 - Financial Instrument	Council	Disclosure error within Financial Instrument Debtors Balance overstated by £1,657k.	✓
Note 24 ST Creditors	Council	You advised us of a material prior year classification error between 'public sector' and 'non-public sector' receipt in advance creditor. The note was restated with narrative explanation. There was no change to total prior year ST creditors.	✓
Note 26(d) Liquidity Risk	Council	Disclosure error in total funds held as at 31 March 2022.	✓
Note 29. Cash and Cash Equivalent	Council	Disclosure error in analysis of cash and cash equivalents. No impact on Total cash and cash equivalents held	✓

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Applicable to	Auditor recommendations	Adjusted?
Note 4 Critical judgements	Pension fund	Note 4 refers to the methodology used to recalculate the net pension liability rather than the judgement applied	
Note 12c Oversight and Governance cost	Pension fund	The audit fees for the current and prior year were understated	✓
Note 26a Price and currency risk	Pension fund	Nature and extent of risks analysis does not appear consistent with other disclosures	
Note 27 Financial instruments	Pension fund	Whilst the total of net financial assets reconciles to note 14 and cash element of note 16, it is not clear how the amounts for the different categories of assets tie in with the analysis at note 14 and that reported at note 26a.	
Note 27a Reconciliation of fair value measurements within Level 3	Pension fund	The descriptors and amounts used for the level 3 FV movements differs from that used at note 27 where level 3 instruments are described as private equities and private debt.	
Note 27 Fair value	Pension fund	Fair value disclosure do not meet requirements of the Code. For example, quantitative information about the significant unobservable inputs - for level 3 are not disclosed	
Note 27a Reconciliation of fair value measurements within Level 3	Pension fund	Code requires that if changing one or more unobservable inputs could change FV significantly - then should state that fact and disclose the effect. Disclosure should make clear if there is a significant effect or there is not, and there is no disclosure of the financial effect.	

A number of other minor presentational amendments including adjustment of prior period comparatives to match the audited 2020/21 financial statements were made to the financial statements.

D. Fees

We set out below our fees for the audit and provision of non-audit services as set out in the Audit Plan.

Audit fees	**2020/21 final fee**	**Proposed fee**	**Final fee (estimate)**
Council Audit	£285,000	£252,429	£295,000
Pension Fund Audit	£54,000	£37,808	£54,000
Total audit fees (excluding VAT)	**£339,000**	**£290,237**	**£349,000**

Audit related and Non-audit fees for other services	**Proposed fee**	**Final / Estimated* fee**
Agreed upon procedures relating to pooling of housing capital receipts	£5,000	£7,500*
Agreed upon procedures relating to the Teachers' Pensions End of Year Certificate	£7,500	£7,500*
Certification of Housing Benefit Subsidy Claim	£28,000	£TBC
Total non-audit fees (excluding VAT)	**£40,500**	**£TBC**

Reconciliation of audit fees	**Accounts (Note 10) £000**	**Grants (Note 10) £000**	**PFund (Note 12c) £000**
Fees per draft statements	252	41	38
Reconciling item: Increased audit requirements per Audit Plan	-	-	
Fees per Audit Plan / Audit Findings Report (proposed)	252	41	38

The fees reconcile to the Councils financial statements. The number issues identified and of audit adjustments required significant additional audit time in completing the audit. The final fee will be discussed with Management at the conclusion of the audit. All fees are subject to PSAA approval.

D. Fees

Fee analysis Council

Scale fee published by PSAA	£162,179
Raising the bar/regulatory factors	£12,000
Enhanced audit procedures for Property, Plant and Equipment including additional work at accounts	£26,170
Enhanced audit procedures for Pensions	£3,500
Additional work on Value for Money (VfM) under new NAO Code	£26,000
Increased audit requirements of revised ISAs	£17,000
Prior period adjustments	£4,400
Additional journals testing	£10,000
Infrastructure	£6,000
Pension liability IAS19	£6,500
CIES, provisions, Investment properties, judgements, estimates, financial instrument, disclosures – additional testing and review	£12,700
Objection, WGA	£8,551
Total audit fees (excluding VAT)	**£295,000**

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D. Fees

Fee analysis Pension Fund

Scale fee published by PSAA	£16,170
Raising the bar/regulatory factors	£5,000
Enhanced audit procedures for Level 3 investments	£3,830
Increased audit requirements of revised ISAs	£8,000
Derivatives	£6,500
Additional Level 3 Investments testing	£6,500
Benefit payable, Level 1 Investments, disclosures – additional testing and review	£4,000
Hot review, Pension Fund Annual Report review	£4,000
Total audit fees (excluding VAT)	**£54,000**

E. Audit opinion

Our audit opinion is included below.

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

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of London Borough of Islington (the 'Authority') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Account, the Statement on the Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

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In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Corporate Director Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

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

E. Audit opinion

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Other information

The Corporate Director Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts and Annual Governance Statement, other than the financial statements, and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Corporate Director Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director Resources. The Corporate Director Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements and Annual Governance Statement, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee and Audit Committee (Advisory) is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

E. Audit opinion

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012 and the Local Government Act 2003.
- We enquired of senior officers and the chair of the Audit Committee and Audit Committee (Advisory), concerning the Authority’s policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the chair of the Audit Committee and Audit Committee (Advisory), whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority’s financial statements to material misstatement, including how fraud might occur, by evaluating officers’ incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - unusual journal entries made during the year which met a range of criteria during the course of the audit, and
  - the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of property plant and equipment and the valuation of the net defined benefit pensions liability.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Corporate Director Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on testing entries meeting the risk criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings, including council dwellings and investment properties, and the valuation of the net defined benefit pensions liability;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item

E. Audit opinion

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, including council dwellings and investment properties, and the valuation of the net defined benefit pensions liability.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

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- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

E. Audit opinion

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

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

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

We cannot formally conclude the audit and issue an audit certificate for London Borough of Islington for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

F. Audit letter in respect of delayed VFM work

Chair of Audit Committee and Audit Committee (Advisory)

Islington Council

Town Hall,

Upper Street

London

N1 2UD

August 2023

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Dear Cllr Nick Wayne, Chair of Audit Committee and Audit Committee (Advisory), as TCWG

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

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

We issued a draft report to management for comments in December 2022 and an interim report was presented to the Audit Committee and Audit Committee (Advisory) in May 2023. The report will be finalised at the conclusion of the financial statements audit.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Paul Dossett

grantthornton.co.uk

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ISLINGTON
For a more equal future

Resources
7 Newington Barrow Way
London N7 7EP

Report of: **Corporate Director of Resources**

Meeting of	Date	Agenda Item	Ward(s)
Audit & Risk Committee	18 September 2023		All

Delete as appropriate		Non-exempt

External Audit Plan

1. Synopsis

1.1. Grant Thornton UK LLP is presenting to the Committee their 2022/23 indicative external audit plans for the Council and the Pension Fund.

2. Recommendations

2.1. To note the total anticipated fees for the external audit of the Council is £229,064 and of the Pension Fund is £44,556 for the year ending 31 March 2023.

2.2. To note the contents of the indicative audit plans for the Council and Pension Fund for the year ending 31 March 2023.

3. Background

3.1. Each year the council's external auditor presents to the Audit & Risk Committee their audit plan for the year end accounts. This also includes management progress updates on the recommendations made during the previous external audit.

4 Implications

Financial Implications:

4.1 The fees for the audit will be £229,064 (prior year £267,429) for the Council and £44,556 (prior year £tbc by External Audit) for the Pension Fund, subject to the Council and Pension Fund delivering a good set of financial statements and working papers. The fees take account of the introduction of revisions to International Standards on Auditing (ISA) 315 which will require External Audit to increase the scope, nature and extent of their audit documentation, particularly in respect of business processes and IT controls.

4.2 The Council is responsible for arranging its own housing benefit audit, separate to the terms above. Although the Council identified a cheaper supplier than Grant Thornton to provide the service, it would have increased Grant Thornton's charges by £15,000 due to the additional assurance they would need. As such the Council were realistically unable to use a different supplier to Grant Thornton.

Legal Implications:

4.3 The audit plans have no significant legal implications.

Environmental Implications and contribution to net zero carbon by 2030.

4.4 There are no direct environmental impacts arising from this report.

Resident Impact Assessment

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

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

Appendices:

Appendix A 2022/23 Indicative External Audit Plans for the Council
Appendix B 2022/23 Indicative External Audit Plans for the Pension Fund
Appendix C 2022/23 External Audit Planning enquiries.

Background papers:

None

Responsible Officer: Dave Hodgkinson, Corporate Director of Resources

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Financial Implications Author: Paul Clarke, Director of Finance
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Legal Implications Author: N/A
E-mail:

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Grant Thornton

Islington Council indicative external audit plan

Year ending 31 March 2023

June 2023

Contents

Your key Grant Thornton team members are:

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

Key matters

National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In March 2023, we issued About time?, which explored the reasons for delayed publication of audited local authority accounts. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. These delays are exacerbated by capacity constraints in both local auditors and local government. A new workforce strategy is being developed by the director of local audit at the Financial Reporting Council, but improving the attractiveness of a career in local audit and local authority accounting will require a lot of focus. You can find more insight and guidance on the key challenges for local audit in our report. https://www.grantthornton.co.uk/insights/report-key-challenges-in-local-audit-accounting/

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Key matters

The financial challenge

The Council achieved a net general fund position in 2022/23 despite the external challenges faced including cost of living crisis, high inflation and interest rates and increasing demand for Council services. In delivering the balanced position, it required the drawdown of reserves of £18m plus £5m general contingency reserve built into the original budget. Directorates with the most significant overspends were Adults, Corporate and Environment due to various reasons including unavailability of beds in care home, reduced parking income and 2022/23 pay award. Housing Revenue Account provisional outturn is an in-year deficit of £13m. Capital expenditure of £152m was delivered against a revised 2022/23 budget of £169m representing 90% spend against budget.

The 2023/24 settlement has provided a potential increase in council core spending power in cash. The Council approved the budget for 2023/24 total budget requirement of £260m; an increase of £51m from 2022/23. The Council also approved a 4.99% Council tax increase compared to 2022/23 comprising 2% specifically for expenditure on adult social care and 2.99% for all expenditure. The total budget efficiencies built into the general fund budget is £11m. The Medium-Term Financial Strategy delivers a balanced budget for 2023/24.

Our Responses

- There has been a delay in signing off the Council's 2021-22 financial statements. This is due to additional information coming to light following the March 2023 pension fund triennial valuation that has resulted in amendments to the financial statements and some additional audit work. This is a national rather than local issue. This is expected to be resolved by early July and has no impact on this plan or our ability to continue with the 2022-23 audit.
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Corporate Director of Resources.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee and Audit Committee (Advisory) with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control – refer to page 7.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Islington Council ('the Council') for those charged with governance.

Respective responsibilities

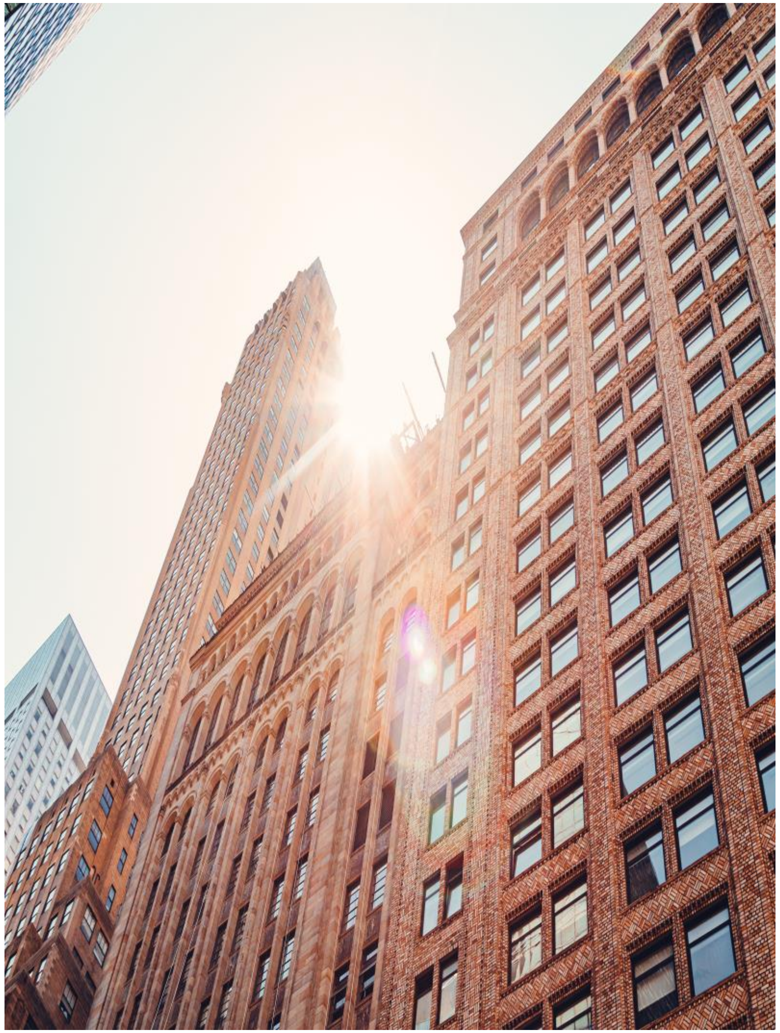
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Islington Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee and Audit Committee (Advisory)); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee and Audit Committee (Advisory) of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls.
- Valuation of land and buildings including dwellings.
- Valuation of Private Finance Initiative (PFI)
- Valuation of the pension fund net liability.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council has one wholly owned subsidiary namely Islington Company Limited (ICo). The Council's judgement for the subsidiary accounts, if material, are to consolidate into the accounts to form Group Accounts. Gross turnover, assets and liabilities for ICo are not material.

Materiality

We have determined planning materiality to be £18.9m (PY £17.1m) for the Council, which equates to 1.5% of your 2022/23 draft operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.9m (PY £0.8m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

We will follow up on improvement recommendations raised in 2021/22 covering:

- enhanced reporting on savings delivery to Members
- improvements to the risk management process, and
- Development of a Data Quality Strategy.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning visit will take place between June and September and our final visit will take place between October and December. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £229,064 for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. We set out the indicative significant risks in the following slides.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	Council	Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of Islington Council, we have determined that it is likely that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of public sector bodies, Islington Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for the Council at the time of our planning however we will keep this assessment under review.	
Management over-ride of controls	Council	We will: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We will: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings including dwellings	Council	The Council carries out a rolling programme of valuations that ensures all land and buildings required to be measured at current value is revalued at least every five years. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.7 billion as at 31 March 2022) and the sensitivity of this estimate to changes in key assumptions. Management has engaged the services of a valuer to estimate the current value as at 31 March 2023. We therefore identified valuation of land and buildings including dwellings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • assess the value of a sample of assets in relation to market rates for comparable properties; • test 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; • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Accuracy and presentation of the Private Finance Initiative (PFI) and similar contracts liabilities and associated disclosures	Council	You have five schemes to be accounted for as PFI arrangements which cover housing, street lighting, BSF and care homes schemes. The total liability relating to these schemes on prior year balance sheet was £452m. 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.	We will: • review your PFI models and assumptions contained therein. • compare your PFI models to previous year to identify any changes. • Consider the impact of inflation on the PFI model • review and test the output produced by your PFI models to generate the financial balances within the financial statements. • review the PFI disclosures to assess whether they are consistent with International Accountancy Standard IFRIC12. We will check additional disclosures that you include within the financial statements to the PFI models.
Valuation of the pension fund net liability	Council	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 (£926m in the Council's prior year balance sheet) and the sensitivity of the estimate to changes in key assumptions.	We will: • update 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. • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • assess the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases. • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • undertake 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.

