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 1, Town Hall, Upper Street, N1 2UD on, **18 March 2024 at 7.00 pm.**

Enquiries to	:	Samineh Richardson
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Despatched	:	8 March 2024

Membership	Substitute Members
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**
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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 **Page**

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 21 May 2024

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London Borough of Islington

Audit and Risk Committee - 29 January 2024

Minutes of the meeting of the Audit and Risk Committee held at Committee Room 1, Town Hall, Upper Street, N1 2UD on 29 January 2024 at 7.00 pm.

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

Councillor Nick Wayne in the Chair

97 **<u>APOLOGIES FOR ABSENCE (Item A1)</u>**
None.

98 **<u>DECLARATION OF SUBSTITUTE MEMBERS (Item A2)</u>**
There were no substitute members at the meeting.

99 **<u>DECLARATIONS OF INTEREST (Item A3)</u>**
There were no declerations of interest made at the meeting.

100 **<u>MINUTES OF PREVIOUS MEETING (Item A4)</u>**
The minutes of the meeting held on 20th November 2023 were confirmed as a correct record and signed by the Chair.

101 **<u>VERBAL FINANCIAL UPDATE (Item A5)</u>**
There was no update for the meeting.

102 **<u>EXTERNAL AUDIT - 2023/24 VERBAL UPDATE (Item B1)</u>**
The Committee received an introduction to the external auditors for 2023-24, KPMG LLP (UK). The Committee were informed that the new auditors were due to receive a formal handover from the outgoing auditors. The Chair outlined his expectation that timetables would be adhered to and asked KPMG whether they were confident they had the resources to deliver the audit as required. KPMG said they were confident they could deliver but required final figures from the outgoing auditor before they could proceed.

103 **<u>EXTERNAL AUDIT 2022/23 UPDATE (Item B2)</u>**
The Committee received an update from the external auditor for 2022-23, Grant Thornton, on their progress with the statement of accounts audit. The Committee were informed that the 2021-22 statement of accounts had received an unqualified opinion from the auditor, however, the final audit certificate could not be issued due to an outstanding objection on the 2020-21 statement of accounts.

The auditors agreed to the following timetable:

- W/c 19 February – share draft Audit Findings Report for Council and Pension Fund for comments and obtain comments on recommendations.
- W/c 26 February finalise Auditors Annual Report, Council and Pension Fund Audit Findings Reports.
- W/c 26 February Audit complete closedown procedures and share Letter of Representation.
- 18 March Audit and Risk Committee notes the Auditors Annual Report, Council and Pension Fund Audit Findings Reports and approves Statement of Accounts.
- 19/20 March – Grant Thornton receives a signed Statement of Responsibilities & Annual Governance Statement, final set of accounts and Pension Fund Annual Report, subsequent event confirmation. The Council issues:
    - Opinion on accounts
    - Opinion on Pension Fund accounts
    - Consistency Opinion on Pension fund Annual Report
    - Publication letter

The Committee considered whether the auditors could meet the agreed timetable, the duties and responsibilities of council officers and the process for determining whether an objection was valid.

RESOLVED:
To note the update.

104 PRINCIPAL RISK UPDATE (Item B3)

The Committee received an update on the annual principal risk report presented to them in July 2023. The update summarised progress on mitigating key risks and included an update on the development of risk management training for staff.

The Committee discussed the Council's financial stability. It was explained that the Councils overspend would be going up the risk register and there would be quarterly budget monitoring meetings.

The Committee discussed school's viability and place planning. It was predicted that there would be a deficit in pupil roll numbers across all schools, which would increase pressure on the general fund. The Committee considered how to mitigate the impact on the general fund, whether the council had budgeted to meet the deficit and whether there were other funds or reserves available. There were some reserves available but robust action was necessary to help schools with their individual planning.

RESOLVED:
To note the update.

105 23/24 INTERNAL AUDIT INTERIM REPORT (Item B4)

The Committee received the internal audit interim report. The number of reports with ratings of 'limited assurance' was raised by the Committee and they discussed the key issues around Tenant Management Organisation (TMO) monitoring arrangements; the medical assessment for housing allocations; the key IT applications review NEC (housing repairs) and the non-recent child abuse support payment scheme. It was explained that the high priority recommendations arising from the reviews were outlined in appendix 2 of the report.

The Committee thanked Ursula Brown, Audit Manager, for her support and wished her well in her new role.

RESOLVED:
To note the update

106 **COUNCIL TAX BASE REPORT (Item B5)**

The Committee received a report on the Council's taxbase estimate for the financial year 2024-25 and the council tax forecast for the financial year 2023-24. The Committee considered the impact of an increase in student housing. In particular, the potential need for forward planning.

RESOLVED:

(a) To approve the council taxbase for the whole area for 2024/25 of 81,564.7 Band D equivalent properties after adjusting for the collection rate of 97%. (Paragraph 4.7 and Appendix
(b) To approve the council taxbase consistent with meeting the special expenses issued by the Lloyd Square Garden Committee for 2024/25. This is 43.4 Band D equivalent properties after adjusting for the collection rate of 97%. (Paragraph 4.8 and Appendix B)
(c) To note the council tax forecast for 2024/25 and distribution of this in 2024/25 between the council and Greater London Authority (GLA). (Paragraph 5.1 and Table 2)
(d) To note that the 2024/25 taxbase estimate for 2024/25 will be fully incorporated in the final version of the 2024/25 budget report and council tax calculations to be considered by the Executive on 8 February 2024 and Council on 29 February 2024. (Paragraph 6.1)

107 **TREASURY MANAGEMENT MID-YEAR REVIEW FOR 2023/4 (Item B6)**

The Committee received the Treasury Management Mid-Year Review, which reviews the Council's treasury management function April-September 2023. The Committee discussed the risk of volatile inflation and other risks associated with the investment strategy and borrowing.

RESOLVED:
To note the update.

108 **MEDIUM TERM FINANCIAL STRATEGY (Item B7)**

The Committee received an update on the Medium-Term Financial Strategy (MTFP).

The committee raised the following points in their discussion:

- What lessons had been learnt from the current years overspend to ensure there wasn't an overspend every year. It was explained they would look at how they scrutinise and triangulate external factors.
- That no cost had been identified related to the consultation on changes to Minimum Revenue Provisions (MRP) but there may be a revision to the MRP policy.
- Whether officers were confident the budgets figures were realistic.

RESOLVED:

(a) To note the report 'Draft Budget Report 2024/25 and Medium-Term Financial Strategy (Post Settlement)' considered by the Executive on 11 January 2024, and included with the report.

(b) To look to formalise arrangements for examining the section 25 report during future budget setting processes.

109 WORK PROGRAMME (Item B8)

110 RISK DEEP DIVE - NEW BUILD (Item D1)

The Committee received an update on the New Build Programme. This item was considered as an urgent item of business due to the significant risks facing the new build service and the need for the committee to have oversight of them. It was explained that a comprehensive review of the New Build Programme was underway, and a revised new homes programme was being developed. The Council's Executive would be asked to approve the programme on the 14th of March 2024.

The committee raised the following points in their discussion:

- Whether the planned outcomes could be achieved to budget and with resident buy-in.
- How optimism bias could be avoided and whether the team were confident they could recognise when schemes were no longer viable and needed to be stopped. It was explained that schemes viability was kept under review and mitigations were in place regarding optimism bias.
- The importance of striking a balance between social and private rented housing and the desire to provide improved communal facilities.
- Whether there were problems around the pace schemes were delivered. It was explained this was about picking the right projects.
- How value for money was determined.
- How to ensure external consultants were delivering. It was explained that the team had developed it's in house capability, its ability to manage consultants and its commercial expertise.
- The importance of selecting the right scheme, engaging the right contractors, having flexible access to contractors, and ensuring good contract management that held people to account.
- The importance of good resident engagement and keeping them informed of delays.
- The importance of understanding logistics to simplify delivery.

RESOLVED:

(a) to note the mitigations that are in place and the overarching risk management strategy for this principal risk.
(b) to note that the Council's New Build Programme will be presented to the Executive on 14th of March 2024.
(c) to note the proposed inclusion of the New Build Programme governance and risk mitigations in the internal audit plan for 24/25.

The meeting ended at 9:30pm

CHAIR

ISLINGTON
For a more equal future

Resources
222 Upper Street
London
N1 1XR

Report of: **Corporate Director of Resources**

Meeting of	Date	Agenda Item	Ward(s)
Audit and Risk Committee	18 March 2024		All

Delete as appropriate		Non-exempt

2022/23 Report of the External Auditor

1. Synopsis

1.1. This report presents the audited versions of the 2022/23 Statement of Accounts, the 2022/23 External Audit Findings Reports for Islington Council and Islington Pension Fund, 2022/23 Annual Governance Statement and 2022/23 Auditor's Annual Audit Report. These are key outputs from the 2022/23 external audit which demonstrate sound financial management and provide evidence to stakeholders that they should have confidence in the Council's financial future.