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Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other risks identified

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in Expenditure Recognition	Council	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity is required to meet financial targets. Having considered the risk factors relevant to Islington Council and the nature of the expenditure at the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 7 relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of management override of controls as set out on page 7.	We will: • obtain an understanding of the design effectiveness of controls relating to operating expenditure. • perform testing over post year end transactions to assess completeness of expenditure recognition. • test a sample of operating expenses to gain assurance in respect of the accuracy of expenditure recorded during the financial year.

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‘In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity’s controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.’ (ISA (UK) 315)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Council's financial statements, which resulted in 2 recommendations being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	**Journals** Our review of journals posted by superusers identified over 22,000 such journals which is unusual. We challenged management to understand why and assess if these group of journals created a greater risk of management override of controls. We understand these journals were income transactions which go through Civica, the Income Management system. Transactions are initially posted into suspense if the transaction doesn't match the rule set against the income account. At the end of each day, clearing takes place superusers and sometime by finance staff, after which a reconciliation document is produced by a system administrator who has processed the batch, which reconciles Cedar records to Civica. Each reconciliation is reviewed and signed off by a different superuser. **Recommendation** The use of superusers in day to day finance activities creates a greater risk of management override. However, manual intervention of this magnitude by superusers is inefficient and does not represent value for money. We recommend management review the whole process to minimise the volume of income transactions initially posted to a temporary suspense and clearance of the daily suspense be limited to finance teams only.	Management response
In progress	Working papers and cleansing of data Some income, expenditure balance sheet took longer to audit due to the significant number of contra entries and small value of items within the population resulting in larger than expected samples for testing Where both credit and debit items within an item of balance for testing are material, we are required to test both debit and credit items separately, doubling sample sizes in many cases. Risk audit takes additional time to complete and increased cost to the audit. **Recommendation** In order to improve the quality of the working papers provided for audit and the efficiency of the audit process, we recommend management continue to review and cleanse individual population listings for sample testing.	Management response

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.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £18.9m for Islington Council, which equates to 1.5% of your draft gross expenditure for the period.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. – We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £100,000.
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Audit Committee and Audit Committee (Advisory)** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee and Audit Committee (Advisory) any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee and Audit Committee (Advisory) any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.9m (PY £0.8m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee and Audit Committee (Advisory) to assist it in fulfilling its governance responsibilities.

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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. Our indicative materiality is set below.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	18,900,000	This benchmark is determined as a percentage of the Council's Gross Cost of Services Expenditure in year, which has remained at approximately 1.5%.
Performance materiality	13,230,000	Performance Materiality is based on a percentage (70%) of the overall materiality.
Trivial matters	945,000	This balance is set at 5% of overall materiality

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 18.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Cedar	Financial reporting	We will consider the design but not the operating effectiveness of the ITGCs
Northgate	Council Tax, Business Rates, Grants	We will consider the design but not the operating effectiveness of the ITGCs
Resource Link	Payroll	We will consider the design but not the operating effectiveness of the ITGCs
Altair	Pensions	We will consider the design but not the operating effectiveness of the ITGCs

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report. We will follow up on improvement recommendations raised in 2021/22 covering:

- enhanced reporting on savings delivery to Members
- improvements to the risk management process, and
- development of a Data Quality Strategy.

Audit logistics and team

Planning and risk assessment

Interim audit
June - September

Audit Committee and Audit Committee (Advisory)
July

Audit Plan

Year end audit
October - December

Audit Committee and Audit Committee (Advisory)
November

Audit Findings Report

Audit opinion

Auditor's Annual Report

Paul Dossett, Key Audit Partner

Paul is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit Committee, the Chief Executive and the Corporate Director Resources. He will share his wealth of knowledge and experience across the sector providing challenge and sharing goodpractice. Paul will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Paul will sign your audit opinion.

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Ade Oyerinde, Director

Ade is responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit Committee, Director of Finance and finance team. He will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable. Ade will be responsible for the delivery of our work on your arrangements in place to secure value for money.

Raymund Daganio, Manager

Raymund is responsible for management and review of audit fieldwork, final accounts work. He will monitor the deliverables, liaise with your finance team and address any significant issues with senior management.

Sabrina Hisham, Assistant Manager

Sabrina is responsible for management and delivery of audit fieldwork, final accounts work. She will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management.

Audited Entity responsibilities

Where audited entities do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to:

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Islington Council to begin with effect from 2018/19. The fee agreed in the contract was £175,429. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £5,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Corporate Director Resources.

Audit fees

	Estimated Fee 2021/22	Proposed fee 2022/23
Islington Council Audit Fee (excluding VAT)	£290,237	£229,064

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

New scale fee	**£175,429**
Reduced materiality	£5,625
Use of expert	£5,260
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	£500
Collection Fund – relief testing	£750
Value for Money audit – new NAO requirements	£20,000
ISA 540	£6,000
ISA 315	£5,000
Additional journals testing	£3,000
Infrastructure	£2,500
Triennial valuation work	£3,500
Quality review – response to FRC (Quality Partner)	£1,500
Total proposed audit fees 2022/23 (excluding VAT)	**£229,064**

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By setting the fees out in the plan the fee proposals are agreed and thereafter subject to PSAA approval

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other service provided by Grant Thornton was identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teacher's Pension Return	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 £229,064 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.
Certification of Housing Benefits subsidy	32,400	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 £32,400 in comparison to the total fee for the audit of £229,064 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.
Certification of Housing Capital Receipts	7,500	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 £7,500 in comparison to the total fee for the audit of £229,064 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.
Non-audit related			
None			

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	n/a	n/a
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Grant Thornton

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Grant Thornton

Islington Council Pension Fund indicative external audit plan

Financial year ended 31 March 2023

June 2023

Contents

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

Key matters

National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Fund Performance

During the year, Pension Board Committee has continued to implement the investment strategy. Overall, the net position has improved from a deficit of £912m at 31 March 2022 to a deficit of £230m at 31 March 2023. In determining the deficit position, liability values have fallen since 31 March 2022 from £2,585m as at 31 March 2022 to £1,832m as at 31 March 2023 due to an increase in the assumed level of future investment returns (the discount rate) which has been driven, in part, by a significant rise in long dated gilts yields over the period from 31 March 2022 to 31 March 2023. Similarly, the value of the assets as at 31 March 2023 of £1,602m is lower than that as at 31 March 2022 of £1,672m, due to negative asset returns which offset the reduction in the liabilities due to higher assumed investment returns. Some LGPS funds have moved into surplus which provides revised accounting complexity which CIPFA are currently considering.

Triennial valuation

The Triennial Actuarial Valuation sets out the contribution rate for each employers in the Fund and help ensure solvency of the Pension Fund. This will ensure long term value for our beneficiaries and employers within the Fund. The funding position at 2022 shows a stronger position than in 2019. The Council's required investment return to be 100% funded is now 4.72% pa.

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Corporate Director of Resources.
- We will continue to provide you and the Audit Committee and Audit Committee (Advisory) with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk regarding management override of control – refer to page 6.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Islington Council Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

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The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Islington Council Pension Fund. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee and Audit Committee (Advisory)).

The audit of the financial statements does not relieve management or the Audit Committee and Audit Committee (Advisory) of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The risk of management override of controls.
- The risk that the valuation of level 3 investments and direct property investments in the accounts is materially misstated

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £34m (PY £16.6m) for the Pension Fund, which equates to 2% (PY 1%) of your draft outturn net assets as at 31 March 2023.

We have determined a separate Fund account materiality for non-investment related elements to be £8m which equates to 10% of Fund expenditure as at 31 March 2023.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.7m (Fund account £0.4m).

Audit logistics

Our planning visit will take place in June and September and our final visit will follow immediately after. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £44,556 for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the Pension Fund revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition. • Revenue is largely in the form of employee and employers contributions from the Council and Admitted and Scheduled bodies plus investment income from the fund managers so is relatively easy to predict. Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including Islington Council including the Pension Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk at for the Islington Council Pension Fund.	
Management over-ride 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. The Fund faces external scrutiny and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	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 (£158 million at 31 March 2022) 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 as valuation experts to estimate the fair value as at 31 March 2023.	We will: • evaluate management's processes for valuing Level 3 investments; • review 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 request year-end confirmations from investment managers and the custodian; • for a sample of investments, test 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. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; • where available review investment manager service auditor report on design and operating effectiveness of internal controls.; • we will evaluate management's processes and assumptions for the calculation of the estimated direct property valuation, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; and • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
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.	We will: • gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; • review 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; and • review investment manager service auditor report on design effectiveness of internal controls.
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.	We will: • evaluate the Fund's accounting policy for recognition of contributions for appropriateness; • gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls; • test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • test 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 employees to ensure that any unusual trends are satisfactorily explained.
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.	We will: • evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; • test a sample of lump sums and associated individual pensions in payment by reference to member files; and • test 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.

Other risks identified continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
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 (£2.6 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.	We will: • update 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; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • test the consistency of disclosures with the actuarial report from the actuary; and • undertake 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.
Fraud in expenditure recognition	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity is required to meet financial targets. Having considered the risk factors relevant to Islington Pension fund and the nature of the expenditure at the Council and Fund, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 6 relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of Management Override of Controls as set out on page 6.	We will: • obtain an understanding of the design effectiveness of controls relating to operating expenditure. • perform testing over post year end transactions to assess completeness of expenditure recognition. • test a sample of operating expenses to gain assurance in respect of the accuracy of expenditure recorded during the financial year.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

Other matters

Other work

The Pension Fund is administered by Islington Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Pension Fund's financial statements, which resulted in one recommendation being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	**Pension Fund Level 3 investments** From our review of the sample of investment audited accounts, we identified 4 investments totalling £4m where the auditor's report on the investments was unqualified but reported an 'emphasis of matter' on going concern. Risk of Fund investment valuations may be materially overstated. **Recommendation** We recommend management put in place additional procedures that include regular reviews of Fund investments audited accounts and auditor's report for modification or qualification of opinion and where Funds are in liquidation. These procedures should specify the actions to be taken where issues are identified and who is responsible for carrying out the actions.	**Management response**

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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.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the net assets as at 31 March 2023 for the Pension Fund. Materiality at the planning stage of our audit is £34m, which equates to 2% of your draft outturn net assets as at 31 March 2023. We have determined a separate Fund account materiality for non-investment related elements as at 31 March 2023. Materiality at the planning stage of our audit is £8m, which equates to 10% of Fund expenditure as at 31 March 2023.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
3	**Other communications relating to materiality we will report to the Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee and Audit Committee (Advisory) any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee and Audit Committee (Advisory) any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.7m (Fund account £0.4m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee and Audit Committee (Advisory) to assist it in fulfilling its governance responsibilities.

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.

Overall materiality.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	34,000,000	This benchmark is determined as a percentage of the Funds Investment Assets, which has remained at approximately 2.%.
Performance materiality	23,800,000	Performance Materiality is based on a percentage (70%) of the overall materiality.
Trivial matters	1,700,000	This balance is set at 5% of overall materiality

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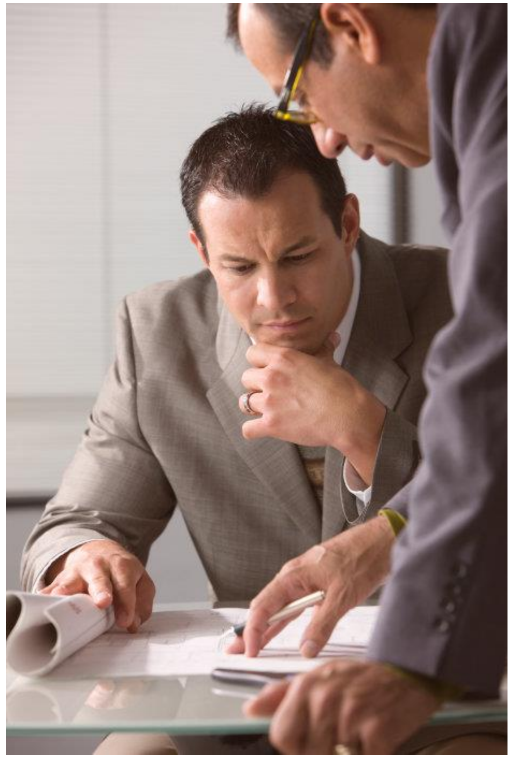
Fund Account materiality.

	Amount (£)	Qualitative factors considered
Materiality for the Fund Account	7,900,000	This benchmark is determined as a percentage of the Funds expenditure, which has been determined as 10%
Performance materiality	5,530,000	Performance Materiality is based on a percentage (70%) of the Fund materiality.
Trivial matters	395,000	This balance is set at 5% of overall materiality

Fund account materiality will be applied to the following fund balances, employer and employee contributions, transfers in, other income, benefits paid or payable, payments to and on account of leavers, investment income (annuity income only) and transfer between sections (if any). We will apply the overall materiality to all other balances.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 17.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Cedar	Financial reporting	Streamlined ITGC design assessment
Resource Link	Payroll	Streamlined ITGC design assessment
Altair	Pensions Administration system	Streamlined ITGC design assessment

Audit logistics and team

Planning and risk assessment

Interim audit
June - September

Audit Committee and Audit Committee (Advisory)
July

Audit Plan

Year end audit
Oct - Dec

Audit Committee and Audit Committee (Advisory)
Dec / Jan 2024

Audit Findings Report

Audit opinion

Paul Dossett, Key Audit Partner

Paul is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit Committee, the Chief Executive and the Corporate Director Resources. He will share his wealth of knowledge and experience across the sector providing challenge and sharing goodpractice. Paul will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Paul will sign your audit opinion.

Ade Oyerinde, Director

Ade is responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit Committee, Director of Finance and finance team. He will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable. Ade will be responsible for the delivery of our work on your arrangements in place to secure value for money.

Ghufran Ahmed, Manager

Ghufran is responsible for management and review of audit fieldwork, final accounts work. He will monitor the deliverables, liaise with your finance team and address any significant issues with senior management.

Audited Entity responsibilities

Where audited entities do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to:

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Islington Council Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £22,420. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Corporate Director Resources.

Audit fees

	Estimated Fee 2021/22	Proposed fee 2022/23
Islington Council Pension Fund Audit (excluding VAT)	£54,000	£44,556

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Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Fees

Fee analysis

Audit fees	Estimated fee
Scale fee per PSAA for 2022-23	22,420
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	500
ISA 540	3,600
ISA 315	3,000
Additional journals testing	2,000
Other local factors taking account of this takes account the likelihood of extra sampling, testing, new guidance Investment valuation etc.	5,036
IAS19 assurance letter for scheduled and admitted bodies	8,000
Estimated fee	**44,556**

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Independence and non-audit services

Other services

No other services provided by Grant Thornton were identified.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

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Informing the audit risk assessment for London Borough of Islington and London Borough of Islington Pension Fund 2022/23

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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between London Borough of Islington's and London Borough of Islington Pension Fund's external auditors and London Borough of Islington's and London Borough of Islington Pension Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's and Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from London Borough of Islington and London Borough of Islington Pension Fund’s management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	We have been in the unusual position of preparing the 22/23 financial statements without having published the final audited 21/22 financial statements. Opening balances in the 22/23 financial statements are consistent with the latest revised 21/22 financial statements, and if they change as a result of subsequent audit work on the 21/22 accounts, we will make a note to update the 22/23 statements as well.
2. Have you considered the appropriateness of the accounting policies adopted by London Borough of Islington and London Borough of Islington Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes, we have considered the appropriateness and have no reason to change or adopt new accounting policies compared to those disclosed in the revised 21/22 accounts.
3. Is there any use of financial instruments, including derivatives? If so, please explain	No
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	The council has given a guarantee to make additional financing available to its trading subsidiary, ICo Limited.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No Contingent liabilities are disclosed in Note 33 of the accounts.