1.2. The External Audit Findings Reports highlight a few recommendations to those charged with governance.

2. Recommendations

2.1. To approve the audited 2022/23 Statement of Accounts (Appendix A), and to delegate authority to the Section 151 Officer in consultation with the Chair of the Audit and Risk Committee to approve any further audit adjustments that might arise before release of the audit opinions.

2.2. To note Grant Thornton's 2022/23 Audit Findings Reports for Islington Council and Islington Pension Fund and the action plan of recommendations (Appendix B).

2.3. To approve the draft Letters of Management Representation for the Islington Council and Islington Pension Fund (Appendix C), and to delegate authority to the Section 151 Officer and Chair of the Audit and Risk Committee to sign on behalf of the organisation once the audit opinions are provided by the auditor.

2.4. To approve the audited 2022/23 Annual Governance Statement (Appendix D), signed by the Leader and the Chief Executive.

2.5. To note the Auditor's Annual Audit Report 2022/23 covering value for money (Appendix E).

3. Background

3.1. Audit and Risk Committee is responsible in the Council's constitution for approving the Statement of Accounts.

3.2. Each year the Council's external auditor presents to the Committee their Audit Findings Report (AFR) for the Statement of Accounts and Annual Governance Statement.

3.3. The Council is required to prepare annual financial accounts covering the period from 1 April to 31 March. These statements are required to be presented in the statutory formats, complying with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).

3.4. Despite the council publishing the draft 2022/23 Statement of Accounts by the deadline of 31 May 2023, the external audit did not commence on site until October 2023. Therefore, the statutory deadline of 30 September 2023 for publishing audited 2022/23 accounts was not met. This was due to the sector wide external audit issues and delays. Only 1% of local authorities in England met the 30 September 2023 deadline.

3.5. The audit was originally scheduled to be completed by the end of December 2023 and the Audit Findings Report due to be presented to the Audit & Risk Committee in January 2024. However, this was not achieved, primarily due to audit resourcing issues. Through a good working relationship between the Council and the auditors, the audit is now on track to be completed before 31 March 2024.

3.6. Whilst the audit is not 100% concluded at the time of writing this report, it is substantially complete subject to quality assurance review by the auditors. It is anticipated that audit opinions will be issued soon after the Audit & Risk Committee meeting on 18 March 2024. The audited 2022/23 Statement of Accounts and 2022/23 Annual Governance Statement will be published once the audit opinions are obtained.

4. Statement of Accounts 2022/23 and Audit Findings Reports

4.1. Between 12 June 2023 and the 21 July 2023 the Statement of 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.

4.2. 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 procedures. The Auditors are satisfied this work does not have a material effect on the financial statements.

4.3. Overall the draft audit opinions contained in the Audit Findings Reports state that the financial statements:

- Give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; and
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

4.4. The Statement of Accounts (including Pension Fund) is expected to receive a clean final audit opinion from the Council's auditors Grant Thornton.

4.5. The Auditor's draft Audit Findings Reports for the year ended 31 March 2023 are shown in Appendix B.

4.6. The Auditor will attend the Audit and Risk Committee meeting to present their findings and update the Committee on any matters that may have arisen since the publication of their Audit Findings reports. The audit is substantially complete, with quality assurance work and auditor review queries ongoing until the audit opinion can be provided soon after the Audit and Risk Committee meeting.

4.7. It is a requirement of the International Auditing Standards for the Auditors to request a letter from the Council that sets out management representations for main accounts and Pension Fund. Appendix C sets out drafts of the two letters that will be signed on behalf of the organisation by the Council's Section 151 Officer and Chair of the Audit and Risk Committee.

4.8. Should there be any further audit adjustments arising from audit findings post this near final version of the Statement Accounts presented to the Audit & Risk Committee, approval will be sought from Section 151 Officer in consultation with the Chair of the Committee.

5. Annual Governance Statement 2022/23

5.1. The Annual Governance Statement (AGS) 2022/23 has been audited following some minor amendments arising following the Audit Committee in July 2023. The Leader and the Chief Executive have provided their approval of the AGS (Appendix D).

6. Auditor's Annual Audit Report 2022/23

6.1. Grant Thornton external auditor's 2022/23 annual audit report considers and provides an independent view on the Council's performance covering three criteria: (1) financial sustainability, (2) governance, and (3) improving economy, efficiency and effectiveness.

6.2. Value for money conclusions are presented in the executive summary in the report (Appendix E). There has been no change in (1) financial sustainability "No significant weaknesses in arrangements identified, but improvements recommendations made". There has been an improvement compared with 2021/22 in 2 areas: (2) governance and (3) improving economy, efficiency and effectiveness criteria with "no significant weaknesses in arrangements identified or improvement recommendations made." This is illustrated by an extract:

Criteria	2022/23 Risk assessment		2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendation made to further enhance reporting of savings to Members	A	No significant weaknesses in arrangements identified, but an improvement recommendation made	↔
Governance	No risks of significant weakness identified	G	We have not identified any significant weaknesses in the area and our work did not identify any areas where we considered that improvement recommendations were required	A	No significant weaknesses in arrangements identified, but an improvement recommendation made	↑
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G	We have not identified any significant weaknesses in the area and our work did not identify any areas where we considered that improvement recommendations were required	A	No significant weaknesses in arrangements identified, but an improvement recommendation made	↑

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

7. Implications

Financial Implications:

7.1. For Islington Council, the 2022/23 external audit fees total £273k, an increase of £44k from the £229k estimated in the Audit Plan. In addition, there is an estimated fee of £12k in relation to resolving the objection to the 2020/21 Statement of Accounts.

7.2. For Islington Pension Fund, the 2022/23 external audit fees total £58k, an increase of £13k from the £45k estimated in the Audit Plan.

Legal Implications:

7.3. 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 (as amended by The Accounts and Audit (Amendment) Regulations 2021).

Environmental Implications and contribution to net zero carbon by 2030.

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

Resident Impact Assessment

7.5. 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 tothe need to tackle prejudice and promote understanding.

7.6. 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: documents dated 6 March 2024

Appendix A Statement of Accounts 2022/23
Appendix B Draft Audit Findings Reports 2022/23 for Islington Council and Islington Pension Fund
Appendix C Draft Letters of Management Representation for Islington Council and Islington Pension Fund 2022/23
Appendix D Annual Governance Statement 2022/23
Appendix E Auditor’s Annual Audit Report 2022/23 (Value for Money)

Background papers:

None

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Islington Council
Statement of Accounts 2022/23

Contents

Introduction by the Chief Financial Officer

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 sixth most deprived borough in London and a place of contrasts where the gap between the “haves” and “have nots” is stark.

We are determined to challenge this inequality and improve life chances for all our residents and staff. As part of the ‘Let’s Talk’ Islington engagement, we established an Inequality Task Force to explore the question “how should Islington Council and partners work with communities over the next decade to create a more equal borough?”. The task force’s finding informed our new strategic plan ‘Islington Together 2030’, in which we set ourselves five missions to create a more equal future for Islington in 2030:

- Child-friendly Islington: By 2030, Islington is a place where all children and young people are rooted in a community where they feel safe, can thrive and are able to be part of and lead change.

- Fairer Together: By 2030, everyone in Islington who needs extra help and support can access the right support for them at the right time and in the right place.

- A Safe Place to Call Home: By 2030, everyone in Islington has a safe, decent and genuinely affordable place to call home.

- Community Wealth Building: By 2030, there is a sustainable, inclusive, and locally-rooted economy in Islington, where wealth is shared fairly, and residents and businesses feel they have a stake in their community.

- Greener, Healthier Islington: By 2030, communities in Islington can access, and enjoy London’s greenest, cleanest and healthiest neighbourhoods and are able to live healthy, fulfilling and independent lives.

Whilst inequality in Islington is not new, our communities are facing significant new hardships. Rising energy prices, global supply chain issues and the economic consequences of the war in Ukraine drove inflation levels to a 40-year high in October 2022. In September 2022, the council declared a “cost of living emergency” and pledged to use its available resources to protect the borough’s most vulnerable from the worst effects of the crisis. Inflation has also had a significant impact on the council, with annual energy costs rising by nearly 200%. Despite these challenges, the council has achieved great things this year in the delivery of its budget, including:

- An overall balanced General Fund position and delivery of agreed budget savings, despite inflation being at levels not seen in 40 years for most of the financial year.

- A record level of £152m capital investment in the borough, including £51m in our new build programme. Over the last 5 years 318 additional new council owned homes have been built, with a further 218 anticipated within the current approved new build programme.

- Maximising the take-up and rapid distribution of relevant government grants, such as the Household Support Fund. In 2022/23 we paid out £12.9m to Islington's households to help with the cost of rising energy bills under the government's Council Tax Rebate and Discretionary Fund schemes. Our Resident Support Scheme provided support to residents facing severe financial hardship. All of this was supported by a communications campaign, including a Cost-of-Living Summit, to maximise awareness and take up of the support available.