General Enquiries of Management

Question	Management response
8. Other than in house solicitors, can you provide details of those solicitors utilised by London Borough of Islington and London Borough of Islington Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Sharpe Pritchard – Leisure Management contract, Care UK contract, site of Former Charter s38/278 agreement, Bunhill 2 contract with Colloide, Adult Social Care contracts and to cover internal legal casework for a short period DAC Beachcroft – assisting with the administration of a Support Payment Scheme for survivors of historic child abuse Insurance Legal Panel solicitors (including DAC Beachcroft, Browne Jacobson and BLM) – historic child abuse and other civil litigation cases (open litigation, contingent liability from prior years) Kennedys – Highbury Leisure Centre fire claim (open litigation) Pinsent Masons – redevelopment of the underground space at Finsbury Square Bevan Brittan – expiry of PFI 2 street properties contract Town Legal – Barnsbury s106 agreement Batchelors – Claim for damages against Council officers (open litigation) Trowers & Hamlin – 99 City Road s106 agreement Gowlings – Telecoms lease renewals Watson Farley & Williams – Harvist Estate project

General Enquiries of Management

Question	Management response
9. Have any of London Borough of Islington and London Borough of Islington Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Please see Estimations section where details are provided of advisors consulted to inform estimations
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes. All considerations regarding IFRS 9 are disclosed in the financial instruments notes (Notes 22 and 23 of the 22/23 accounts).

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As London Borough of Islington's and London Borough of Islington Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from London Borough of Islington's and London Borough of Islington Pension Fund's management.

Fraud risk assessment

Question	Management response
1. Has London Borough of Islington and London Borough of Islington Pension Fund assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the Council's and the Fund's risk management processes link to financial reporting?	Delivery of the 2022/23 Internal Audit plan did not yield material findings in relation to fraud. External Audit has been sighted on all reports to Audit Committee. The council's Principal Risk Report (PRR) considers the council's principal risks and mitigating actions, including the risk of fraud. The PRR is reviewed, updated and approved at Departmental Management Teams and the Corporate Management Board before being presented to Audit & Risk Committee (most recently in July 2023). Fraud was assessed as moderate risk, indicating the inherent risk of fraud at a local authority. The council has a robust anti-fraud and corruption strategy. Suspected/alleged fraud is investigated by qualified investigators employed by the council.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Delivery of the 2022/23 audit plan did not yield material findings in relation to fraud. The council continues to operate without purchase orders, which is a key control in an accounts payable process. The latest National Fraud Initiative provided data relating to potentially fraudulent payments for further consideration/investigation. It has not identified any material fraud.

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Fraud risk assessment

Question	Management response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within London Borough of Islington and London Borough of Islington Pension Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details	A total of 42 investigations have taken place by Internal Audit Investigations (IAI) - Corporate Investigations - in 2022/23. The Annual Fraud Report (AFR) for 2022/23 will be presented to Audit Committee in September 2023. The AFR highlights that of the 42 referrals received, 37 referrals have been closed following the conclusion of investigatory work. Of the 37 referrals closed, 5 referrals were substantiated; 28 were unsubstantiated; 2 were unable to be concluded due to lack of evidence and 2 were referred to the Department for Work and Pensions (DWP). There are two investigations still in progress in relation to alleged fraud perpetrated against the council's Pension Fund. These occurred in 2020-21 and 2021-22 respectively, and have been previously reported to the Audit Committee. A spousal pension claim was referred to IAI and after consideration of the documents (provided in support of the claim), advice was provided to the Council's pensions team to take forward. A spousal pension claim was referred for consideration by IAI. A review was conducted of the information provided and advice was provided to the Council's pensions team. A pension was referred to IAI regarding a deceased LBI employee after it was detected they also had pension contributions elsewhere. This was investigated and clarified with HR and advice was provided to the Council's pensions team. A spousal pension claim was referred to IAI for advice regarding a marriage certificate that had been provided. The information and document were reviewed and advice was provided to the Pensions team.

Fraud risk assessment

Question	Management response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within London Borough of Islington and London Borough of Islington Pension Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details - **continued**	An investigation took place regarding a suspected mandate fraud payment. We were unable to establish where the monies had been paid to and the police did not accept the referral for investigation. As such, payment was not re-issued to the supplier. An investigation took place regarding an LBI employee with regards to additional employment. The investigation has been jointly conducted with another London Borough and the case is being considered for potential legal proceedings. A referral was received regarding a burglary/theft at one of Islington's libraries. The matter was dealt with by the Met Police and advice was provided to the service to enhance controls. An investigation took place regarding a LBI employee who failed to disclose additional employment. The member of staff was interviewed under caution and led to a full investigation report shared with HR to consider whether any disciplinary action applied. As at 18 August 2023, investigations are underway for 21 referrals. <u>Housing Investigations</u> The Housing Investigations team undertook 1 prosecution, recovered 48 properties and cancelled 6 right to buy applications (saving the council £675,300 in discounts that would have been applied to the sale values) in 22-23. <u>Parking Investigations</u> The Parking Investigation team investigated 102 cases in the 22-23 financial year.

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Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	High priority recommendations arising from Internal Audit reviews that had attracted a No or Limited assurance rating were reported to Audit & Risk Committee in the September 2022 and January 2023 updates on delivery of the audit plan. Specific fraud risks have been shared with the Audit & Risk Committee and External Audit in the 2021/22 Annual Fraud Report and biannual whistleblowing report 2021/22 (both presented to the Sept 2022 Audit Committee). The Annual Fraud Report for 2022/23 is tabled for Audit & Risk Committee in September 2023.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within London Borough of Islington and London Borough of Islington Pension Fund where fraud is more likely to occur?	Internal and External audit reports to Audit & Risk Committee in 2022/23 did not highlight material findings in relation to fraud. The council's Principal Risk Report identifies serious fraudulent activity as a principal risk and details action to mitigate the risk of fraud. The council continues to operate without purchase orders, which is a key control in an accounts payable process.

Fraud risk assessment

Question	Management response
6. What processes do London Borough of Islington and London Borough of Islington Pension Fund have in place to identify and respond to risks of fraud?	The council has a robust anti-fraud strategy and whistleblowing policy in place. Investigations are referred and investigated pursuant to these processes. Investigation outcomes are reported to the Corporate Management Board and Audit & Risk Committee. The council's Principal Risk Report identifies serious fraudulent activity as a principal risk and details action to mitigate the risk of fraud. We do not specifically aim to cover the risks to the Pension Fund in the council's Principal Risk Report. The Pension Fund has a separate risk register.

Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for London Borough of Islington and London Borough of Islington Pension Fund, including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	The control and governance environment is assessed through delivery of the annual Internal Audit plan, and the wider context of governance arrangements as included in the Council's Annual Governance Statement. The Head of Internal Audit provides an annual opinion on the council's overall control environment within the Annual Governance Statement. The annual opinion categories are No Assurance, Limited Assurance, Moderate Assurance and Substantial Assurance. The annual opinion given for 2016/17 to 2021/22 was Moderate Assurance. The same conclusion has been reached for 2022/23, indicating that the Council's systems for control, risk and governance were adequate with some improvement required. The council does not operate incentive schemes which would drive undue pressure to manipulate financial results. Equally the council's internal audit plan and whistleblowing procedures have demonstrated that they are effective at identifying procedural improprieties which cause incorrect reporting of financial results.
8. Are there any areas where there is potential for misreporting? If so, please provide details	Key areas where there is a risk of misreporting are identified within the significant accounting estimates section of the Audit Plan. These are: Valuation of land and building; Depreciation; Provisions and accruals; Provision for business rates appeals; Credit loss and impairment allowances; Valuation of defined benefit net pension fund liabilities; Fair value estimates; and Valuation of level 2 and 3 investments.

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Fraud risk assessment

Question	Management response
9. How does London Borough of Islington and London Borough of Islington Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	An anti-fraud strategy and whistleblowing policy is in place to encourage fraud reporting and directing staff how and where to report cases of suspected fraud and wrongdoing. Human Resources policies and procedures, and our code of conduct communicate and encourage ethical behaviours. Contractor behaviours are also monitored via our contract management procedures. Please see response to Q3 for details of any reported frauds.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	In respect of financial fraud, any post with the capacity to transact contains an inherent risk of fraud. In respect of corruption, leadership posts may be considered higher risk. Financial fraud risks are managed via control design in relation to accounting processes. Risks of corruption are managed via control design in relation to accounting processes, Human Resources policies and procedures and the council's code of conduct.

Fraud risk assessment

Question	Management response
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Delivery of the annual Internal Audit plan did not raise concerns surrounding related party transactions. Where risks have been identified as part of individual internal audits and fraud investigations, control recommendations are made and subject to follow up reporting to ensure that they have been implemented. The council seeks information in relation to declarations of interests of both senior officers and members. An additional line of defense is the audit of the related parties' arrangements within the council.

Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The overarching risk of serious fraudulent activity is considered within the Principal Risk Report to Audit Committee. Once an individual investigation is completed, a report is produced containing control recommendations where appropriate. Fraud issues/outcomes of investigations are reported to Audit & Risk Committee annually in the Annual Fraud Report.
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Where whistleblowing complaints have been made External Audit has been privy to those complaints and progress in implementing recommendations as part of the bi-annual whistleblowing monitoring reports that are shared with Audit Committee. The council has a robust whistleblowing policy which was revised with amendments approved by Audit Committee in June 2022. All allegations are managed in line with the policy. Complaints are investigated by qualified investigators employed by the council. Where appropriate, external investigators are engaged.
14. Have any reports been made under the Bribery Act? If so, please provide details	No

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Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that London Borough of Islington’s and London Borough of Islington Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does London Borough of Islington and London Borough of Islington Pension Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Council's and the Fund's regulatory environment that may have a significant impact on the Council's and the Fund's financial statements?	The council's Legal Services provides proactive updates, training and advice to Chief Officers and Members on new legislation and case law developments and changes to existing legislation and regulations. All reports to the Corporate Management Board and decision-making reports to the Council, its Committees and the Executive include appropriate legal implications. A representative of Legal Services attends all Council, Executive, Planning and Licensing meetings and other meetings when requested. We are not aware of any changes to the council's or the Fund's regulatory environment that would have a significant impact on the financial statements.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Assurance is provided through the Annual Governance Statement and the regular reports to Audit Committee on internal audit investigations and whistleblowing. All reports to Audit Committee are subject to legal review and include legal implications. The Audit Committee has appointed a Pensions Sub-Committee which meets approximately every three months. The committee receives reports on the performance of the pension fund, including assessments of the key risks of individual funds and detailed updates from individual fund managers

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Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details	Disclosed as contingent liabilities in the draft 2022/23 Statement of Accounts (some of which will relate to suspected non-compliance prior to 1 April 2022): - There are 24 outstanding employment tribunal claims and 34 Special Educational Needs claims where the council is the respondent. The estimated maximum potential liability for these outstanding cases is £441k (employment cases) and £300k (education cases). - There are three outstanding human rights cases arising out of the council's duties towards children and 13 cases involving adults. The level of potential liability for seven of these cases is £202k, and the liability for the remaining cases has yet to be ascertained. - The council has potential liability for damages and costs in one other formal commercial dispute which is estimated at £350k. - 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. - The council has a potential liability pending possible adjudication proceedings in relation to a Design and Build contract. At the balance sheet date, the value was unknown.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	Please see contingent liabilities note in draft Statement of Accounts.

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Impact of laws and regulations

Question	Management response
5. What arrangements does London Borough of Islington and London Borough of Islington Pension Fund have in place to identify, evaluate and account for litigation or claims?	Litigation and claims are referred to and evaluated by the council's Legal Services team, or its external insurers if the claim is covered by insurance. Where considered appropriate due to complexity or value, external lawyers and /or Counsel are appointed.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	We are not aware of any such reports.

Related Parties

Matters in relation to Related Parties

London Borough of Islington and London Borough of Islington Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by London Borough of Islington and London Borough of Islington Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council and the Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council and the Fund, or of any body that is a related party of the Council and the Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council and the Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in London Borough of Islington's and London Borough of Islington Pension Fund's 2021/22 financial statements? If so please summarise: • the nature of the relationship between these related parties and London Borough of Islington and London Borough of Islington Pension Fund • whether London Borough of Islington and London Borough of Islington Pension Fund has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	No significant change from previous year.

Related Parties

Question	Management response
2. What controls does London Borough of Islington and London Borough of Islington Pension Fund have in place to identify, account for and disclose related party transactions and relationships?	Members and chief officers are required to complete templates capturing relationships with other entities as part of their annual declarations. Controls ensure that all appropriate individuals have responded. Any pecuniary interests must be declared prior to making any decisions and are dealt with in line with the council's constitution. The council undertakes a further review as part of the completion of the Statement of Accounts.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Related party transactions follow the same council authorisation process as any other transactions (including approval levels and segregation of duties), whether part of normal business activity or not.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	See above

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by London Borough of Islington and London Borough of Islington Pension Fund will no longer continue?	The council has a well-established corporate governance framework and is subject to external legislative/regulatory controls around statutory services that would enable any such events/conditions to be identified. This would also be identified through the annual budget setting and budget monitoring process.
2. Are management aware of any factors which may mean for London Borough of Islington and London Borough of Islington Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by London Borough of Islington and London Borough of Islington Pension Fund, does London Borough of Islington and London Borough of Islington Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for London Borough of Islington and London Borough of Islington Pension Fund to cease to exist?	Yes, the council and Pension Fund expects to continue to deliver all statutory services currently provided for the foreseeable future.

Going Concern

Question	Management response
4. Are management satisfied that the financial reporting framework permits London Borough of Islington and London Borough of Islington Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Asset Valuations PFI/Leases Pensions Fund Liabilities and Investments Bad Debt Provisions Insurance Provision NNDR Appeals Provision Accruals
2. How does the Council's and the Fund's risk management process identify and address risks relating to accounting estimates?	With a focus on materiality, this is achieved through a combination of trend analysis, specialist external advice and other relevant factors/information.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Management seeks to identify best practice recommended by CIPFA and/or industry standard

Accounting Estimates - General Enquiries of Management

Question	Management response
4. How do management review the outcomes of previous accounting estimates?	Management reviews actual results compared to previous estimates, and the reasons for any variations. In the event of significant variations, these would be communicated through formal monitoring processes and considered when making future estimates
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Decisions are made based on the complexity of the required estimate, the level of specialist skill and knowledge available within the council and the availability and added value of obtaining specialist external advice.
7. How does the Council and the Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Management undertake an annual review of estimates as part of the Statement of Accounts process, including the review of outcomes compared to prior year estimates and any audit feedback. This is used to inform any further controls. This includes being clear in the initial brief to management experts, challenging assumptions and reasonableness and ensuring that advice is fully understood by officers before being used as estimates
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Accounting estimates are prepared and reviewed by named officers as part of the closing of accounts process.

Accounting Estimates - General Enquiries of Management

Question	Management response
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	Oversight and governance over accounting estimates includes: A robust closing of accounts process (including guidance/timetable) that is reviewed and updated annually Peer review of estimates Cut-off testing in relation to accruals Escalation of any significant changes to estimation methods/models to senior management for consideration (none this year) Completion of External Audit general enquiries of management prior to finalising the draft Statement of Accounts as a means of further assurance, including identification of any significant changes from the previous year

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Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	This comes from the annual review of estimates as part of the Statement of Accounts process, including the review of outcomes compared to prior year estimates and any audit feedback.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Audit Committee can take assurance from a three-line defence around accounting estimates. Significant estimates would be quality assured prior to inclusion within the draft Statement of Accounts. This includes the design of a robust process to undertake estimations (first line of defence) and subsequent quality assurance (second line of defence). The design of the external audit around material areas of estimation provides a third line of defence prior to approval of the final Statement of Accounts.

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Current Value - Existing Use Value or, for specialised assets, Depreciated Replacement Cost (DRC) based upon a modern equivalent asset	Methodology per RICS. Review of estimates by internal valuers.	Yes	Assumption that the properties continue to be used for the provision of services. Challenge whether the inputs used by the valuer are appropriate. Ensuring DRC method is used appropriately.	No
Council dwelling valuations	Current Value – existing use value (social housing)	Methodology per RICS. Review of comparables used for the beacon valuations and inputs used to provide land/building split.	Yes	Assumption that the properties continue to be used for social housing and remain within the council's housing stock. Uncertainty due to the value of the portfolio being extrapolated from several beacon properties.	No
Investment property valuations	Fair Value in accordance with IAS 40	Methodology per RICS. Review of estimates by internal valuers.	Yes	Assumption that the properties continue to be held solely for income generation or capital appreciation, and that rent charged is a market rent. Market uncertainty likely to impact upon the estimates.	No
Depreciation	Straight line allocation of the depreciable amount of the asset's useful life	Reasonableness of estimate compared to previous years.	Yes	Estimates impacted by value of the asset and the assumed useful life. Where reducing balance may be more accurate than straight line, the estimate would not be materially different.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Actuarially assessed	Actuarially assessed	Yes	Actuarially assessed. Management can challenge assumptions.	No
Level 2 investments	Prepared by fund managers in accordance with International Private Equity and Venture Capital Guidelines	Independent custodian validates fund manager valuations	Yes	Independent custodian validates fund manager valuations	No
Level 3 investments	Prepared by fund managers in accordance with International Private Equity and Venture Capital Guidelines	Independent custodian validates fund manager valuations	Yes	Independent custodian validates fund manager valuations	No
Fair value estimates	Prepared using fair value estimates provided by independent treasury advisor (Arlingclose)	Independent treasury advisor provides fair value estimates for debt and investments	Yes	Assessed by independent advisor and reviewed by management.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit Loss/Bad Debt Provisions	Uncollectability of outstanding debtors based on previous trends and economic outlook	Reasonableness of the estimates compared to previous years	No	Challenge assumptions around future trends. Management consider a range of outcomes and opt for the most prudent option.	No
Insurance Provision	Actuarially assessed	Actuarially assessed	Yes	Actuarially assessed	No
NNDR Appeals	Ratings advisor (Analyse Local)	Assessed by ratings advisor	Yes	Assessed by ratings advisor	No
Accruals	Actual invoice or best estimate available (e.g. unbilled Q4 estimate based on average of Q1-3 invoices). Materiality taken into account in determining whether to accrue.	Reasonableness of the estimates compared to previous years/periods.	No	Challenge assumptions that input into the calculations (e.g. where possible, seek assurance on reasonableness of assumptions from service provider). All accruals peer reviewed to assess for reasonableness, compliance with CIPFA Code and strength of supporting evidence.	No

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Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI/ Finance lease liabilities	IAS 17, IFRIC 12	Review of outputs from PFI/finance lease models to ensure that reasonable compared to previous years and the expected liability at that stage of the asset life cycle	No	Limited variability in PFI/finance lease model inputs apart from the inflation figures	No

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ISLINGTON
For a more equal future

Resources
7 Newington Barrow Way
London N7 7EP

Report of: **Corporate Director of Resources**

Meeting of	Date	Agenda Item	Ward(s)
Audit & Risk Committee	18 September 2023		All

Delete as appropriate		Non-exempt

Updating the Constitution's Financial Regulations

1. Synopsis

1.1. This report provides the Audit & Risk Committee with the council's draft updated Financial Regulations, for review before being presented to Full Council for approval.

1.2. The council is undertaking a review of its Constitution to ensure it is fit for purpose, and this includes updating the Financial Regulations. The regulations provide a framework for sound financial management and decision-making, ensuring that resources are used legally, and in accordance with the council's financial controls. Keeping the regulations up to date will help Members and officers take robust decisions more confidently.

1.3. This report sets out the main changes to the Financial Regulations. A full copy of the current draft is provided in Appendix A.

2. Recommendations

2.1. To recommend for approval by Full Council the proposed changes to the council's Financial Regulations attached in Appendix A.

2.2. To authorise the Corporate Director of Resources to approve minor amendments to the Financial Regulations prior to their submission to Full Council for approval.

2.3. To note that any amendments made under 2.2 will be notified to the Audit & Risk Committee.

3. Background

3.1. The Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure decision-making is efficient, transparent, and accountable to local people.

3.2. On 13 March 2023, the Audit& Risk Committee approved Terms of Reference for a review of the Constitution to ensure it is up to date and fit for purpose. This review is being overseen by the Constitution Review Working Group, comprising Legal and Governance officers, the Chair of the Audit Committee and Deputy Leader and the Executive Member (Resources).

3.3. Phase 2 of the Constitution review includes updating the council's Financial Regulations, which appear in Part 6 of the Constitution. Financial Regulations provide the framework for managing the council's financial affairs. They are a key component in ensuring the security of the assets under the council's control and for ensuring that the use of these resources is lawful, is properly authorised, and provides value for money.

3.4. The Regulations apply to every Member and officer of the council and anyone acting on its behalf. They do not apply to Islington Council's Pension Fund, as management of the pension fund is a non-executive function. Islington Council's schools each have their own separate financial regulations, based on the Schools Model Financial Regulations provided by the council.

3.5. The review of the council's Financial Regulations has been led by the Deputy Director of Finance - Corporate, with contributions from key officers across the finance team. The Constitution Review Working Group has received regular updates on progress. The revised Financial Regulations were presented to CMB on 15 August 2023. Further changes were made to the Regulations following CMB's feedback, which are detailed below. The aim is present the revised Regulations to Full Council for approval on 28 September 2023.

Changes to the Financial Regulations

3.6. The Financial Regulations are divided into eight sections and cover both capital and revenue resources. This overall structure remains unchanged. The main changes to the Regulations are:

- revising the description of the capital budget setting process to include the process for bidding for capital budgets and business case requirements (paragraph 4.2);
- revising the limit (from £150k to £500k) for the capital expenditure the section 151 officer can approve as an overspend to a capital scheme that cannot be covered within the existing Capital Programme, provided the total approved overspend in any one financial year does not increase the overall budget for the Capital Programme by more than 0.5% (up from 0.1%), to reflect inflation (paragraph 4.7);

- clarifying that capital virements can only be made by Corporate Directors when they are technical in nature and they do not substantially change the value of an individual scheme's budget (paragraph 4.22);
- stating that changes to capital funding that result in an increase in required corporate capital resources of up to £50k can be approved by a Corporate Director, and changes greater than £50k must be approved by the section 151 Officer (previously £500k) (paragraph 4.27);
- specifying that it is the Executive that has the power to grant leases of up to 125 years at or below best consideration to voluntary sector and community bodies, not the section 151 officer (table in paragraph 7.5);
- updating job titles and references to legislation and statutory guidance throughout.

3.7 Other minor changes to the Regulations include:

- clarifying that opening a new bank account requires the approval of two authorised signatories (not one) (paragraphs 6.2(iii) and 8.18);
- updating the process for appointing external auditors (paragraphs 8.12 and 8.13);
- adding a description of the role of the Performance and Policy Scrutiny Committee (paragraphs 2.6 – 2.7); and
- rewording the text in places to make it clearer, whilst not changing what it is required by the regulations, e.g. on revenue budget setting (paragraphs 3.1 – 3.7).

3.8 The following changes were made to the Regulations following feedback from CMB on 15 August 2023:

- addition of a Scheme of Authorisation as an appendix to the Financial Regulations;
- stating that the Executive can approve changes to the Capital Programme of up to £10M (previously £1m). Changes greater than £10m require Executive and Full Council approval (paragraphs 4.8 and 4.19);
- clarifying that it is the Corporate Director for Community Wealth Building that agrees the allocation to a project of money paid under section 106 agreements or Community Infrastructure Levy contributions, where this does not exceed £1m (paragraph 4.26);
- stating that grants must not be used to procure services where the Procurement Rules apply, and that government grants distributed by the council to third parties must be awarded in accordance with the grant stipulations (paragraphs 5.14 and 5.20);
- revision to the format of the table in paragraph 7.4 which sets out officer delegations for the acquisition and disposal of land assets and leases;
- removing the requirement for consultation with council officers and members or groups within the council about decisions to dispose of freehold interests up to £1.5m, grant leases at a premium up to £1.5m, or grant leasehold interests for terms not exceeding 20 years at an annual rent up to £250k (table in paragraph 7.4);
- clarifying that opening a bank account requires two signatories in line with the scheme of authorisation, but this does not have to include the S151 Officer (paragraphs 6.2(iii) and 8.18).

3.9 A full copy of the draft Financial Regulations with tracked changes is provided in Appendix A.

4 Implications

Financial Implications:

4.1 There are no direct financial implications as a result of the recommendations in this report.

Legal Implications:

4.2 Section 151 of the Local Government Act 1972 requires that the council makes arrangements for the proper administration of its financial affairs.

4.3. A periodic review of the Council's Financial Regulations is part of the mechanism of ensuring sound governance arrangements in accordance with good practice. Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a robust system of internal control and management of financial risk. The measures in this report support that requirement.

Environmental Implications and contribution to net zero carbon by 2030.

4.4 There are no environmental impacts arising from this report.

Resident Impact Assessment

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

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

5 Conclusion and reasons for recommendations:

5.1 The proposed Financial Regulations will reflect the latest regulatory and statutory requirements and council structure and roles. They provide greater clarity on financial procedures and who takes which decisions.

Appendices:

Appendix A – revised draft Financial Regulations, with tracked changes

Background papers:

None

Final Report Clearance:

Signed by:

Corporate Director of Resources Date

Received by:

Head of Democratic Services Date

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FINANCIAL REGULATIONS

FINANCIAL REGULATIONS

1 INTRODUCTION

1.1 Like all local authorities, the London Borough of Islington is required by law to conduct its business efficiently and to ensure that it has sound financial management policies in place that are strictly adhered to, as required by the Local Government Act 1972. Part of this process is the establishment of Financial Regulations that provide the framework for managing the council~~Authority~~'s financial affairs. The regulations apply to every Member and officer of the council~~Authority~~ and anyone acting on its behalf.

1.2 The regulations identify the financial responsibilities of the full Council; Executive; ~~Scrutiny Members,~~ the Head of Paid Service (Chief Executive); Monitoring Officer; Chief Finance Officer; Corporate Directors and organisations acting on behalf of the council~~Authority~~.

1.3 All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, is properly authorised, and provides value for money ~~and achieves best value~~.

1.4 The Chief Finance Officer, or Section 151 Officer (currently the Corporate Director of Resources) is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes to the full Council for approval. The ~~Chief Finance~~ Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the full Council and/or Executive Members.

1.5 Corporate Directors are responsible for ensuring that all staff in their departments are aware of the existence and content of the council~~Authority~~'s Financial Regulations and other internal regulatory documents and that they comply with them.

1.6 It may be considered a disciplinary offence if any officer fails to comply with these Financial Regulations. Employees and Members have a duty to report apparent breaches of the Financial Regulations to a ~~n appropriate~~ senior manager and the Head of Internal Audit, either of whom should report the breach to the Section 151 Officer ~~Chief Finance Officer~~ and the Monitoring Officer.

2 FINANCIAL MANAGEMENT

INTRODUCTION

2.1 Financial management covers all financial accountabilities in relation to the running of the council~~Authority~~, including the policy framework and budget.

2.2 The ~~C~~council's decision-~~-~~making structure and a comprehensive listing of responsibilities of officers and committees is contained within Part 4 and Appendix 3 of the Constitution. Where officers have specific financial responsibilities, these are set out in the remaining sections of part 2 to the Financial Regulations and the Scheme of Authorisation.

THE FULL COUNCIL

2.3 The full Council is responsible for:

- adopting the ~~C~~council's Constitution (including the Financial Regulations) and Members' ~~c~~Code of ~~c~~Conduct;
- approving the policy framework and budget within which the Executive operates;
- approving the method of appointment of the organisation's External Auditors;
- approving procedures for recording and reporting decisions taken including those key decisions delegated by and decisions taken by the Council and its committees. These delegations and details of who has responsibility for which decisions are set out in Part 4 and Appendix 3 of the Constitution;
- approving the setting and revision of the prudential indicators as defined under the Prudential Code;
- approving any other strategy or policy as specifically required by an Act or regulation.

THE EXECUTIVE

2.4 The Executive is responsible for:

- proposing the policy framework and budget to the full Council;
- discharging Executive functions in accordance with the policy framework and budget;
- proposing the setting and revision of the prudential indicators, as defined under the Prudential Code, to the full Council;
- reviewing the budget from time to time during the year and taking any such action as is deemed necessary, in accordance with the Constitution;
- co-ordinating and controlling all the c~~C~~ouncil's financial planning arrangements including forward plans, the capital plans and the annual budget process, including business or service plans.

COMMITTEES OF THE COUNCIL WITH SPECIFIC FINANCIAL RESPONSIBILITIES

AUDIT COMMITTEE

2.5 The Audit Committee is a key component of the council's governance framework. Its purpose is to provide an independent focus on the adequacy of governance, risk and internal control arrangements. ~~the body responsible for governance, other than Member conduct issues which are the responsibility of the Standards Committee.~~ It has right of access to all the information it considers necessary and can consult directly with internal and external auditors. The Audit Committee's ~~is~~ responsibilities include:

- ~~e for~~ reviewing the external auditor's reports and ~~advising the~~ annual audit letter;
- approving internal audit's annual Audit Plan and reviewing its reports;
- ~~and~~ approving the annual statement of accounts in line with the statutory timetable;
- approving the council's Annual Governance Statement; and
- considering the council's arrangements for risk management.

POLICY AND PERFORMANCE SCRUTINY COMMITTEE

2.6 The Policy and Performance Scrutiny Committee is the council's main scrutiny committee. It coordinates the work of the council's four scrutiny review committees and can play an important role in reviewing decisions made by the Executive. If five or more councillors request such a review, the committee can call in a decision made by the Executive before it is implemented and consider if the decision should be recommended back to the Executive for further consideration. If the Policy and Performance Scrutiny Committee considers that the Executive's decision does not follow the council's policy or budgetary framework, it can refer the decision to a meeting of full Council.

2.7 The Policy and Performance Scrutiny Committee reviews and recommends to the Executive the council's annual budget, and receives budget monitoring reports throughout the year.