- Launching the Corporate Energy Savings Programme which reduced expected costs by around 10% in the first three quarters of the year.

- Progressing plans to achieve a net zero carbon Islington by 2030. As part of this drive, in September 2022, Islington Council's Pension Fund sold its directly held UK equity holdings (thereby reducing its ownership of UK energy companies) and acquired £164m in a "Global Paris Aligned Index" fund for all "passively managed" equities. This has reduced the Fund's carbon footprint.

- Fully funding all of the administration's manifesto pledges and launching the Support Payment Scheme for people who experienced historical abuse while placed by Islington Council in its children's homes.

These achievements and the ongoing budget pressures that the council faces even to 'stand still', in terms of the council's inflationary and other unavoidable cost pressures, place a continuous strain on the organisation's finances. A fundamental element of the robustness of the council's annual budget and medium-term financial strategy (MTFS) is the level of contingency budget, earmarked reserves and General Fund balance. The council's budget report references each year the need for the council to strengthen its financial resilience for budget risks over the medium-term. This is especially important given the importance of delivering on the council's key priorities and against the backdrop of the cost-of-living emergency that has led to a depletion of some earmarked reserves.

This year continued to be a challenging year for our finance team, as we faced the difficult task of producing the 2022/23 statement of accounts alongside the audit of the 2021/22 statement of accounts. The 2021/22 audit is still ongoing, a delay that is replicated in councils across England. Audit firms are facing a significant backlog of audits following recent uncertainty over how to value infrastructure assets and have found it hard to recruit and retain experienced auditors. Finance teams and auditors are having to contend with increasingly complex accounts, and the lack of a sector leader for local government audit is affecting how the sector responds to emerging issues (e.g. accounting for infrastructure assets) where a national steer is needed.

Under such circumstances, producing the 2022/23 statement of accounts on time, several months earlier than was required last year, is a significant achievement and reflects the quality, hard work and dedication of our team.

These accounts give a high-level overview of the council's finances, and follow a common format prescribed by CIPFA's Code of Practice on Local Authority Accounting. This year's Public Inspection of the Accounts period runs from the 12 June to the 21 July 2023 inclusive. Further details are available on our website.

David Hodgkinson
Corporate Director of Resources
XX March 2024

Independent auditor's report to the Members of Islington Council

The Audit Report 2022/23 will appear here once the audit is completed.

Independent auditor's report to the Members of Islington Council on Islington Council's Pension Fund financial statements

The Audit Report 2022/23 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 2022/23

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 finances 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 as at 31 March 2023 - 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 as at 31 March 2023

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 every three years and advise how to set the contributions to the Pension Fund to address the deficit. Such a review took place in 2019/20. More information can be found in the Pension Fund Account pages.

Outturn 2022/23

General Fund Outturn 2022/23

Overall, there was a balanced General Fund position.

Departmental income and expenditure	Gross Expenditure	Gross Income	Net Outturn	Net Budget	Over / (Under)
	£'000	£'000	£'000	£'000	£'000
Adult Social Care	161,278	(78,685)	82,593	74,700	7,893
Chief Executive	4,122	(1,395)	2,727	2,561	166
Children and Young People	159,216	(64,940)	94,276	91,671	2,605
Schools	352,889	(340,230)	12,659	10,637	2,022
Community Wealth Building	69,263	(48,421)	20,842	19,394	1,448
Environment and Climate Change	117,593	(88,180)	29,413	24,200	5,213
Community Engagement and Wellbeing	17,636	(6,681)	10,955	10,955	-
Homes and Neighbourhoods	40,215	(27,372)	12,843	13,295	(452)
Public Health	36,529	(35,644)	885	885	-
Resources	209,413	(167,629)	41,784	41,424	360
Corporate Items					
Corporate items	(12,698)	(294,257)	(306,955)	(312,678)	5,723
General Fund Variance (before application of Corporate Resources)	**1,155,456**	**(1,153,434)**	**2,022**	**(22,956)**	**24,978**
Application of Corporate Energy Budget			-	1,400	(1,400)
Application of Earmarked Reserves			-	16,556	(16,556)
Application of General Contingency			-	5,000	(5,000)
Net General Fund Variance	**1,155,458**	**(1,153,436)**	**2,022**	**-**	**2,022**
Transfer to/(from) General Fund Balances (excluding schools)			-	-	-
Transfer to/(from) Schools Balances			(2,022)	-	(2,022)
Total			**-**	**-**	**-**

Departmental income and expenditure (including HRA)	Over / (Under)
	£'000
General Fund over/(under) spend for the year (including schools)	2,022
Housing Revenue Account over/(under) spend for the year	-
Net expenditure	**2,022**

The 2022/23 Provisional Outturn report on the council's website gives a detailed explanation of the outturn position and variances against budget.

General Fund Balances

To ensure sustained financial resilience, as a minimum the council aims to maintain the General Fund balance (excluding schools balances). As at 31 March 2023, the General Fund balance (excluding schools balances) totalled £21.718m (£21.718m as at 31 March 2022). Schools balances totalled £6.292m (£8.314m as at 31 March 2022). The council has limited ability to supplement its budget from reserves. It is required to maintain an adequate level of General Fund balance and earmarked reserves, whilst schools and HRA balances are ringfenced for specific services. However, the council can use earmarked reserves to supplement the budget if they are being used for the purpose they were earmarked (e.g. managing risk) or are no longer required.

Housing Revenue Account 2022/23

The Housing Revenue Account (HRA) is a separate account for all the expenses and income relating to council housing. The outturn for the HRA is an in-year deficit of (+£12.987m) compared to original budget assumptions which has been funded from HRA earmarked 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 £31.504m as at 31 March 2023 (£58.237m as at 31 March 2022).

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 the repairs reserve, capital expenditure including funding and details of capital receipts, depreciation, pension costs and rent arrears.

Capital Expenditure and Funding 2022/23

Capital expenditure of £152m was delivered against the revised 2022/23 budget of £169m, representing 90% spend against budget. The table below sets out this expenditure by department.

Capital Programme Outturn 2022/23	2022/23 Capital Budget	2022/23 Capital Expenditure	Re-profiling (to)/from future years
	£'000s	*£'000s*	*£'000s*
Non-Housing	34,546	26,167	(8,379)
Housing	135,311	126,738	(8,573)
Total Capital Programme	**169,857**	**152,905**	**(16,952)**

The funding of the 2022/23 capital programme is summarised in the table below.

Funding Sources	£'000s
Capital Grants & Third Party Contributions	37,289
Capital Receipts	25,058
HRA - Major Repairs Reserve	38,490
HRA - Revenue Account	19,776
General Fund Borrowing	32,292
Total Funding	**152,905**

Net Assets as at 31 March 2023

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 £4.297bn, made up of £5.184bn of assets and £0.887bn of liabilities. The most significant asset held by the council is its Property, Plant and Equipment portfolio, worth £4.942bn, of which council dwellings make up £3.430bn.

The largest liability facing the council is in relation to the Pension Scheme (£219m). 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 £73m relating to the council's PFI and similar schemes and is payable over the next 15 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 £133.9m of short-term debtors (£107.1m as at 31 March 2022). £79.1m was owed by central government and other public sector bodies mainly for grants and reimbursements. Other debtors include council tax, business rates and parking debts. Short-term debtors are included in the balance sheet net of a £98.0m 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 £191.7m (£202.7m as at 31 March 2022). A significant proportion of these relate to central government and other public sector bodies, at £112.7m. Short-term PFI creditors amounted to £4.5m.

Borrowing and Investments 2022/23

As at 31 March 2023, the council had £53.7m of treasury investments and £20m of temporary treasury debt. The investments were for periods ranging from a week to 364 days at an average interest rate of 2.71% for investments and 4.3% for temporary debt. Total long-term debt was £265.6m at 31 March 2023 (£264m as at 31 March 2022). The average rate of interest on external borrowing has decreased from 4.2% in March 2022 to 4.06% in March 2023.

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 2022/23, with the exception of one Prudential Indicator (the short-term borrowing indicator), where a deliberate decision was taken. 7% of the Authority's borrowing was due in under 12 months as opposed to the minimum 12% set out in the Prudential Indicators. This indicator has been amended for 2023/24 to make it more appropriate.

31 March 2022 £'000	Treasury Management Cashflow	31 March 2023 £'000
14,713	Cash & Cash Equivalents	13,651
95,661	Short-Term Investments	30,676
110,374	**Total**	**44,327**

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 or unusual charge or credit to the accounts

There were no material and unusual charges or credits to the accounts in 2022/23.

Significant provisions and contingencies and material write offs

The balance sheet includes provisions of £40.989m as at 31 March 2023 (£39.495m as at 31 March 2022). The most significant provision is the Insurance Provision (£16.345m as at 31 March 2023). 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

Any material events after the reporting date are disclosed in Note 34.

Significance of the pension liability

The estimated pension liability facing the council is £219.1m as at 31 March 2023 (£916.8m as at 31 March 2022). This liability shows the underlying commitments that the council has in the long-term to pay retirement benefits. It has reduced by £697.7m due to changes in actuarial financial assumptions. The total net liability of £219.1m 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 2023/24, the council is expected to make contributions of £54.7m to the Local Government Pension Scheme and the London Pension Fund Authority.

Looking forward

On 2 March 2023, the council agreed its budget for 2023/24 and set a council tax requirement of £113.039m. This resulted in a basic amount of band D council tax of £1,380.25 (representing a council tax increase of 4.99%) and a total amount of band D council tax (including GLA precept) of £1,814.39.

The agreed 2023/24 budget is summarised below:

Planned Revenue Expenditure	2023/24 *£'000*
Directorate	
Adults Social Care	52,232
Chief Executive	1,327
Children and Young People	87,594
Community Engagement and Wellbeing	8,563
Community Wealth Building	21,312
Environment and Climate Change	496
Homes and Neighbourhoods	7,888
Resources and Central Costs	88,608
Net Cost of Services	**268,020**
Funded By:	
Settlement Funding Assessment	(116,967)
Business Rates Growth	(24,770)
Non-Specific Grants	(3,530)
Collection Fund Surplus	(9,714)
Council Tax Requirement	**113,039**

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 UK economy continues to face record high levels of inflation, increasing interest rates and significant uncertainty, following the COVID-19 pandemic and the Ukraine War.

Specific revenue costs pressures facing the council include:

- Pay Inflation: The council's MTFS assumes a 6.5% per annum pay award in 2023/24 and then 3% over the remainder of the medium term. This is a significant risk going forward if actual pay awards are higher than MTFS estimates.

- Pensions: Following the 2022 triennial pension fund valuation, adjustments have been made in respect of employer pension contributions. The future service rate has increased from 14.6% to 18.3%.

- Contract and Non-Pay Inflation: The MTFS provides for contract and non-pay inflation and includes provision for the estimated impact of rising energy costs. Rising inflation, particularly in relation to 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.

- Interest Rates - The recent significant increase in interest rates, after more than a decade of low interest rates, will increase the revenue cost of funding the capital programme and replacing maturing debt.

- 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 £8.315m in 2023/24 and £8m 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.

Capital Programme

On 2 March 2023, the council agreed a capital programme of £670.7m over the three years from 2023/24 to 2025/26 as shown below:

Capital Programme 2023/24 to 2025/26	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Housing	150,551	186,713	196,033	533,297
Non-Housing	59,370	60,142	17,902	137,414
Total	**209,921**	**246,855**	**213,935**	**670,711**

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 population – 17% under 18 years old, only 9% over 65 years old.

- Diverse population – 38% Black Asian, Mixed or other Ethnic groups with 43% White British or Irish and 19% Other White, 40% 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 in the borough.

- Economic inequality – the borough includes areas of affluence and significant deprivation, with almost every ward with 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 6th 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.

Cost of Living Crisis

In September 2022, the council declared a ‘cost of living emergency’ and pledged to use its available resources to protect the borough’s most vulnerable from the worst effects of the crisis. The cost-of-living crisis puts further pressure on Islington households who are already struggling. In Islington there are more than 11,500 families living in fuel poverty, and 27,400 people in households receiving housing benefit, universal credit or council tax support.

Businesses in Islington are faced with uncertainty over energy bills and soaring costs for services, labour, and raw materials. In addition, some businesses are already experiencing a drop in consumer spend and this may increase if households reduce discretionary spend.

The council has continued to deliver core financial and other support to residents and businesses and introduced significant new activities as a response to the cost-of-living emergency.

The council’s programme of activity comprises:

- ongoing delivery of the council’s core offer of financial and other support for residents and businesses
- maximising the effective targeting of relevant Government grants and ensuring they are rapidly distributed
- working with voluntary sectors partners to maximise the borough’s collective offer, with a particular focus on a network of warm spaces
- measures across all directorates to monitor the impact of the crisis, to help assess if our actions are making a difference and to understand and to respond to what will inevitably be a disproportionate impact on some local communities
- a communications campaign to maximise awareness and take up of the support available, including a Cost-of-Living Summit

- a new Cost-of-Living Board to coordinate this activity and ensure that the council and partners are doing all we can to support residents and businesses.

Islington Council performance and priorities

Islington Council's five strategic missions are set out in the Islington Together 2030 Plan and are included in the Introduction by the Chief Financial Officer above. These are underpinned by a number of corporate objectives, and the achievement of these are measured through corporate performance indicators. **The council's performance against its priorities will be published in due course and will be summarised in the final 2022/23 Statement of Accounts.**

Key Risks

The identification and mitigation of risks at Islington Council is a dynamic process, with risk management embedded in decision-making. The council maintains a Principal Risk Report (the corporate risk register) which identifies the key risks to achieving the council's strategic objectives, and the actions being taken to mitigate risks.

Summary of the Council's overall risk position

The council has articulated 28 principal risks as at May 2023. Seven principal risks have reduced in overall risk score since 2022, and five have increased in risk score. The council continues to operate in a heightened risk environment, with 25 risks scoring above the agreed target. Key risk themes are currently presenting as follows:

- Inflation and cost of living crisis – continued economic pressure due to inflation is a factor for many Principal Risks, most notably Financial Resilience of Residents and the New Build Programme with construction costs at a 40-year high. Social inequalities are likely to increase due to the cost-of-living crisis and put more families under financial pressure.
- Financial Resilience of the Council – While significant uncertainty remains around local authority funding from 2025/26, there has been some improvements in forecasts and more resilience built into the council's budget to address ongoing uncertainty. There continues to be a need for significant savings over the medium term and this is reflected in the Medium-Term Financial Strategy.

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

No.	Risk	Comments
1.	New Build Programme delivery - Affordability challenges slow progress in delivering new Council homes	The external economic environment, with high inflation and interest rate rises, has led to a significant increase to the cost of building new homes and increased risk of contractor withdrawal/failure. This risk is therefore presenting with an increased forward trend.

No.	Risk	Comments
2.	Declining Financial Resilience of Residents	The Council is delivering a broad programme of interventions to support residents with the cost-of-living crisis. The cost-of-living issues experienced by residents are expected to continue through 2023/24. The Council has completed significant work to mitigate the worst impacts for our low-income households, flattening the curve for those impacted and stabilising the outlook for the next twelve months.
3.	Cost of Energy	The risk profile has slightly improved as volatility in the energy markets has reduced in recent months. There remains a high level of uncertainty of energy costs beyond 2024/25 but the risk presents with a stable trend for the next twelve months.
4.	Financial Stability and Resilience	Although there are still significant financial and economic headwinds that will continue to impact the Council going forward, there has been some improvement in forecasts and more resilience added to the Council's budget to help address continued areas of uncertainty. The outlook for the next 12 months is assessed as stable.
5.	Cyber and Data Security Breach	The cyber security programme is progressing well with several key actions completed in 2022/23. However, the threat level in our external environment remains high with a continued increased forward trend.
6.	Capital Programme slippage and/or delivery failure	The external economic environment has led to a significant increase to the cost of capital projects and increased risk of contractor withdrawal/failure. Slippage therefore remains a risk. In addition to a more appropriate level of capital provision, capital delivery capability and governance remains under review to mitigate delivery failure outside of affordability issues.
7.	Youth Crime and Serious Youth Violence - risk of increased incidents	There is a continued decreasing trend in serious youth violence, but serious incidents still occur and there is an increasing complexity of need. Despite progress made in Islington in this area, this risk remains dynamic and unpredictable. The forward trend is assessed as stable.

No.	Risk	Comments
8.	Failure to challenge and address social inequalities	Equality and improved outcomes for Islington residents is at the heart of the new strategic plan Islington Together 2030. The current national economic context is likely to have a negative impact on social inequality and the risk presents with a continued increasing forward trend.
9.	Social care market instability cause provider failure or withdrawal	Providers continue to be heavily affected by the wider economic challenges such as cost of energy, inflation, recruitment and retention. Continued uncertainties around long-term funding for the sector means this risk present with an increasing forward trend.
10.	Safeguarding Adults-Failure to identify or respond to preventable harm	There is an Adult Social Care improvement plan in place which includes recommendations identified in the Safeguarding Adult Reviews. The risk presents with a continued stable trend.
11.	Climate Change Resilience and Adaptation	The net zero carbon programme is progressing well. Climate adaptation measures are being identified by each programme workstream for incorporation in action plans going forward. The risk presents with a stable trend for the next twelve months.
12.	Commissioning, procurement and contract management operating model fails to maximise value for money and social value outcomes	The Council continues to monitor suppliers' viability and ability to deliver within the agreed parameters in the challenging economic climate. Delivery of the progressive procurement strategy 2020-27 is broadly on track and the forward trend is stable.
13.	Health and Social Care Integration -Insufficient capacity and resource to meet need	The Council continues to work with local partners to embed new systems and on-going integration. Uncertainties around funding remains a challenge and the risk continue to present with an increasing forward trend.
14.	Serious Health and Safety Incident (Occupational)	There has been a concerning trend in the last twelve months of verbal and physical abuse incidents against Council staff and contractors. A programme of training and monitoring is being put in place to address this and the forward outlook over the next twelve months is assessed as stable.