DIRECTOR OF LAW AND GOVERNANCE (ALSO THE MONITORING OFFICER)

2.~~6~~8 The Director of Law and Governance's financial responsibilities are:

- ensuring that procedures for recording and reporting key financial decisions are operating effectively;
- ensuring that council Members are aware of financial decisions made by the Executive and of those made by officers who have delegated Executive responsibility;
- maintaining an up-to-date Constitution;
- advising all councillors and officers about who has authority to take a particular financial decision;
- advising the Executive or full Council about whether a decision is likely to be considered contrary to the policy framework;
- advising (together with the Chief Finance Officer) the Executive or full Council whether a financial decision is likely to be considered contrary to or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include but are not limited to:
    - committing to expenditure in future years that exceeds budgeted amounts in the ~~C~~council's medium term financial strategy;

- implementing interdepartmental budget transfers that exceed virement limits.

CHIEF FINANCE OFFICER AND SECTION 151 OFFICER
(Corporate Director of Resources ~~DIRECTOR OF FINANCE AND PROPERTY~~)

2.9~~7~~ The ~~Chief Finance Officer~~Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the council~~Authority~~. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972;
- The Local Government Finance Act 1988;
- The Local Government and Housing Act 1989;
- The Accounts and Audit Regulations 2015;
- The Local Government Act 2003.

2.10~~8~~ The ~~Chief Finance Officer~~Section 151 Officer (S151 Officer) is responsible for:

- the proper administration of the council~~Authority~~'s financial affairs;
- setting and monitoring compliance with financial management standards;
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
- advising on the robustness of the budget and the adequacy of the council~~authority~~'s reserves;
- providing financial information;
- preparing the revenue budget and capital programme;
- treasury management
- selecting appropriate accounting policies and ensuring that they are applied consistently.

2.11~~9~~ Section 114 of the Local Government Finance Act 1988 requires the S151~~Chief Finance~~ Officer to report to the full Council, Executive and external auditor, if the council~~Authority~~ or one of its officers:

- has made, or is about to make, a decision that involves incurring unlawful expenditure;
- has taken, or is about to take, an unlawful action that has resulted or would result in a loss or deficiency to the council~~Authority~~;
- is about to make an unlawful entry in the council~~Authority~~'s accounts.

2.12~~0~~ Section 114 of the Local Government Finance Act 1988 ~~Act~~ also requires the S151 Officer to:

- report to Council if it appears that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure;

- ~~the Chief Finance Officer to~~ nominate a properly qualified member of staff to deputise should ~~he or she~~they be unable to perform the duties under section 114 personally and that person is the Director of Finance~~Chief Accountant~~;
- ~~the Authority to~~ provide ~~the Chief Finance Officer with~~ sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

2.13~~1~~ ~~Section 25 of t~~The Local Government Act 2003 ~~Act requires~~:

- requires the council~~Authority~~ to take into account the ~~Chief Finance~~ S151 Officer's report on the robustness of the budget and the adequacy of the council~~Authority~~'s reserves in deciding on its annual budget and Council Tax level;
- requires the council~~Authority~~ to monitor its budgets during the year and consider what action to take if a deterioration in the financial position is identified;
- provides for rapid remedial action if the council~~Authority~~ faces serious financial difficulties and the S151~~Chief Finance~~ Officer has made a formal report to that effect.

2.14 The S151 Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and CIPFA Service Reporting Code of Practice For Local Authorities (SeRCOP).

2.15 -Under the Accounts and Audit Regulations 2015, the S151~~Chief Finance~~ Officer is required to:

- sign the statement of accounts confirming they are satisfied that it presents a true and fair view of the council's financial position at the end of the financial year to which it relates, and the council's income and expenditure for that financial year;
- commence and publicise the period for the exercise of public rights, during which any interested person or journalist can exercise their statutory right to inspect the accounts.

CORPORATE DIRECTORS

2.16~~3~~ Corporate Directors are responsible for:

- ensuring that they operate within all approved budgetary limits;
- ensuring that financial implications are provided for all proposed decisions and that the S151 ~~Chief Finance~~ Officer, or deputy as appropriate has ~~agreed~~ approved the financial implications;
- signing contracts on behalf of the council~~Authority~~ up to the limits described in the Procurement Rules
- ensuring relevant records are maintained and retained;
- ensuring debts they raise are received;

- ensuring that all staff comply with financial regulations and any other financial instructions the S151 Officer may issue from time to time.~~.~~

2.17~~4~~ It is the responsibility of Corporate Directors to consult with the ~~Chief Finance Officer~~ Section 151 Officer and seek approval on any matter liable to materially affect the council~~Authority~~'s finances, before any commitments are incurred.

OTHER FINANCIAL ACCOUNTABILITIES

SPENDING POWERS

2.18~~5~~ Decision-making procedures are set out in Part 4 of the Constitution. No decision-making body within the ~~C~~council shall incur revenue or capital expenditure for which the ~~C~~council does not have statutory powers or in respect of which that decision making body does not have delegated authority. All reports submitted to the Executive which propose expenditure shall be referred to the Director of Law and Governance who shall be satisfied that the c~~C~~ouncil has the statutory powers under which the expenditure will be incurred.

COMMITMENTS INTO FUTURE YEARS

2.19~~6~~ All decisions to incur expenditure, whether for capital or revenue purposes, must take account of the impact of that expenditure in the current and future financial years.

2.20~~17~~ ~~All t~~The council~~Authority~~'s decision-~~-~~making bodies must be informed of the implications for future years of any spending decisions they're making.

2.21~~18~~ Where decisions will lead to levels of expenditure in future years that exceed budgeted amounts in the ~~C~~council's medium term financial strategy (MTFS), the source of funding in future years must be identified.

2.22~~19~~ Where a source of funding has not been identified, ~~P~~proposals to enter spending commitments which will lead to growth in future years~~,~~ may~~, if the source of funding has not been identified,~~ only be taken by the Executive. Where the Director of Law and Governance and/or S151~~Chief Finance~~ Officer considers that such spending would be contrary to or not wholly in accordance with the Budget and MTFS, such a decision may only be taken by full Council.

3 REVENUE EXPENDITURE

REVENUE BUDGET SETTING

3.1 The council must set an annual balanced revenue budget, in which its forecast expenditure must align with its forecast income. Income may include transfers from the council's reserves, but this must be specified in the calculations. The council cannot borrow money to cover its annual revenue expenditure.

3.2 ~~The Chief Finance Officer, reporting to the Corporate Director of Resources is responsible for the co-ordination of budget preparation, including the issue of budget preparation guidance and standardisation of the basis for the presentation of budgets.~~

~~3.2 A meeting of~~Each year, the Executive shall~~ at an appropriate time in each municipal year~~ review and agree the budget setting process and timetable for ~~the budget process relating to~~ the following year.

3.3~~3~~ The Chief Finance Officer (S151 officer) is responsible for:

- co-ordinating the budget preparation,
- issuing budget preparation guidance;
- ensuring a consistent treatment and presentation of items in the budget;
- preparing a proposed annual budget report for the Executive.

3.4~~3~~ Corporate Directors in consultation with the S151 Officer~~,~~ are responsible for preparing annual revenue account estimates to inform the budget. These must reflect all agreed service plans and known resource requirements.

~~3.3 Annual revenue account estimates shall be prepared by Corporate Directors in consultation with the Chief Finance Officer and be submitted to the Executive in accordance with the procedures and timetable agreed under paragraph 3.2 above.~~

3.~~4~~ 5 The annual budget setting report is presented to the Executive by the Executive Member for Finance and Performance, and sets out the requirements under the Local Government Finance Act 1992 in regard to the setting of the budget requirements and the council tax. ~~The Chief Finance Officer shall present an annual net budget report to the Executive in order to inform its proposals in relation to the Council's budget requirement and council tax for the following financial year. The report shall set out the requirements under the Local Government Finance Act 1992 in regard to the setting of the budget requirements and the council tax and shall be presented at such time as to allow the Executive time in which to draw up proposals for the budget in accordance with the timescales laid down in Budget and Policy Framework Rules set out in Part 4 of this Constitution and any legal requirements as to the latest date upon which a council is entitled to set its budget.~~ The report shall include a Medium Term Financial Strategy for the ~~C~~council, which as a minimum, complies with the essential elements of the CIPFA Financial Management Code. ~~in accordance with the Prudential Guidelines on Local Authority Commitments issued by the Audit Commission.~~

3.~~5~~ 6 The Executive will, on consideration of the annual budget setting report from the Executive Member for Finance, make recommendations to the Council regarding the budget and council tax requirement.

3.6~~7~~ The Council, having considered the recommendations of the Executive shall set the council tax and budget for the following financial year before 11 March. ~~When the Council is making the statutory calculations required to determine its council tax then i~~In accordance with section 25 of the Local Government Act 2003, the ~~Chief Finance Officer~~

~~must report to~~ Council must take into account the s151 Officer's report on the following matters when making the statutory calculations required to determine its council tax:

- the robustness of the proposed budget;
- the adequacy of the ~~C~~council's reserves for which the budget provides.

~~The Council must take the Chief Finance Officer's report into account when making the calculations.~~

~~3.6 The Executive shall submit the estimates of the amounts to be aggregated in making the budget and council tax calculations required by the Local Government Finance Act 1992 to the Council before 11 March in any financial year. The Council shall then set the overall budget for the following financial year including the approved budget for each department.~~

~~REVENUE BUDGET MONITORING AND CONTROL~~

~~3.7 Each Corporate Director, Service Director and Head of Service shall be responsible for monitoring and controlling his/her budget to ensure expenditure is contained within his/her net budget as set by Council.~~

~~3.8 The key controls for managing and controlling the revenue budget are:~~

- ~~budget managers should be responsible only for income and expenditure that they can influence;~~
- ~~there shall be a nominated budget manager for each cost centre heading;~~
- ~~budget managers shall accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;~~
- ~~budget managers shall follow an approved certification process for all expenditure;~~
- ~~income and expenditure must be properly recorded and accounted for;~~
- ~~performance and service levels shall be monitored in conjunction with the budget and necessary action will be taken to align service outputs and budget;~~
- ~~in order to assist them in carrying out their responsibilities and to help ensure sound financial governance, Executive Members shall regularly meet to discuss budget monitoring reports relevant to their portfolio areas with Corporate Directors.~~

~~3.9 The Executive shall receive regular reports setting out in respect of each department, the projected income and expenditure for the relevant financial year and variances, if any, from the agreed departmental budgets. Such reports must include details of action being taken to contain projected net overspends within agreed budgets, the Chief Finance Officer shall report to the Executive on the same basis the overall financial position of the Council and shall recommend any action required to ensure the Council's expenditure does not exceed its resources. The Executive shall receive a report setting out all corporate risks and informing Executive Members of progress in risk management.~~

~~3.10 If any department is showing a projected overspend, then provided the Executive is satisfied that appropriate steps are being taken to contain or reduce such an overspend, the Executive shall have the authority to authorise such an overspend provided that it will not, at the end of the financial year, lead to the Council's overall approved revenue budget being exceeded. If the projected overspend exceeds the~~

~~overall approved budget then full Council approval is required for any use of General Fund balances outside of movements agreed in the approved budget.~~

CHANGES TO THE REVENUE BUDGET ~~VIREMENTS~~

3.8~~11~~ Variations to the budget approved by Council, subject to their being no increase in the council~~Authority~~'s net budget requirement, will be permissible in the circumstances set out in paragraphs 3.9~~12~~ to 3.19~~22~~ below.

3.9~~12~~ Where an adjustment is to, or from a budget intended for allocation during the year, its allocation will not be treated as a virement, provided that the amount is used in accordance with the purpose for which it was established.

Additional Third Party Funding

3.10~~3~~ The creation of budgets following the receipt of any third party funding not anticipated in the budget report, such as specific grant funding that does not increase the ~~C~~council's approved net budget must be approved by the relevant Corporate Director and the S151 Officer~~Chief Finance Officer~~. These budget changes will be reported to the Executive.

Technical Adjustments

3.11~~4~~ The ~~Chief Finance~~ S151 Officer is authorised to adjust budgets where such changes are required under local authority accounting codes of practice (e.g. internal recharges for support services, capital charges, ~~IAS 19~~ IAS 19 adjustments etc.) or where the budget adjustment reflects a previously approved decision (e.g. transfer from reserves or the transfer of a function between departments). Such adjustments shall be included in the budget monitoring reports submitted to the Executive under paragraph 3.9 above.

Intra-Departmental Virements

3.~~15~~ 12 All transfers within a department that fall into any of the following categories are classified as intra departmental virements:

a) Budget transfers within a cost centre that transfer expenditure budgets between employees' pay and non-pay headings;

b) All transfers between service divisions within a department.

3.~~16~~13 Subject to the restrictions and definitions above, the responsibility for approving intra departmental virements is as follows: -

a) Corporate Directors are allowed to approve virements less than £250,000 within or between individual service divisions within their departments. The ~~Chief Finance~~ S151 Officer should also be notified of any such virements when approved by the relevant Corporate Director.

b) For sums of £250,000 to £500,000, Corporate Directors should seek additional approval from the ~~Chief Finance~~ S151 Officer. All virements exceeding £500,000 must additionally be referred to the Executive for final approval before the budget is transferred in to the new area.

3.~~17~~14 All intra-departmental virements will be reported by the S151 ~~Chief Finance~~ Officer to the Executive within three months of being actioned.

Inter-Departmental Virements

3.~~18~~15 An inter-departmental virement is a budget transfer from one department to another. All such virements must be approved by the relevant Corporate Directors and ~~Chief Finance~~ S151 Officer.

3.~~19~~16 Virements with a value exceeding £500,000 must also be approved by the Executive before the virement is processed.

3.~~20~~17 All inter-departmental virements will be reported by the S151 ~~Chief Finance~~ Officer to the Executive in the first budget monitoring report after being actioned~~within three months of being actioned~~.

3.~~21~~18 Increased expenditure arising in the following categories shall be deemed not to be a virement nor will budget movements in these areas require the agreement of the Council or the Executive.

a) Salaries, wages and pensions increases arising from nationally negotiated decisions and variations in contributions under the National Insurance and Superannuation Acts;

b) Interest rate movements or other similar financing factors;

c) Payments made as a result of any court order (other than an order made by consent);

d) Budget amendments made during the course of the year for capital charges, support services and other instances that have no overall net budget impact on the ~~C~~council's revenue or capital accounts, as appropriate.
~~d)~~

Contingency Allocations

3.~~22~~19 The allocation of the ~~C~~council's revenue contingency budgets ~~shall~~ must be recommended by the Executive Member for Finance to the Executive who ~~shall~~ have the authority to agree such allocations up to the value of the available contingency budget.

REVENUE BUDGET MONITORING AND CONTROL

3.20~~7~~ Each Corporate Director, Service Director and Deputy Director or Assistant Director shall be responsible for monitoring and controlling their budget to ensure expenditure is contained within their net budget as set by Council.

3.21~~8~~ The key controls for managing and controlling the revenue budget are:

- budget managers should be responsible only for income and expenditure that they can influence;
- there shall be a nominated budget manager for each cost centre heading;
- budget managers shall accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- budget managers shall follow an approved certification process for all expenditure;
- income and expenditure must be properly recorded and accounted for;
- income due to the service should be actively pursued;
- performance and service levels shall be monitored in conjunction with the budget and necessary action will be taken to align service outputs and budget;
- in order to assist them in carrying out their responsibilities and to help ensure sound financial governance, Executive Members shall regularly meet to discuss budget monitoring reports relevant to their portfolio areas with Corporate Directors.