No.	Risk	Comments
15.	Response & Recovery - Failure to effectively respond and recover from critical incident (organisational preparedness, resilience and business continuity)	The impact of the new Protect Duty on local authorities is not yet fully known as final details have not been published. Large scale changes to the Council's business continuity arrangements are underway to strengthen resilience in the event of a critical incidents. The forward outlook for the next twelve months is stable.
16.	Serious Health & Safety incident in housing (Including Fire Safety)	The Council is continuing to deliver its compliance action plan in line with the new Fire Safety Act and Building Safety Act requirements. It is also delivering on actions to improve handling of damp and mould cases. This risk presents with a stable forward outlook.
17.	Safeguarding Children – Safeguarding practice and provision for children and young people are ineffective	Despite an increase in complexity of need and challenging recruitment market, the service has mitigations in place for effective safeguarding provision. The risk is presenting with a stable forward trend.
18.	Diversity and Inclusion – failure to attract and retain diverse talent	Over the last year, progress has been made across a programme of activities, and directorates now have People Plans to support the recruitment and development of a diverse and inclusive workforce. This risk is presenting with a stable forward trend.
19.	Serious information breach or non-compliance with legislation	Work continues to strengthen the Council's approach in handling Freedom of Information requests and Subject Access Requests. Since the last report, there has been one serious data breach reported to the regulator ICO which was closed with no action against the Council. The risk presents with a stable forward trend.
20.	Domestic Violence Abuse – failure to provide effective practice and provision for victims	There has been a steady increase in referrals, with incidents of severe violence also on the rise. The Council has made significant investments in the service and is well placed to respond and continue to work with partner organisations to support victims. The forward risk trend is therefore assessed as stable.

No.	Risk	Comments
21.	Well managed workforce to deliver corporate priorities	The new performance management framework was launched in April 2023 and a new programme for managers will be rolled out by the end of 2023. While progress has been made, the new framework needs to be embedded before risk levels can reduce. The forward outlook is assessed as improving over the next twelve months.
22.	Pupil attainment gap - Systemic failure to promote attendance and quality provision and interventions	2022 results created a new baseline for attainment post-Covid. Overall outcomes were lower in 2022 compared to pre-pandemic results but with some results consistent or better than national averages. The Council continues to deliver its Education Plan and the forward trend remains stable.
23.	School viability and place planning - Failure to manage the demand of school places could impact the pattern of provision and schools' viability	The trend of reduced demand for school places continues, with increasing pressures on school budgets. The Council continues to implement its school organisation plan to manage place planning and is increased monitoring of school budgets. A number of Islington schools are projected to go into deficit and therefore this risk is presenting with an increased forward outlook.
24.	Change Programme Delivery – corporate governance arrangements may not be fully embedded	The Transformation Team is undergoing a restructure to support a more strategic alignment with the priorities set out in Islington Together 2030 and improved resources to support change delivery. With the new approach to programme governance, it is assessed that the risk has reduced since the last report. The forward outlook remains stable.
25.	Effective IT Transformation and Resilience	Most of the critical resilience projects have been completed, including a full power-down of 222 Upper Street data centre. This risk presents with a stable forward trend.
26.	Serious fraudulent activity	The team has increased its capacity and will develop a programme of proactive anti-fraud reviews for 2023/24. The risk exposure remains the same with a stable forward outlook.

No.	Risk	Comments
27.	Non-Recent Child Abuse – Failure to deliver support payment scheme	The support payment scheme was launched in May 2022 and has been running well over the last year. Mitigations against fraudulent claims were pro-actively addressed in the design phase of the scheme. The forward outlook is assessed as stable.
28.	Increasing homelessness pressures cause burden on Council's budget and hardship for affected residents	There is a national trend in increasing numbers of people facing homelessness. In Islington as of 31st March 2023, there were 1,029 homeless households living in temporary accommodation compared to 848 homeless households the same time in 2022. Whilst the service is managing current pressures, the rapid increase and uncertainty around future Government funding gives rise to an increasing forward trend.

Staffing

The latest available council's employee headcount (March 2023) is 4,760, a decrease of 13 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 Disability	
No	49%
Not Stated	41%
Yes	10%

Staff Breakdown by Ethnicity	
White	50%
Black	27%
Asian	9%
Not Stated	7%
Mixed	5%
Other	2%

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 2023 and of its income and expenditure for the year then ended.

David Hodgkinson
Corporate Director of Resources
XX March 2024

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	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
2022/23	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
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**
Movement in reserves during 2022/23										
Total Comprehensive Income and Expenditure	(73,209)	-	(31,911)	-	-	-	-	(105,120)	688,034	582,914
Adjustments between accounting basis & funding basis under regulations (Note 13)	33,943	-	5,178	-	7,962	(3,280)	6,208	50,011	(50,011)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(39,266)**	**-**	**(26,733)**	**-**	**7,962**	**(3,280)**	**6,208**	**(55,109)**	**638,023**	**582,914**
Transfers to/(from) Earmarked Reserves (Note 27)	37,244	(37,244)	26,733	(26,733)	-	-	-	-	-	-
Increase/ (Decrease) in 2022/23	**(2,022)**	**(37,244)**	**-**	**(26,733)**	**7,962**	**(3,280)**	**6,208**	**(55,109)**	**638,023**	**582,914**
Balance at 31 March 2023 carried forward	**28,010**	**106,044**	**17,521**	**31,504**	**49,988**	**921**	**24,807**	**258,795**	**4,038,503**	**4,297,298**

The General Fund carried forward balance of £28.010m comprises of £21.718m General Fund balances and £6.292m of school reserves as shown in the Expenditure and Funding Analysis footnote (Note 11).

Movement in Reserves	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
2021/22	£'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**

*General Fund carried forward balance of £30.032m comprises of £21.718m General Fund balances and £8.314m of school reserves as shown in the expenditure and Funding analysis footnote (note 11).

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.

2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	2022/23 Gross Expenditure £'000	2022/23 Gross Income £'000	2022/23 Net Expenditure £'000	Notes
129,014	(52,392)	76,622	Adult Social Care	135,961	(53,367)	82,594	
146,650	(53,492)	93,158	Children and Young People (excluding Schools)	133,702	(39,426)	94,276	
169,490	(160,620)	8,870	Schools	189,794	(177,134)	12,660	
91,799	(71,155)	20,644	Environment and Climate Change	98,351	(68,938)	29,413	
33,648	(17,984)	15,664	Homes and Neighbourhoods	32,819	(19,976)	12,843	
34,273	(33,839)	434	Public Health	35,578	(34,693)	885	
7,871	(842)	7,029	Community Engagement and Wellbeing	11,576	(621)	10,955	
42,965	(26,536)	16,429	Community Wealth Building	55,702	(34,860)	20,842	
2,268	(318)	1,950	Chief Executive	2,853	(127)	2,726	
184,821	(154,424)	30,397	Resources	196,074	(154,291)	41,783	
27,410	(13,143)	14,267	Corporate Items	15,904	(723)	15,181	
208,306	(227,874)	(19,568)	Housing Revenue Account (HRA)	291,392	(230,778)	60,614	
1,078,515	**(812,619)**	**265,896**	**Net Cost of Services**	**1,199,706**	**(814,934)**	**384,772**	
16,688	(28,042)	(11,354)	Other Operating expenditure	17,000	(33,408)	(16,408)	**14**
47,690	(9,638)	38,052	Financing and investment income and expenditure	49,423	(6,980)	42,443	**15**
1	(287,810)	(287,809)	Taxation and non-specific grant income	1	(305,688)	(305,687)	**16**
1,142,894	(1,138,109)	**4,785**	**(Surplus) or Deficit on Provision of Services**	1,266,130	(1,161,010)	**105,120**	
		(210,614)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			71,924	**17**
		(7)	(Surplus) or deficit from investments in equity instruments designated at fair value			18	**28**
		(124,292)	Actuarial (gains) or losses on pension assets / liabilities			(759,976)	**28**
		(334,913)	**Other Comprehensive Income and Expenditure**			**(688,034)**	
		(330,128)	**Total Comprehensive income and Expenditure**			**(582,914)**	

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 2022 *£'000*	Balance Sheet	31 March 2023 *£'000*	Notes
5,019,138	Property, Plant & Equipment	4,941,918	17
487	Heritage Assets	487	
39,259	Investment Property	43,640	18
10,795	Long-Term Investments	10,721	22
6,724	Long-Term Debtors & Prepayments	6,158	25
5,076,403	**Total Long-Term Assets**	**5,002,924**	
95,661	Short-Term Investments	30,676	22
476	Short-Term Assets Held for Sale	1,439	
1,205	Inventories	1,769	
107,147	Short-Term Debtors	133,894	25
20,501	Cash and Cash Equivalents	13,651	29
224,990	**Total Current Assets**	**181,429**	
(182,646)	Short-Term Creditors	(191,746)	24
(31,803)	Short-Term Borrowing	(46,007)	22
(5,788)	Cash and Bank Overdrawn	(26,615)	29
(27,341)	Short-Term Provisions	(21,439)	26
(59,747)	Short-Term Grants Receipts in Advance	(24,899)	37
(307,325)	**Total Current Liabilities**	**(310,707)**	
(12,154)	Long-Term Provisions	(19,549)	26
(245,604)	Long-Term Borrowing	(242,481)	22
(916,793)	Liability Related to Defined Benefit Pensions Scheme	(219,084)	35
(81,841)	Other Long-Term Liabilities	(74,591)	22
(23,292)	Long-Term Grants Receipts in Advance	(20,643)	37
(1,279,684)	**Total Long-Term Liabilities**	**(576,348)**	
3,714,384	**Net Assets**	**4,297,298**	
313,904	Usable Reserves	258,795	MIRS
3,400,480	Unusable Reserves	4,038,503	28
3,714,384	**Total Reserves**	**4,297,298**	

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.