3.22~~9~~ The Executive shall receive regular reports setting out in respect of each department, the projected income and expenditure for the relevant financial year and variances, if any, from the agreed departmental budgets. Such reports must include details of action being taken to contain projected net overspends within agreed budgets, the S151~~Chief Finance~~ Officer shall report to the Executive on the same basis the overall financial position of the council and shall recommend any action required to ensure the council's expenditure does not exceed its resources. The Executive shall receive a report setting out all corporate risks and informing Executive Members of progress in risk management.

3.23~~10~~ If any department is showing a projected overspend, then provided the Executive is satisfied that appropriate steps are being taken to contain or reduce such an overspend, the Executive shall have the authority to authorise such an overspend provided that it will not, at the end of the financial year, lead to the council's overall approved revenue budget being exceeded. If the projected overspend exceeds the overall approved budget then full Council approval is required for any use of General Fund balances outside of movements agreed in the approved budget.

TREATMENT OF YEAR-END BALANCES

3.~~23~~ 24 At the year end, budget holders will not have the authority to carry forward unspent budgets to the following year unless there are exceptional circumstances, which would require the approval of the Executive. ~~The Executive is responsible for agreeing specific sums to be carried forward provided that carrying forward these sums does not lead to the approved overall budget being exceeded at the end of the financial year in which they accrued. The Chief Finance Officer is responsible for agreeing the release of these specific sums in subsequent years and reporting those movements to the Executive.~~

EARMARKED RESERVES

3.~~24~~25 The S151 ~~Chief Finance~~ Officer may, on consideration of the overall financial position of the c~~C~~ouncil, recommend to the Executive the creation of an earmarked reserve. The S151~~Chief Finance~~ Officer is responsible for agreeing any technical adjustments to the reserves required by accounting codes of practice, and for agreeing any other ~~adjustments~~ transfers to and from reserves that do not exceed £500,000. Any other movements to and from such a reserve that exceed £500,000 shall be approved by the Executive.

DEBT WRITE-OFFS

3.~~25~~26 All debt write-offs must be in accordance with this section:

i) The appropriate Corporate Director has authority to write-off individual debts (or aggregate debts for one customer) of up to £20,000 ~~per individual case~~;

ii) The appropriate Head of Service or Service Director is able to write off individual debts (or aggregate debts for one customer) of up to £10,000 ~~per individual case~~, if authorised in accordance with Appendix 3 of the Constitution;

iii) Service Managers in the Resources department are able to write off individual debts (or aggregate debts for one customer) of up £1,0~~,~~0~~0~~0 ~~per individual case and Service Directors in the Resources department are able to write off individual debts (or aggregate debts for one customer) of up to £50,000 per individual case, if authorised in accordance with Appendix 3 of the Constitution~~;

iv) The ~~Chief Finance Officer~~S151 Officer ~~in consultation with the Corporate Director of Resources~~ is able to write-off individual debts (or aggregate debts for one customer) up to £199,999.

v) Executive authority is required in order to write off individual debts (or aggregate debts for one customer) of £200,000 or more.

vi) The reason for the write-off must be documented. All w~~W~~rite-offs will be reported to the Executive and Audit Committee on an annual basis.

FEES AND CHARGES AND OTHER INCOME

3.~~26~~27 The S151 ~~Chief Finance~~ Officer in consultation with Corporate Directors shall maintain adequate arrangements to ensure:-

i) the proper recording of all sums due to the c~~C~~ouncil; and

ii) the prompt and proper accounting of all cash, including its collection, custody, control and deposit.

3.~~27~~28 Every sum received by a cashier or officer of the c~~C~~ouncil shall be immediately acknowledged by the issue of an official receipt.

3.~~28~~ 29 In preparing the budget for the year ahead, the assumption will be made in the Medium Term Financial Strategy that all discretionary fees and charges will increase in line with the c~~C~~ouncil's policy on fees and charges, as set out each year in the revenue budget report.

~~ACCOUNTING POLICIES~~

~~3.29 The Chief Finance Officer is responsible for selecting~~ appropriate ~~accounting policies and ensuring that they are applied consistently.~~

~~THE ANNUAL STATEMENT OF ACCOUNTS~~

~~3.30 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) (the SORP) and CIPFA Best Value Accounting Code of Practice (BVACOP). The Audit Committee is responsible for approving the annual statement of accounts in accordance with the statutory timetable as set out in the Accounts and Audit Regulations 2015.~~

TAXATION

3.30~~1~~ The ~~Chief Finance~~ S151 Officer is responsible for advising Corporate Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the council~~Authority~~.

3.31~~2~~ The ~~Chief Finance~~ S151 Officer is responsible for maintaining the council~~Authority~~'s tax records, making all tax payments, recovering tax credits and submitting tax returns by their due date as appropriate.

4. CAPITAL EXPENDITURE

DEFINITIONS

~~Capital Allowance: the total of the Council's past and planned expenditure on Affordable Housing and Regeneration schemes which the Council has resolved should constitute the Council's Capital and Social Homebuy Allowances pursuant to Local Authorities (Capital Finance and Accounting) England) Regulations 2003 (as amended).~~

Capital Programme: the programme of Capital Schemes to be carried out during the life of the c~~C~~ouncil's Medium Term Financial Strategy (~~"~~MTFS~~"~~).

Capital Scheme: an individual project or series of linked projects.

Capital Contingency: a sum set aside at the beginning of each financial year to cater for unforeseen requirements.

Corporate Capital Resources: all capital resources that the c~~C~~ouncil has discretion over spending: namely, capital receipts, any unsupported borrowing that the c~~C~~ouncil decides to undertake and any (non HRA) revenue contribution the c~~C~~ouncil wishes to make to capital investment.

Departmental Allocation: the total value of the schemes contained in the Capital Programme which fall within the responsibility of any particular department.

Pipeline:~~Reserve List~~ a list of those ~~c~~Capital ~~s~~Schemes identified by the c~~C~~ouncil as being schemes which may be implemented in lieu of the Capital Schemes within the Capital Programme.

Slippage: the process of recognising delays in expenditure on Capital Projects and re-profiling of budgets and resources to later years to reflect changes to the anticipated expenditure on Capital Schemes in each year.

CAPITAL BUDGET SETTING

4.1 The ~~Chief Finance~~S151 Officer is responsible for the co-ordination and preparation of the capital programme and annual capital budget ~~preparation~~, including ~~the~~ issuinge ~~of~~ budget preparation guidance ~~and standardisation of the basis for presentation of budgets~~.

4.2 For a capital scheme to be included in the Capital Programme, the scheme must ~~:~~
be supported by:

- for Capital Schemes up to £500k, a New Capital Bid Form;
- for Capital Schemes between £500k and £1m, a New Capital Bid Form and an Initial Business Case approved in accordance with the Procurement Rules, and where required, a feasibility study;
- for Capital Schemes between £1m and £5m, in addition to the above, any capital contracts between £1m and £5m require an Officer Key Decision Strategy in accordance with the Procurement Rules;
- for Capital Schemes over £5m, an Executive Key Decision in accordance with the Procurement Rules and a Full Business Case.

4.3 As part of the annual budget setting process, outlined in section 3.1 to 3.7~~6~~ of the Financial Regulations, t~~T~~he Executive will, on consideration of the annual budget ~~making~~ report from the Executive Member for Finance and Performance, make recommendations to the Full Council regarding the Capital Programme, Pipeline List and annual capital budget. ~~The Executive may also recommend the Reserve List.~~

4.~~3~~4 The report from the Executive Member for Finance and Performance will consider the total capital resources available to the c~~C~~ouncil, including any proposed prudential borrowing, and the revenue implications of the proposed capital expenditure ~~and the Capital Allowance~~ over the life of the ~~capital~~ Medium Term Financial Strategy.

4.~~4~~ 5 The Full Council, having considered the recommendations of the Executive shall ~~determine~~ approve the ~~overall level of the~~ annual Capital Budget, the Capital Programme, and the Pipeline ~~Reserve~~ List ~~and the Capital Allowance~~.

SPENDING ON CAPITAL SCHEMES

4.6~~5~~ No expenditure or commitment on a ~~c~~Capital ~~s~~Scheme or project shall take place unless:~~-~~

i) that scheme ~~was~~ is included in the approved Capital Programme ~~or PipelineReserve List~~; or

ii) i~~I~~t has been approved by the Executive in accordance ~~–~~ with 4.24 (or Chief Executive (in consultation with the S151 ~~Chief Finance~~ Officer) in circumstances where in their~~her/his~~ view to delay any decision would seriously prejudice the c~~C~~ouncil's or the public interest and it is not practicable to convene a quorate meeting of the Executive); or

iii) a~~A~~pproval has been given by the relevant Corporate Director in accordance with 4.7~~6~~ and 4.26 below; and

iv) the appropriate procedures for the inviting and acceptance of tenders have been followed, as set out in the c~~C~~ouncil's Procurement Rules.

4.7~~6~~ There shall be delegated to the S151~~Chief Finance~~ Officer, the authority to incur expenditure up to and including £~~1~~500,000 in any one case and subject to the resources being available, on the following areas:

i. Financial assistance to housing associations;

ii. Advances under the c~~C~~ouncil's house purchase scheme, subject to such limits as the c~~C~~ouncil may impose from time to time;

iii. Acquisitions of interest in land, provided that where the land in question is within an area which is the subject of a resolution by the Executive for compulsory purchase under any enactment, the S151~~Chief Finance~~ Officer shall have authority to authorise the acquisition of such interest whether by agreement or under compulsory purchase powers without financial limit, but subject to all necessary consents and approval;

iv. An overspend on a Capital Scheme that cannot be covered within the existing Capital Programme, where the total approved over-spend on one or more schemes in any one financial year does not increase the overall budget for the Capital Programme by more than 0.5~~1~~%.

4.~~7~~8 The Executive may change the capital programme to reflect alterations in overall resource assumptions, or unforeseen spending requirements, or in light of the monitoring reports referred to above, provided that such changes do not lead to a change in the Capital Programme by more than a net £10,000,000, subject to the resources being available.

4.~~8~~9 For clarity, the acquisition of land or buildings is considered capital expenditure and will be subject to the Financial Regulations governing Capital Expenditure.

CHANGES TO CAPITAL BUDGETS

4.10~~9~~ Where the nature and content of a Capital Programme commitment agreed by Council in the Budget report is materially varied, the procedures for approving capital virements shall apply even if the financial commitments remain within agreed expenditure limits. What constitutes materially varied shall be decided by the monitoring officer.

SLIPPAGE

4.~~10~~ 11 The S151~~Chief Finance~~ Officer shall, provided he is satisfied as to the underlying circumstances, be entitled to approve slippage up to £1,000,000 for each

Capital Scheme. Reasonable c~~in the following c~~ircumstances for approving slippage would include:

i. delays as a result of planning procedures / conditions / objections;
ii. failure to procure required contractors;
iii. loss of key personnel on a C~~c~~apital S~~s~~cheme;
iv. dependency on other overrunning projects;
v. delays as a result of external factors over which the c~~C~~ouncil cannot be reasonably considered to have any control;
vi. changes to the cash-flow of a Capital Scheme that does not alter the operational delivery of the project.

~~4.11 In all other circumstances, slippage requests must be approved by the Executive.~~

4.12 Following any slippage approved by the S151~~Chief Finance~~ Officer, the resultant Capital Programme must be reported to the Executive.

OVERSPENDS

4.13 In calculating expenditure for the purposes of assessing whether or not a scheme is within the approved budget for that scheme, related costs by way of fees and professional charges and all other incidental costs shall be included. This should be considered across the total cost of the scheme and not restricted to any one year.

4.14 Where monitoring reports indicate that the level of spending on one or more Capital Schemes in the current year will exceed the level of provision for those schemes, then the responsible Corporate Director shall develop an action plan to contain or reduce such overspend, including, where appropriate, seeking virement approval.

4.15 Where the total cost of a scheme or project appears likely to exceed the sum allocated to that scheme, the responsible Corporate Director may authorise such overspend up to £75,000 provided that the overspend does not lead to the total capital expenditure in that Department to exceed the relevant Departmental Allocation for the year.

4.16 Any such authorisation must be reported to the S151~~Chief Finance~~ Officer.

4.17 Any such authorisation that exceeds £75,000 or cannot be contained within the relevant Departmental Allocation must be reported to the S151 ~~Chief Finance~~ Officer who may authorise the overspend to be contained in the Capital Programme where appropriate. Where the overspend cannot be contained within the Capital Programme, the ~~Chief Finance~~S151 Officer may authorise an over~~-~~spend as long as the total approved over-spends in any one financial year does not increase the overall budget for the Capital Programme by more than 0.5~~1~~% and subject to the resources being available.

4.18 Any such authorisation that increases the overall budget for the Capital Programme by more than 0.5~~1~~% must be approved by the Executive. In addition, overspends which exceed 10% of the sum allocated to a Capital Scheme must be approved by the Executive.

4.19 The Executive may vary the capital programme if necessary to contain such an overspend. Council approval is required for overspends that increase the Capital Programme by more than £1<u>0</u>,000,000, subject to the resources being available.

UNDERSPENDS

4.20 In calculating expenditure for the purposes of assessing whether or not a scheme is within the approved budget for that scheme, related costs by way of fees and professional charges and all other incidental costs shall be included.

4.21 Where monitoring reports indicate that the level of spending on one or more schemes in the current year will be below the amount allocated to a department, the responsible Corporate Director may agree the inclusion of additional schemes within the current year's programme. The inclusion of these additional schemes is on the basis that:

i) the additional schemes have been approved as part of the Capital Programme or <u>Pipeline</u>~~Reserve~~ List;

ii) the capital virement rules have been complied with;

iii) the <u>S151</u>~~Chief Finance~~ Officer is satisfied that there are sufficient capital resources available to fund the existing Capital Programme.

CAPITAL VIREMENTS AND TECHNICAL ADJUSTMENTS

4.22 <u>Capital virements can only be made by Corporate Directors when they are technical in nature and they do not substantially change the value of an individual scheme's budget, e.g. consolidation of projects or allocation of a project's budget to individual budget lines.</u> The following limits shall apply to capital virements:

i. Corporate Director(s) are allowed to approve virements of up to £500,000 between Capital Schemes;
ii. For sums above £500,000 approval should be sought from the <u>S151</u> ~~Chief Finance~~ Officer;
iii. All <u>non-technical virements or</u> sums greater than £1,000,000 must be approved by the Executive<u>.</u> ~~or the Council if the virement alters Departmental Allocations.~~

4.23 All capital virements and technical adjustments must be reported to the ~~Chief Finance~~<u>S151</u> Officer.

OTHER CHANGES TO THE CAPITAL BUDGET

4.24 Subject to the resources being available, the Executive may change the capital programme to reflect alterations in overall resource assumptions, or unforeseen spending requirements, or in light of the monitoring reports referred to above, provided that such changes do not lead to a change in the Capital Programme of more than £1<u>0</u>,000,000.

4.25 The allocation of the ~~C~~council's Capital Contingency shall be recommended to the Executive who shall have the authority to agree such allocations.

4.26 The allocation of monies paid or payable to the council under the Community Infrastructure Levy Regulations 2010 or pursuant to agreements entered into under section 106 of the Town and Country Planning Act 1990 shall be recommended to the Executive where the particular allocation to a project of monies paid under a particular agreement or a number of separate agreements or from CIL contributions exceeds £1m but shall otherwise be recommended to and agreed by the Corporate Director for Community Wealth Building~~Environment and Regeneration Climate Change in consultation with the Chief Finance Officer~~. The recommendations to both the Executive and the Corporate Director for Community Wealth Building~~Environment and Regeneration Climate Change~~ will be approved by the Borough Investment Panel, within the guidelines established in its Terms of Reference.