2021/22 *£'000*	Cash Flow Statement	2022/23 *£'000*
(4,786)	**Net surplus or (deficit) on the provision of services**	**(105,120)**
165,057	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	92,051
(59,338)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(76,855)
100,934	**Net cash flows from Operating Activities (Note 30)**	**(89,924)**
(4,231)	Investing Activities (Note 31)	(17,011)
(88,879)	Financing Activities (Note 32)	79,258
7,824	**Net increase or (decrease) in cash and cash equivalents**	**(27,677)**
6,889	Cash and Cash equivalents at the beginning of the reporting period	14,713
14,713	**Cash and cash equivalents at the end of the reporting period (Note 29)**	**(12,964)**

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 2023. 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 4.8% (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. 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 2023/24 (the Code) requires an authority to disclose information in the 2022/23 financial statements about new accounting standards that have been issued but not yet adopted. The following new standards have been issued and will be adopted in 2023/24:

Definition of Accounting Estimates (Amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*) issued in February 2021	This amendment clarifies what accounting estimates are (monetary amounts in financial statements that are subject to measurement uncertainty) and confirms that changes in estimates resulting from new information or new developments are not corrections of errors.
Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements*, and IFRS Practice Statement 2) issued in February 2021	This amendment changes the requirement for the disclosure of significant accounting policies to one about material accounting policy information – i.e. that which users might require to understand other material information in the financial statements. The following criteria might indicate that accounting policy information is material: • a policy has changed with material effect • the policy has been chosen from a number of options in the Code • the policy has been developed in the absence of relevant IFRS/Code specifications • the policy requires significant judgements or assumptions in its application • the required accounting is complex (e.g. where different parts of the Code have been applied to a class of transactions)

None of these changes in accounting requirements for 2023/24 are anticipated to have a material impact on the council's financial performance or financial position.

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 for 2021/22 audited accounts was £0.970m, and gross assets and liabilities of £1.815m and £1.633m respectively. None of its income was from the council, however the amounts owed to the council for services for the year related to 2021/22 is £733k. ICo is not consolidated into the council's group accounts on grounds of materiality.

- PFI Accounting: The council has deemed five 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 2023 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 £40m. 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 (see Note 17) to provide up to date assessments using accepted valuation bases and methods.

In the 2022/23 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 Comprehensive Income and Expenditure Statement.

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), now the Department for Levelling Up, Housing and Communities (DLUHC). 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 one percentage point change in the Adjustment factor would change the valuation of Housing Stock, by £137m, and if the value of dwellings were to reduce by 1% this would lead to a reduction in value of about £34m.

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 2022/23							
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*
3,198	(584)	(550)	(582)	(372)	(483)	(672)	(3,198)

6. Pooled Budgets

The council is involved in a partnership with the North Central London Integrated Care Board (NCL ICB) 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 2022/23, seven 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) 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.

3) 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.

4) 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.

5) 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.

6) 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.

7) 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) to 5) and Camden & Islington NHS Foundation Trust is the host party for arrangement 6). The Better Care Fund is hosted by NCL ICB for arrangement 7). The NCL ICB replaced the Islington Clinical Commissioning Group (Islington CCG) in July 2022.

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 2022/23	Gross Expenditure	Islington Council Contribution	North Central London Integrated Care Board Contribution	Camden & Islington NHS Foundation Trust Contribution	Whittington Hospital NHS Trust Contribution	Total Contributions
	£'000	£'000	£'000	£'000	£'000	£'000
Learning Disabilities Pooled Fund	45,637	(38,128)	(7,509)	-	-	(45,637)
Integrated Community Equipment Services Pooled Fund	1,926	(883)	(580)	-	(463)	(1,926)
Mental Health Commissioning Adult Mental Health Care	6,922	(4,382)	(2,540)	-	-	(6,922)
Carers Pooled Fund	1,057	(962)	(95)	-	-	(1,057)
MHCOP Pooled Fund	7,991	(4,198)	(3,793)	-	-	(7,991)
Mental Health Care Trust Pooled Fund	14,290	(2,611)	-	(11,679)	-	(14,290)
Better Care Fund	39,249	(18,099)	(21,150)	-	-	(39,249)
Totals	**117,072**	**(69,263)**	**(35,667)**	**(11,679)**	**(463)**	**(117,072)**

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)**

7. Members' Allowances

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

2021/22 £'000	Members' Allowances	2022/23 £'000
535	Basic Allowance	647
398	Special Responsibility Allowance	489
5	Other Allowances	4
938	**Total**	**1,140**

8. Officers' Remuneration

Senior officers' remuneration

The tables below show senior officers' remuneration in 2022/23 and 2021/22.

Senior officers' remuneration for 2022/23 Post	Salary (Including fees & allowances) £	Other Payments £	Election Expenses £	Total Remuneration excluding pension contributions £	Employer's Pension contributions £	Total Remuneration including pension contributions £
Chief Executive - L Roberts-Egan	194,864	-	9,155	204,019	28,450	232,469
Corporate Director of Resources - D Hodgkinson	155,960	-	622	156,582	22,770	179,352
Corporate Director of Environment and Climate Change	145,529	-	289	145,818	21,247	167,065
Corporate Director of Children and Young People (iv)	141,487	-	-	141,487	20,657	162,144
Corporate Director of Community Wealth Building	140,087	-	289	140,376	20,453	160,829
Corporate Director of Community Engagement and Wellbeing (iii)	134,729	-	289	135,018	19,670	154,688
Corporate Director of Homes & Neighbourhoods (i)	55,440	-	-	55,440	8,094	63,534
Corporate Director of Homes & Neighbourhoods (i)	75,811	-	289	76,100	11,486	87,586
Director of Public Health (ii)	117,624	-	-	117,624	16,914	134,538
Director of Adult Social Care	115,943	-	-	115,943	16,928	132,871
Total	**1,277,474**	**-**	**10,933**	**1,288,407**	**186,669**	**1,475,076**

(i) The previous Corporate Director of Homes and Neighbourhoods left on 30 October 2022. The current post holder has been seconded to this post from the 17 October 2022.

(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.

(iii) This post was renamed from Corporate Director of Fairer Together in February 2023.

(iv) This post was covered by the Corporate Director for People in 21/22.

Senior officers' remuneration for 2021/22 Post	Salary (Including fees & allowances) £	Other Payments £	Election Expenses £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
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 and Change	88,209	55,819	-	144,028	12,879	156,907
Corporate Director of Homes and 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 post from June 2021, 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.

There were no payments for Senior Officers in interim posts in 2022/23.

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 in the above table is the amount paid to the agency for the interim post holder and does not necessarily represent the remuneration which the interim post holder 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	2021/22 Schools No of employees	2022/23 Schools No of employees	2021/22 Other No of employees	2022/23 Other No of employees
£50,000 - £54,999	103	94	239	367
£55,000 - £59,999	48	69	163	193
£60,000 - £64,999	38	35	107	141
£65,000 - £69,999	8	19	59	89
£70,000 - £74,999	15	15	30	43
£75,000 - £79,999	16	9	26	32
£80,000 - £84,999	9	12	10	13
£85,000 - £89,999	4	5	11	9
£90,000 - £94,999	1	2	10	10
£95,000 - £99,999	5	4	3	11
£100,000 - £104,999	4	4	3	3
£105,000 - £109,999	-	2	5	1
£110,000 - £114,999	2	-	6	6
£115,000 - £119,999	1	1	5	4
£120,000 - £124,999	-	-	4	6
£125,000 - £129,999	-	1	2	1
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	1	1
£145,000 - £149,999	-	-	-	-
over £150,000	-	-	-	-
Total	**254**	**272**	**684**	**930**

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, Islington Council is not the employer, so these staff are excluded from the numbers in the table above.