4.27 Any changes to capital funding (for example an earmarked, departmental capital grant) that ~~do not~~ result in an increase in ~~availabl~~required~~e~~ Corporate Capital Resources of up to £50,000 may be approved by the relevant Corporate Director and reported to the S151~~Chief Finance~~ Officer. A~~dditionally, a~~ny changes greater than £50~~0~~,000 must be approved by the S151~~Chief Finance~~ Officer.

CAPITAL BUDGET MONITORING CONTROL AND REPORTING

4.28 Corporate Directors are responsible for monitoring progress on all C~~c~~apital S~~s~~chemes within their departments or divisions and for reporting to the S151~~Chief Finance~~ Officer on the delivery of the capital programme and any predicted overspend that exceeds 10% of the budget for an individual scheme or 5% of a Departmental Allocation.

4.29 The Executive shall receive regular reports setting out in respect of each department the projected capital expenditure for the relevant financial year and variances, if any, from the agreed Departmental Allocations.

5 EXTERNAL ARRANGEMENTS

ACCOUNTABLE BODY AND PARTNERSHIP ARRANGEMENTS

5.1 A Partnership Arrangement is an arrangement between the ~~C~~council and one or more other bodies or persons (excluding collaborative procurements) to achieve objectives of the ~~C~~council and at least one of the other parties which involves one or more of the following:

- sharing of risk in relation to the subject matter of the arrangement;
- joint planning and decision-making such as joint commissioning;
- joint delivery of services;
- sharing of resources,

but which is not a contract for the provision by one party to another of a supply, service or works in exchange for a fee or other consideration.

5.2 Exercise of a function that would confer accountable body status on the council~~Authority~~ or would result in a Partnership Arrangement with another body must be approved in writing by the S151~~Chief Finance~~ Officer or approved by the Executive.

5.3 The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs. Where functions are delegated, the Executive remains accountable for them to the Full Council.

5.4 The ~~Chief Finance~~S151 Officer must be informed and written approval obtained, before entering into any proposed accountable body or partnership arrangement. Corporate Directors must provide to the ~~Chief Finance~~S151 Officer (unless they~~he/she~~ confirm~~s~~ in writing this is unnecessary in the particular case):

i. evidence of scheme appraisal for financial viability in both the current and future years;

ii. a risk appraisal, including a management action schedule and a statement setting out the internal control framework;

iii. confirmation of funding streams, the level of contribution and how they have been determined;

iv. evidence of the funding agreement, including the treatment of any under or overspending;

v. in the case of a partnership arrangement, details of service continuation proposals upon expiry;

vi. evidence of the financial viability of any partners, including credit assessment;

vii. details of any performance/output standards that must be achieved and who will monitor them;

viii. details of the agreed audit arrangements;

ix. the protocol for any disputes;

x. the arrangements put in place for the review of inflation and efficiency saving; and

xi. which assets will be used and who will own them.

5.5 In addition Corporate Directors must:

i. ensure that all statutory accounting requirements are identified and that adequate accounting arrangements are agreed in order to ensure that all expenditure and income is properly incurred/received and recorded;

ii. maintain a register of all arrangements entered into with external bodies and ensure that agreements and arrangements are properly recorded; and

iii. ensure that such arrangements do not impact adversely upon other services provided by the c~~C~~ouncil.

5.6 Where a partnership arrangement includes a pooled budget the S151~~Chief Finance~~ Officer must be notified of:

i. who will be the lead and host authority;

ii. who will be the pooled budget manager; and

iii. the provisions of the agreement.

5.7 The Monitoring Officer and ~~Chief Finance~~S151 Officer are responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the council~~Authority~~.

5.8 The ~~Chief Finance~~S151 Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. ~~He or she~~They must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. ~~He or she~~They must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

EXTERNAL FUNDING

5.9 When seeking or bidding for external funding, including grants, Corporate Directors must ensure that the objectives of the funding programme are consistent with the c~~C~~ouncil's objectives and priorities.

5.10 Corporate Directors must also ensure that the receipt of any external funding does not lead to a resource commitment in future years that does not have a sustainable funding source. The S151~~Chief Finance~~ Officer must be advised of any such arrangements prior to entering into the same. When applicable Corporate Directors must ensure that the c~~C~~ouncil's recordable decisions policy is complied with.

5.11 Corporate Directors responsible for expenditure funded wholly or partly by central government and or other external bodies/partners must ensure that:

i. all funding notified by external bodies is received and properly recorded in their accounts;

ii. the match funding requirements are considered prior to entering into agreement and that future revenue budgets reflect these requirements;

iii. service output targets/requirements can be met and that adequate arrangements are put in place for their monitoring and reporting;

iv. any audit requirements are met;

v. any other conditions associated with the funding are achievable and complied with.

WORK FOR THIRD PARTIES

5.12 The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies where those contracts exceed the financial thresholds above which officers may not award contracts, as set out in the Constitution and the Procurement Rules.

5.13 The Corporate Director of any department or division that is entering into contractual arrangements to work for a third party or external body shall be responsible for ensuring that:

i. appropriate insurance arrangements are made;

ii. all potential risks are identified and actions to mitigate these risks put in place;

iii. wherever possible, payment is received in advance of the delivery of the service;

iv. such contracts do not impact adversely upon the services provided by the c~~C~~ouncil;

v. proper contractual documentation is maintained;

vi. proper accounting and reporting arrangements exist.

GRANTS TO OUTSIDE BODIES

5.14 Grants may be awarded by the c~~C~~ouncil under various statutory powers; for example Section 25 of the Local Government Act 1988 allows the provision of financial assistance to individuals in connection with housing needs. Grants must not be awarded to procure services, where the Procurement Rules apply.

~~5.15 Grants must be distinguished from contracts and it is essential that officers entering into grant arrangements carefully consider whether or not the Council wishes to enter into contractual relations with the recipient of money from the Council.~~

5.~~16~~15 Grants to external organisations must be approved in accordance with the Scheme of Authorisation. In deciding whether to award a grant, officers must be satisfied that the proposed grant-recipient is financially viable for the duration of the appropriate project or activity.

5.16 When awarding a grant, ~~Where grants are to be given,~~ the c~~C~~ouncil must give the grant recipient a written grant agreement which communicates the purpose of the grant and any stipulations attached to the grant. ~~ensure that the organisation in receipt of the grant adheres to the conditions attached to the grant.~~

5.17 It is essential that officers who administer grants ensure ~~that~~ there are robust arrangements in place to monitor, evaluate and report on progress with the grant-funded activity and adherence to any grant stipulations, to ensure is ~~a proper system in place to ensure that~~ the c~~C~~ouncil is gaining value for money through its grant process. This includes having a robust monitoring, evaluation and reporting structure in place.

5.18 Grants must be paid into a UK bank account~~, the records relating to which the Council must be able to inspect~~.

5.19 Corporate Directors must ensure that adequate controls are included in all procedures to safeguard the c~~C~~ouncil, its resources and its assets from fraud or loss.

5.20 Where the council receives government grants for onward distribution to third parties, the council must ensure grants are awarded in accordance with any stipulations attached to the government grant.

6 TREASURY MANAGEMENT

6.1 The council~~Authority~~'s borrowings and investments comply with the CIPFA ~~Code of Practice on~~ Treasury Management in Public Services: Code of Practice and with the council~~Authority~~'s Treasury Management Policy Statement and its Annual Investment Strategy:

i) The c~~C~~ouncil adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code)~~ ~~2002~~1~~ as described in section 4 of that Code;

ii) Accordingly, the c~~C~~ouncil will create and maintain, as the cornerstones for effective treasury management;

a) a treasury management ~~policy~~ strategy statement (TMS~~P~~S), stating the policies and objectives of its treasury management activities;

b) suitable treasury management practices (TMP), setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

iii) The Council will receive reports on its treasury management policies, practices and activities including, ~~as a minimum~~, a TMSS with a range of Prudential Indicators and borrowing limits ~~n annual strategy and plan~~ in advance of the year for ~~.~~approval. The Executive will receive a mid-year review and an annual report after its close, in the form prescribed in its TMSS~~P~~.

iv) Responsibility for the implementation and monitoring of its treasury management policies and practices is delegated to the Executive and the execution and administration of treasury management decisions to the S151~~Chief Finance~~ Officer. The S151 Officer~~at Director~~ will act in accordance with the organisation's TMS~~P~~S and TMP and CIPFA's Standard of Professional Practice on Treasury Management.

6.2 The responsibilities of the ~~Chief Finance~~S151 Officer in relation to treasury management and banking will include:

i) To arrange the borrowing and investments of the council~~Authority~~ in such a manner as to comply with the CIPFA ~~Code of Practice on~~ Treasury Management in Public Services: Code of Practice, the council~~Authority~~'s TMS~~P~~S and the Annual Investment Strategy required under the Local Government Act 2003 and the relevant statutory guidance.

Treasury management activities are defined as:

"The management of the authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks";

ii) To report on treasury management activities to the Executive and Council in compliance with the CIPFA Code and Guidance on Local Authority Investments issued by the Secretary of State including the prudential code;

iii) To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of two of the ~~Chief Finance Officer or one of the~~ named delegated officers in the council's scheme of authorisation.

6.3 The responsibilities of the ~~Chief Finance Officer~~S151 in relation to investments and borrowing will include:

i) To ensure that all ~~cash~~ investments ~~of money~~, borrowing and other financing transaction are made only in the name of the council~~Authority~~ or in the name of nominees approved by the full Council;

~~ii) To ensure that all securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership are held in the custody of the appropriate Director;~~

~~iii) To effect all borrowings in the name of the Authority;~~

~~To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority.~~

~~iv)~~ ii) To ensure that Council officers tasked with Treasury Management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

7 DISPOSAL AND ACQUISITION OF NON LAND ASSETS

DISPOSAL OF NON LAND ASSETS WITH A MARKET VALUE LESS THAN £50,000

7.1 Materials, plant, machinery, fittings, equipment, stocks or stores which by reason of damage, wear or obsolescence are no longer serviceable for the purposes for which they are held or are surplus to requirements may be disposed of, provided that where any item or any part of it has a resale value:

i) prior to disposal, approval is obtained from the relevant Corporate Director or other person authorised by the Corporate Director, in accordance with Part 3 Paragraph 8.7 and Appendix 3 of the Constitution;

ii) the item or part item, is sold in the best available market and at the best price that can be reasonably obtained;

iii) following the disposal, the S151~~Chief Finance~~ Officer is notified which asset has been disposed of and the level of receipts generated, where this exceeds £10,000, or where the original cost of the asset was more than £10,000.

7.2 Before the disposal of any leased asset, Corporate Directors shall notify the S151~~Chief Finance~~ Officer in writing, so that the terms of the lease may be examined.

DISPOSAL ~~AND ACQUISTION~~ OF ALL NON LAND ASSETS WITH A MARKET VALUE EXCEEDING £10~~5~~0,000

7.3. Where the estimated market value of non land assets exceeding £10~~5~~0,000 is proposed, then authority for its disposal must be given by the Executive.

DISPOSAL AND ACQUISTION OF LAND ASSETS AND LEASES

7.4 The powers of the Executive to acquire and dispose of land and real property are set out in Part 3, Section 4 of the Constitution, Matters Reserved for Executive Decision.

7.5 The powers of officers to acquire and dispose of land and real property are set out below.

Where a restriction applies, the matter must be referred to the Executive, unless the decision is specifically reserved for another officer below. In all cases below, the Deputy S151 Officer can act on behalf of the S151 Officer in their absence.

Acquisition and disposal of land assets (land and real property) and leases		
Description	**Limit / Value**	**Approver**
Acquisition of land or real property other than by compulsory purchase order (Value can be reasonable estimate prior to entering into contract)	• Up to £1m; and for 20 years or less • Above £1m and for more than 20 years	• S151 Officer • Executive
Acquisition of the leasehold interest in former council owned homes sold under RTB to facilitate approved redevelopment schemes	• Any value	• S151 Officer
Disposal of freehold interests in land assets with the exception of void council owned homes, and grant leases at a premium	• Capital receipts up to £1.5m, where it represents best consideration reasonably obtainable, having taken professional advice • Capital receipts above £1.5m	• S151 Officer • Executive

Acquisition and disposal of land assets (land and real property) and leases		
Description	**Limit / Value**	**Approver**
Disposals of void council owned homes	• Best consideration reasonably obtainable of up to £3 million • Best consideration reasonably obtainable of more than £3 million	• Corporate Director Homes and Neighbourhood • Executive
Grant leasehold interests to: • non-voluntary sector and community bodies	• Up to £250k exclusive annual rent payable, under best consideration; and for 20 years or less, • Above £250k and for more than 20 years	• S151 Officer • Executive
• voluntary sector and community bodies	• Any value, at or below best consideration reasonably obtainable, for up to 125 years	• Executive
Grant of a lease to an academy trust following the making of an academy order in respect of a maintained school	• Up to 125 years at a peppercorn rent	• Corporate Director Children's Services
Disposal of interests in land for 6 months or less	• Any value, even if the rent is not the best consideration reasonably obtainable, for 6 months or less	• S151 Officer

Acquisition and disposal of land assets (land and real property) and leases		
Description	**Limit / Value**	**Approver**
The declaration of land and buildings as surplus to requirements of services	• Any value but not including street properties held under Part II of the Housing Act 1985 used solely for housing purposes • Any value of street properties held under Part II of the Housing Act 1985 used solely for housing purposes	• S151 Officer • Corporate Director Homes and Neighbourhood. The Corporate, who must within 14 days of having made any such declaration, notify the leader of any political groups represented on the Council of their decision

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~~Post~~	~~Power~~	~~Restriction~~
~~Chief Finance Officer (or Deputy Chief Finance Officer, in the absence of the Chief Finance Officer)~~	~~To acquire land or real property other than by compulsory purchase order~~	~~i) where the consideration for the acquisition (or reasonable estimate prior to entering into a contract) does not exceed £1m; and~~ ~~ii) the interest acquired is for 20 years or less~~
~~Chief Finance Officer (or Deputy Chief Finance Officer, in the absence of the Chief Finance Officer)~~	~~To dispose of the Council's freehold interests, with the exception of void council owned homes, and grant leases at a premium~~	~~i) where the anticipated capital receipt does not exceed £1.5 million; and~~ ~~ii) he/she is satisfied having taken the best professional advice that the capital receipt represents the best consideration reasonably obtainable~~

		~~for the interest in question; and~~ ~~iii) the proposed disposal has been subject to consultation with such Council officers and members or groups within the Council which may exist from time to time to ensure that the service and/or corporate interests in the property are such as to make disposal appropriate.~~
~~Chief Finance Officer (or Deputy Chief Finance Officer, in the absence of the Chief Finance Officer)~~	~~To grant leasehold interests for terms not exceeding 20 years at an annual rent:~~	~~i) where the annual rent payable under such leases does not exceed £250,000 exclusive per annum; and~~ ~~ii) the rent payable under such leases is the best consideration reasonably obtainable.~~
~~Chief Finance Officer (or Deputy Chief Finance Officer, in the absence of the Chief Finance Officer)~~	~~To dispose of interests in land for a period of six months or less even if the rent payable under such leases is not the best consideration reasonably obtainable~~	
~~Chief Finance Officer (or Deputy Chief Finance Officer, in the absence of the Chief Finance Officer)~~	~~The grant of leases of up to 125 years at or below best consideration to voluntary sector and community bodies in accordance with the Property Strategy.~~	
~~Chief Finance Officer (or Deputy Chief Finance Officer, in the absence of the Chief Finance Officer)~~	~~The acquisition of the leasehold interest in former council owned homes sold under the RTB to facilitate approved redevelopment schemes~~	

~~Chief Finance Officer (or Deputy Chief Finance Officer, in the absence of the Chief Finance Officer)~~	~~The declaration of land and buildings as surplus to requirements of services~~	~~Save for street properties held under Part II of the Housing Act 1985 used solely for housing purposes.~~
~~Corporate Director of HousingHomes and Neighbourhood~~	~~The declaration of street properties held under Part II of the Housing Act 1985 used solely for housing purposes as surplus to requirements~~ ~~(The Corporate Director of Housing must within 14 days of having made any such declaration, notify the leader of any political groups represented on the Council of their decision.)~~	
~~Corporate Director of HousingHomes and Neighbourhood~~	~~Disposals of void council owned homes where the best consideration reasonably obtainable is £3 million or less~~	
~~Corporate Director of PeopleChildren's Services~~	~~Grant of a lease of 125 years at a peppercorn rent to an academy trust following the making of an academy order in respect of a maintained school~~	

7.6 Corporate Directors will ensure that the c~~C~~ouncil does not enter into leases without first obtaining the consent of the S151~~Chief Finance~~ Officer and, if applicable, approval of the relevant scheme in the capital programme.