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.

The Council conducted a significant voluntary redundancy scheme that resulted in an unusually large number of redundancies in the 2022/23 financial year.

Exit Package cost band	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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
							£'000	£'000
£0 - £20,000	-	15	29	94	29	109	246	807
£20,001 - £40,000	-	5	4	38	4	43	114	1,191
£40,001 - £60,000	1	2	1	10	2	12	97	604
£60,001 - £80,000	-	-	2	4	2	4	143	260
£80,001 - £100,000	-	-	2	2	2	2	196	171
£100,001 - £150,000	1	-	2	7	3	7	401	881
£150,001 - £200,000	1	-	-	2	1	2	162	388
£200,001 - £500,000	1	-	-	6	1	6	421	1,736
Total	**4**	**22**	**40**	**163**	**44**	**185**	**1,780**	**6,038**
Other costs associated with termination benefits							88	109
Total termination benefits							**1,868**	**6,147**

(i) The numbers above include 36 people who have a total provision in the accounts of £2.538m for exit packages agreed but not paid as at 31 March 2023.

(ii) The figures above include redundancy payments, as well as other termination benefits such as settlement agreements and payments in lieu of notice.

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 £109k other costs associated with termination benefits in 2022/23 relate to additional costs incurred in respect of exit packages reported in the previous financial year.

The main reason for the total number and cost of exit packages being higher in 2022/23 compared to 2021/22 was the voluntary redundancy scheme that operated in 2022/23 to help deliver business efficiency savings in future financial years.

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 and housing benefits).

Grants received from government departments in 2022/23 and grant balances held in receipts in advance are shown in Note 37.

Members and Chief Officers

Members of the council and chief 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. The total of members allowances paid in 2022/23 is shown in Note 7.

The related parties disclosure note has been prepared using declarations of interest completed by members and chief 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.

Pension Fund

The council is the administering authority of the London Borough of Islington Pension Fund. The council charged the Pension Fund £1.4m for expenses incurred in administering the Pension Fund which is included within the Statement of Accounts.

They are included in the table below.

Related Parties Organisation	Nature of Relationship	Income 2022/23 £'000	Expenditure 2022/23 £'000	Amounts owed (by)/to Islington Council 31 March 2023 £'000
Members/Senior Officers				
Voluntary organisations, charities and community groups	Members and senior officers are involved in management of voluntary organisations, charities and community groups which transacts with Islington Council.	(208)	852	70
Housing Associations	One Member is employed as a manager for a housing association which transacts with Islington Council.	2	1	4
Universities, Colleges & Schools	Thirteen Members are employed or involved in the management of universities, colleges or schools which transact with Islington Council.	(2,374)	1,285	4,983
Other Public Bodies				
NHS organisations	Four Members are involved in the management of or are employed by NHS organisations which transact with the council. Note 6 shows the transactions and balances relating to partnerships with local NHS bodies under Section 75 of the National Health Service Act 2006 (Pooled Budgets).	(4,072)	21,912	3,144
Local authorities	Islington Council transacts with other local authorities. Camden Council and City of London Corporation are the main authorities that Islington Council transacts with.	(5,712)	4,869	1,007
North London Waste Authority	Two Members participate as board members of this organisation which transacts with Islington Council.	(1,694)	7,119	2,628
Other Public Bodies	Members and senior officers hold positions of influence in public organisations which transact with Islington Council.	(37)	103	-
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.	-	16,089	(52)
Angel Business Improvement District	One Member is a Director (unpaid) on the board of the Angel Business Improvement District located in Angel. Islington Council facilitates the collection of the BID levy annually on behalf of the BID. The BID levy is not included in this table.	(540)	580	256
Lee Valley Regional Park Authority	One Member is a Council appointed representative (unpaid) for this organisation. Islington Council partly funds this organisation through an annual levy payment.	-	142	-
Subsidiaries	Islington Ltd is a wholly owned subsidiary of Islington Council. One member is the only current Director of this organisation.	(376)	-	1,726
Other Related Parties				
Private Companies	One Member is involved with a limited company which has financial transactions with Islington Council. One Member's relative is involved with a limited company which has financial transactions with Islington Council.	(2)	-	-
London Borough of Islington Pension Fund	As the administrator of the Pension Fund, Islington Council has direct control of the Pension Fund. Expenditure includes employer contributions for the Local Government Pension Scheme. The Council charged the Pension Fund £1.4m for expenses incurred in administering the Pension Fund.	(1,438)	31,416	(841)

10. Fees payable to the Appointed Auditor

In 2022/23, Islington Council incurred the following fees relating to external audit:

2021/22 £'000	Fees Payable to the Appointed Auditor	2022/23 £'000
Audit Services		
252	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	229
41	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	50
-	Fees payable in respect of non-audit services provided by the appointed auditor during the year	-

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.

2021/22 Net Expenditure Chargeable to the General Fund and HRA Balances	2021/22 Adjustments between the Funding and Accounting Basis	2021/22 Net Expenditure in the Comprehensive Income and Expenditure Statement	Expenditure and Funding Analysis	2022/23 Net Expenditure Chargeable to the General Fund and HRA Balances	2022/23 Adjustments between the Funding and Accounting Basis	2022/23 Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	*£'000*	*£'000*		*£'000*	*£'000*	*£'000*
72,792	3,830	76,622	Adult Social Care	78,555	4,039	82,594
83,144	10,014	93,158	Children and Young People (excluding Schools)	83,079	11,196	94,276
(3,920)	12,790	8,870	Schools	1,627	11,033	12,660
(5,607)	26,251	20,644	Environment and Climate Change	4,198	25,215	29,413
3,758	11,906	15,664	Homes and Neighbourhoods	4,834	8,009	12,843
(221)	655	434	Public Health	190	695	885
6,047	982	7,029	Community Engagement and Wellbeing	8,895	2,060	10,955
12,728	3,701	16,429	Community Wealth Building	14,524	6,318	20,842
1,514	436	1,950	Chief Executive	2,284	442	2,726
25,424	4,973	30,397	Resources	35,738	6,045	41,783
(209,584)	223,851	14,267	Corporate Items	(194,658)	209,839	15,181
33,271	(52,839)	(19,568)	Housing Revenue Account	26,733	33,881	60,614
19,346	**246,550**	**265,896**	**Net Cost of Services**	**65,999**	**318,773**	**384,772**
-	(261,111)	(261,111)	Other Income and Expenditure	-	(279,652)	(279,652)
19,346	**(14,561)**	**4,785**	**(Surplus) or Deficit**	**65,999**	**39,121**	**105,120**
(276,253)			Opening General Fund and HRA Balance	(249,078)		
19,346			Less Deficit on General Fund and HRA Balance in Year	65,999		
7,829			Transfer from General Fund Earmarked Reserves to Capital Grants unapplied			
(249,078)			**Closing General Fund and HRA Balance**	**(183,079)**		

31 Mar 21		31 Mar 22	General Fund and HRA Balances	31 Mar 22		31 Mar 23
(16,664)	(5,054)	(21,718)	General Fund Balance	(21,718)	-	**(21,718)**
(140,451)	(2,837)	(143,288)	General Fund Earmarked Reserves	(143,288)	37,244	**(106,044)**
(10,109)	1,795	(8,314)	Schools	(8,314)	2,022	**(6,292)**
(17,521)	-	(17,521)	HRA Balance	(17,521)	-	**(17,521)**
(91,508)	33,271	(58,237)	HRA Earmarked Reserves	(58,237)	26,733	**(31,504)**
(276,253)	**27,175**	**(249,078)**	**Total**	**(249,078)**	**65,999**	**(183,079)**

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 Care	547	3,496	-	(4)	4,039
Children and Young People (excluding Schools)	600	10,471	-	126	11,196
Schools	2,378	8,536	-	119	11,033
Environment and Climate Change	16,718	8,529	-	(32)	25,215
Homes and Neighbourhoods	6,795	1,201	-	13	8,009
Public Health	-	701	-	(6)	695
Community Engagement and Wellbeing	-	1,976	-	84	2,060
Community Wealth Building	1,773	4,487	-	59	6,318
Chief Executive	-	433	-	9	442
Resources	-	5,986	-	58	6,045
Corporate	(30,616)	18,421	250,949	(28,915)	209,839
Housing Revenue Account	51,124	(10,927)	28,703	(35,019)	33,881
Net Cost of Services	**49,319**	**53,310**	**279,652**	**(63,508)**	**318,773**
Other Income and Expenditure	-		(279,652)	-	(279,652)
(Surplus) or Deficit	**49,319**	**53,310**	-	**(63,508)**	**39,121**

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:

2021/22 £'000	Expenditure and Income Analysed by Nature	2022/23 £'000
	Expenditure	
421,190	Employee expenses	461,760
587,244	Other service expenses	605,520
58,209	Depreciation	61,571
16,908	Revaluation (Gains) / Losses & Impairments	73,998
42,598	Interest expenses	46,280
7,718	Precepts & levies	7,955
3,781	Payments to the government Housing Capital Receipts Pool	-
5,246	Disposal of assets	9,045
1,142,894	**Total Expenditure**	**1,266,129**
	Income	
(369,429)	Fees, charges and other service income	(384,932)
(884)	Interest and investment income	(1,663)
(28,042)	Proceeds from the sale of assets	(33,408)
(172,463)	Income from council tax and non-domestic rates	(186,137)
(567,291)	Government grants and contributions	(554,869)
(1,138,108)	**Total Income**	**(1,161,009)**
4,785	**(Surplus) or Deficit on the Provision of Services**	**105,120**

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.