7.7 Corporate Directors will provide the S151~~Chief Finance~~ Officer with details of all current leases and agreements under which the c~~C~~ouncil incurs any financial liability or obtains any financial gain.

8 RISK MANAGEMENT AND CONTROL OF RESOURCES

INTRODUCTION

8.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the council~~Authority~~. This should include the proactive participation of all those associated with planning and delivering services.

RISK MANAGEMENT

8.2 The Corporate Director of Resources i~~n Consultation with the Chief Finance Officer~~ is responsible for the council~~Authority~~'s risk management policies and for promoting them throughout the council~~Authority~~.

8.3 The Audit Committee will review the council's principal risk report annually, and any risk management issues that arise out of its review ~~of the work~~ of the internal and external auditors.

INSURANCE

8.4 The ~~Corporate Director of Resources~~S151 Officer is responsible for effecting any necessary insurance cover and negotiating all claims with insurers.

8.5 Corporate Directors, Service Directors, Deputy Directors and Assistant Directors ~~and Heads of Services~~ shall give prompt notification to the ~~Corporate Director of Resources~~ S151 Officer of the extent and nature of all new risks to be insured and of any alterations affecting insurable risks.

8.6 Corporate Directors, Service Directors, Deputy Directors and Assistant Directors ~~and Heads of Services~~ shall immediately notify the S151 Officer~~Corporate Director of Resources~~ in writing, of any loss, liability or damage covered by insurance in connection with their service.

INTERNAL CONTROL

8.7 Internal control refers to the systems of control devised by management to help ensure the council~~Authority~~'s objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the council~~Authority~~'s assets and interests are safeguarded.

8.8 The ~~Corporate Director of Resources in consultation with the Chief Finance~~S151 Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. The key components of the system of internal control include:

- Adequate segregation of duties
- Appropriate authorisation of transactions and activities
- Physical controls over assets and records
- Fraud prevention arrangements
- Risk management
- Budgetary control arrangements
- Audit arrangements

8.9 All members of staff are responsible for ensuring these systems of internal control operate effectively. ~~The Corporate Directors should ensure that public funds are properly safeguarded and used economically, efficiently and in accordance with the statutory and other authorities that govern their use.~~

AUDIT REQUIREMENTS

8.~~10~~10 The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate and effective internal audit to evaluate the effectiveness of risk management and governance arrangements. The council's systems of internal control are reviewed by internal audit on a regular cycle as agreed by the council's Audit Committee. The Head of Internal Audit shall provide an annual opinion on the adequacy of the internal control environment, in line with Public Sector Internal Audit Standards.

8.1~~2~~1 The Audit Committee is responsible for approving Internal Audit's Annual Plan and reviewing its reports. The S151 ~~Chief Finance~~ Officer shall:

- ~~E~~ensure~~ing~~ internal audit have unrestricted access to all records, personnel, assets and premises as necessary for the purpose of their work;
- consider~~ing~~ and responding promptly to recommendations in audit reports; and
- ensure~~ing~~ any agreed actions arising from audit recommendations are carried out in a timely and effective fashion.

8.~~11~~12 ~~The Audit Commission~~ The council is responsible for appointing its own external auditors under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 ~~to each local Authority~~. It can choose to:

- undertake a complete procurement process itself and appoint its own auditor in line with the Procurement Rules;
- undertake a joint procurement with other bodies, or
- opt into a national collective scheme administered by the Public Sector Audit Appointments (PSAA), who appoint external auditors and set scale fees over a five-year period for authorities that have chosen to opt in.

8.1~~3~~3 The decision on whether to opt into the PSAA collective scheme must be approved by full Council, having regard to the recommendation of the Audit Committee and the Executive Member for Finance & Performance.

8.~~12~~ 14 The basic duties of the external auditor are governed by the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice. ~~section 15 of the Local Government Finance Act 1982, as amended.~~

8.15 External auditors must carry out sufficient and appropriate audit procedures to conclude whether:

- the council's statement of accounts present a true and fair view, and have been prepared in accordance with relevant accounting standards and UK legislation;
- the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

8.1~~5~~6 The S151~~Chief Finance~~ Officer shall ensure external auditors are given access to those premises, employees, documents and assets which they consider necessary for the purposes of their work.

8.~~13~~17 The council~~Authority~~ may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

8.~~14~~18 The ~~Corporate Director of Resources~~S151 Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

ASSETS AND SECURITY

8.~~15~~19 Corporate Directors should ensure that records and assets are properly maintained and securely held. Corporate Directors should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place and reviewed regularly.

8.20~~16~~ The S151 Officer ~~Corporate Director of Resources in consultation with the Chief Finance Officer~~ shall agree maximum limits for cash holdings and these shall not be exceeded without ~~his/her~~their express permission.

8.~~17~~21 The Corporate Director responsible for the Digital Services shall agree with Corporate Directors and other persons involved, the degree of privacy of the information held on corporate computerised systems. The Corporate Director responsible for Digital Services shall then be responsible for maintaining proper security and the agreed degree of privacy of the information held in order to comply with the Data Protection Act 2018. Corporate Directors shall be responsible for maintaining proper security and the appropriate degree of privacy of information in accordance with the c~~C~~ouncil's ICT Security Policy Framework.

BANKING ARRANGEMENTS

8.~~18~~22 The ~~Chief Finance~~S151 Officer is responsible for making arrangements with the ~~C~~council's bankers and National Giro-bank, concerning opening of bank accounts. The opening of a new bank account must be approved by two of the named delegated officers in the council's scheme of authorisation.

8.~~19~~23 All payments on behalf of the ~~C~~council other than petty cash payments will be made by

i) Cheques drawn on bank accounts opened with the authority of the S151 ~~Chief Finance~~ Officer for any particular establishment of the ~~C~~council under the control of the nominating Director; or

ii) Bankers automated clearing services (BACS) order direct to the recipient's personal account; or Direct D~~d~~ebit, the mandate for which must be signed by two of the officers of the Finance Service authorised by the c~~C~~ouncil to sign such mandates~~sign cheques~~; or

iii) CHAPS transfer direct to the recipients account by one of the named officers authorised by the ~~Chief Finance~~S151 Officer;

iv) Debit cards including e.g. purchase cards in accordance with procedures approved by the ~~Chief Finance~~S151 Officer;

v) Any other electronic payment method approved by the S151~~Chief Finance~~ Officer.

8.~~20~~24 All monies received for or/on behalf of the c~~C~~ouncil shall be paid promptly and intact into the appropriate accounts. Arrangements for banking receipts are covered in paragraphs 3.27-3.28 of the financial regulations.

Appendix 1 to the Financial Regulations – Scheme of Authorisation

Introduction

1. The Scheme of Authorisation sets out the powers and duties delegated to officers in conducting the council's business. Changes to the limits/values contained within this Scheme may only be made with the approval of the S151 Officer, provided these changes comply with the Financial Regulations and wider Constitution.

2. Corporate Directors are responsible for the effective operation of the Scheme of Authorisation and must:
- Maintain a written record of authorised officers.
- Ensure that an appropriate segregation of duties is in operation, e.g., between ordering and paying for goods, between claiming and approving expenses.
- Ensure compliance with the financial limits in this Scheme and any additional financial restrictions and limitations imposed by the Financial Regulations and Procurement Rules (e.g., limits relating to waivers, extensions and variations) and HR policies (e.g., limits relating to overtime, allowances, honoraria and expenses).

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REF	**DESCRIPTION**	**LIMIT / VALUE**	**APPROVER**
BUDGET CHANGES			
	Individual Revenue Virements: That do not increase the council's net budget requirement:		
3.10	• Creation of / increase in budget following receipt of additional, unanticipated funding (subject to key decision limits)	• Any value	• Both Corporate Director and S151 Officer
3.11	• Technical accounting adjustments	• Any value	• S151 Officer

REF	DESCRIPTION	LIMIT / VALUE	APPROVER
3.13	• Intra-departmental virements	• Up to £250k • Between £250k and £500k • Over £500k	• Corporate Directors (and reported to S151 Officer) • Both Corporate Director and S151 Officer • Corporate Director and S151 Officer. Executive approval is also required.
3.15 3.16	• Inter-departmental virements	• Up to £500k • Over £500k	• Both Corporate Director and S151 Officer • Corporate Director and S151 Officer. Executive approval is also required.
3.19	• Allocation of contingency budget	• Any value	• Executive
3.8 3.23	Change to the net revenue budget requirement	• Any value	• Executive and Full Council

	Individual Capital Virements:		
4.27	• Creation of / increase in budget following receipt of additional, unanticipated funding	• Up to £50k • Over £50k	• Corporate Director • S151 Officer
4.22	• Virements between capital schemes that are technical adjustments	• Up to £500k • Between £500k and £1M • Over £1M	• Corporate Directors • S151 Officer • Executive
4.22	• Non-technical virements	• Any value	• Executive
4.25	• Allocation of capital contingency budget	• Any value	• Executive
4.8 4.17 4.18 4.19 4.24	Changes to the overall Capital Programme	• Up to 0.5% of Capital Programme and less than £1M • Over 0.5% of Capital Programme and less than £10M • Over £10M	• S151 Officer • Executive • Executive and Full Council
4.21	Addition of new capital schemes from the Pipeline List	• Must comply with all limits above	• Must comply with all the above

INCOME			
3.26	Individual debtor account write offs (note this is the sum of debt on an account to be written off, not individual invoices)	• Up to £1k • Up to £10k • Up to £20k • Up to £199,999 • £200k or more	• Relevant finance leads in the Resources Directorate • Head of Service (generally PO8+), Officer on Chief Officer scale or Service Director • Corporate Directors • S151 Officer • Executive
3.29	Fees and Charges	Increase / decrease	Executive

EXPENDITURE			
	Procurement strategies and contract awards (Exemptions apply for specific posts)	• Value Band i) Up to £5k (revenue and capital)	• Budget holders Graded PO1 and above
		• Value Band ii) Up to £25k (revenue and capital)	• Budget holders Graded PO4 and above
		• Value Band iii) £25k - £178k (revenue and capital)	• Deputy Heads of Service/Service Managers/Budget Managers/Business Managers and above
		• Value Band iv) Up to £250K (revenue) / Up to £500k (capital)	• Heads of Service (generally PO8+) - reporting to Chief Officer and Officers on Chief Officer grade CO3 or CO4 and above
		• Up to £500k (revenue) / Up to £1m (capital)	• Service Director/Director (Grade CO2) and above and Assistant Director, Procurement and Supply
		• Up to £2M (revenue) / Up to £5m (capital)	• Corporate Director (Grade CO/CO1) or S151 Officer or Chief Executive or Director of Public Health or Director of Adult Social Care
		• Over £2M (revenue) / Over £5m (capital)	• Executive

	Authorising payment of invoices and purchase orders (where these are used) (Exemptions apply for specific posts)	• Up to £499 • Up to £5k • Up to £25k • Up to £100k • Up to £500k • Up to £1M • Up to £5M • Up to £10M . • Unlimited	• Grades below PO1 (post dependent) • Grades PO1 to PO3 (post dependent) • Grade PO4 to PO7 (post dependent) • Deputy Heads of Service/Service Managers/Budget Managers/Business Managers • Heads of Service (generally PO8+) - reporting to Chief Officer • Officers on Chief Officer Grades CO3 or CO4 • Service Director/Director (Grade CO2) or Deputy Monitoring Officer or Deputy Director of Finance (CO3) • Corporate Director (Grade CO/CO1) or Director of Finance (CO2) • S151 Officer or Chief Executive

	Procurement card transactions / expenses	• Up to £500 per transaction • Up to £2k per transaction • Above £2k per transaction	• awarded based on need to any non-agency member of staff where approved by the Assistant Director of Finance or Deputy Director of Finance
	Approving compensation payments	• Up to £1k • Up to 100k • Above £100k	• Deputy Heads of Service/Service Managers/Budget Managers/Business Managers and above • Chief Officer grades • S151 Officer and Monitoring Officer
5.15	Awarding grants	• Up to £178k (revenue and capital) • Up to £250k (revenue) / Up to £500k (capital) • Up to £500k (revenue) / Up to £1m (capital) • Above £500k (revenue) / Above £1m (capital)	• Deputy Heads of Service/Service Managers/Budget Managers/Business Managers • Heads of Service or Chief Officer Grade CO3/ CO4 • Director on grade CO2 and above • Executive
	• Use of Corporate credit cards in an emergency situation • Access to cash in an emergency situation	In line with the council's corporate crisis response plan	In line with the council's corporate crisis response plan

	• Expenditure in an emergency situation		
OTHER			
	Placing of treasury investments Placing borrowings	• Up to £20m • Up to authorised limit in the Treasury Management Strategy Statement	• Head/Deputy Head/Financial Accountant within Treasury and Pensions • Deputy Director of Corporate Finance and above
6.2 8.18	Opening a new bank account	• Any	• Two signatures required. S151 Officer may delegate this to any two officers named in the Letter of Delegated Authority given to the council's main bank.
7.1 7.3	Disposals of non-land assets (Materials, plant, machinery, fittings, equipment, stocks or inventories)	• Up to £50k • £50k and above	• Corporate Director • Executive
Acquisition and disposal of land assets (land and real property) and leases			
7.4	Acquisition of land or real property other than by compulsory purchase order	• Up to £1m; and for 20 years or less • Above £1m and for more than 20 years	• S151 Officer • Executive
7.4	Disposal of freehold interests in land assets with the exception of void council owned homes, and grant leases at a premium	• Up to £1.5m, under best consideration • Above £1.5m	• S151 Officer • Executive

7.4	Grant leasehold interests	• Up to £250k annual rent payable, under best consideration; and for 20 years or less • Above £250k and for more than 20 years	• S151 Officer • Executive
7.4	Grant leases to voluntary sector and community bodies	• Up to 125 years at or below best consideration	• Executive
	Value for including items in fixed asset register	• £10k	

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