2022/23	**Usable Reserves**					
Adjustments between Account Basis and Funding Basis under Regulations	**General Fund** *£'000*	**Housing Revenue Account** *£'000*	**Capital Receipts Reserve** *£'000*	**Major Repairs Reserve** *£'000*	**Capital Grants Unapplied** *£'000*	**Movement in Unusable Reserves** *£'000*
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	(26,362)	(35,209)	-	-	-	61,571
Revaluation gains / losses on Property Plant and Equipment	4,084	(78,082)	-	-	-	73,998
Impairment of Property Plant and Equipment	-	-	-	-	-	-
Movement in the fair value of Investment Properties	1,496	2,052	-	-	-	(3,548)
Capital grants and contributions applied	6,489	29,449	-	-	-	(35,938)
Revenue expenditure funded from capital under statute	(6,754)	(5,218)	-	-	-	11,972
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	-	(8,864)	-	-	-	8,864
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	3,767	-	-	-	-	(3,767)
Repayment of lease / PFI liabilities	2,668	804	-	-	-	(3,472)
Capital expenditure charged against the General Fund and HRA	-	19,776	-	-	-	(19,776)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,560	-	-	-	(7,560)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,352	(1,352)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,035	24,374	(33,409)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	25,061	-	-	(25,061)
Use of capital receipts to fund disposal costs	(181)	(205)	386	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the government Housing Capital Receipts Pool	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-

2022/23 **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	-	35,208	-	(35,208)	-	-
Additional Contributions from the HRA	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	38,488	-	(38,488)
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	(101,331)	(14,660)	-	-	-	115,991
Employer's pensions contributions and direct payments to pensioners payable in the year	37,095	25,588	-	-	-	(62,683)
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	28,920	-	-	-	-	(28,920)
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	(429)	(191)	-	-	-	620
Total Adjustments	**(33,943)**	**(5,178)**	**(7,962)**	**3,280**	**(6,208)**	**50,011**

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**

14. Other Operating Expenditure

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

2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000	Other Operating Expenditure	2022/23 Gross Expenditure £'000	2022/23 Gross Income £'000	2022/23 Net Expenditure £'000
7,717	-	7,717	Levies	7,955	-	7,955
3,782	-	3,782	Payments to the Government Housing Capital Receipts Pool	-	-	-
5,189	(28,042)	(22,853)	Gains/Loss on the disposal of non-current assets	9,045	(33,408)	(24,363)
16,688	**(28,042)**	**(11,354)**	**Total**	**17,000**	**(33,408)**	**(16,408)**

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.

2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000	Financing and Investment Income and Expenditure	2022/23 Gross Expenditure £'000	2022/23 Gross Income £'000	2022/23 Net Expenditure £'000
26,626	-	26,626	Interest payable and similar charges	23,421	-	23,421
20,097	-	20,097	Net interest on the net defined benefit liability	25,603	-	25,603
-	(884)	(884)	Interest Receivable and similar Income	-	(1,663)	(1,663)
910	(8,754)	(7,844)	Income and expenditure in relation to investment properties and changes in the fair value	400	(5,318)	(4,918)
57	-	57	Gains/Losses on the disposal of investment properties	-	-	-
47,690	**(9,638)**	**38,052**	**Total**	**49,424**	**(6,981)**	**42,443**

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.

2021/22 Gross Income £'000	Taxation and Non-Specific Grant Income	2022/23 Gross Income £'000
(103,388)	Council Tax Income	(106,152)
(69,074)	Business Rates Income	(79,985)
(2,798)	Business Rates Top Up Grant	(2,798)
(24,590)	Revenue Support Grant	(25,347)
(56,641)	Non-Specific Grants	(48,125)
(256,491)	**Taxation and Non-Specific Revenue Grant Income**	**(262,407)**
(31,318)	Capital grants and contributions	(43,280)
(287,809)	**Total**	**(305,687)**

17. Property, Plant and Equipment

Movement in Property, Plant and Equipment – 2022/23	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 2022	**3,546,481**	**1,186,737**	**46,740**	**14,625**	**193**	**96,056**	**4,890,832**	**446,562**
Additions	77,925	7,586	4,501	-	-	40,200	**130,212**	-
Depreciation written out to Gross amount on revaluation	(32,454)	(12,092)	-	-	(89)	-	**(44,635)**	(4,773)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(127,315)	54,902	-	-	489	-	**(71,924)**	21,641
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(76,400)	2,402	-	-	-	-	**(73,998)**	334
Derecognition - Disposals	(8,591)	-	(270)	-	-	-	**(8,861)**	(87)
Derecognition - Other	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale and Investment Properties	(1,317)	-	-	-	-	(831)	**(2,148)**	-
Other movements in cost or valuation	51,992	(5,131)	54	-	6,041	(52,956)	**-**	(214,615)
As at 31 March 2023	**3,430,319**	**1,234,404**	**51,025**	**14,625**	**6,634**	**82,469**	**4,819,478**	**249,062**
Accumulated Depreciation and Impairment								
As at 31 March 2022	**1**	**(366)**	**(19,769)**	**(81)**	**-**	**-**	**(20,215)**	**(538)**
Depreciation charge	(32,537)	(12,184)	(4,424)	-	-	-	**(49,145)**	(4,775)
Depreciation written out to Gross amount on revaluation	32,454	12,092	-	-	89	-	**44,635**	4,773
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**	-
Derecognition - Disposals	83	-	270	-	-	-	**353**	2
Derecognition - Other	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	-	-	-	-	-	**-**	-
Other movements in depreciation and impairment	-	89	-	-	(89)	-	**-**	-
As at 31 March 2023	**1**	**(369)**	**(23,923)**	**(81)**	**-**	**-**	**(24,372)**	**(538)**
Net Book Value as at 31 March 2023	**3,430,320**	**1,234,035**	**27,102**	**14,544**	**6,634**	**82,469**	**4,795,106**	**248,524**

* PFI other movements represent the transfer of Housing PFI 2 contract, expired July 2022.

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**

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	PFI Assets Included in Infrastructure	Infrastructure Assets	PFI Assets Included in Infrastructure
	2021/22	2021/22	2022/23	2022/23
	£'000	*£'000*	*£'000*	*£'000*
Net Book Value (Modified Historical Cost)				
As at 1 April	**150,011**	**6,313**	**148,521**	**5,611**
Additions	7,190	-	10,718	-
Derecognition	-	-	-	-
Depreciation	(12,404)	(702)	(12,427)	(702)
Impairment	-	-	-	-
Other movements in cost	3,724	-	-	-
Net Book Value at 31 March	**148,521**	**5,611**	**146,812**	**4,909**

	2021/22	2022/23
	£'000	£'000
Infrastructure Assets	148,521	146,812
Other PPE Assets	4,870,617	4,795,106
Total PPE Assets	**5,019,138**	**4,941,918**

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 2022/23 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	**-**	**-**	**27,102**	**146,812**	**14,545**	**-**	**82,468**	**270,927**
Valued at fair value as at:								
31 March 2023	3,430,322	1,234,023	-	-	-	6,634	-	4,670,979
31 March 2022	-	-	-	-	-	-	-	-
31 March 2021	-	-	-	-	-	-	-	-
31 March 2020	-	12	-	-	-	-	-	12
Total Cost or Valuation	**3,430,322**	**1,234,035**	**27,102**	**146,812**	**14,545**	**6,634**	**82,468**	**4,941,918**

Capital Commitments

As at 31 March 2023, 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 £67m. Similar commitments as at 31 March 2022 were £90m. The commitments are:

31 March 2022 *£'000*	Capital Commitments	31 March 2023 *£'000*
	Housing Commitments:	
72,073	New Builds	32,867
17,771	Major Works	29,888
	Other Commitments:	
-	Community Wealth Building	3,920
89,844	**Total**	**66,675**

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:

2021/22 £'000	Investment Properties	2022/23 £'000
(2,062)	Rental income from investment property	(1,656)
868	Direct operating expenses arising from investment property	286
(1,194)	**Net (gain)/loss**	**(1,370)**

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:

2021/22 £'000	Movement in fair value of Investment Properties	2022/23 £'000
32,632	**Balance at start of the year**	**39,259**
-	Subsequent expenditure	3
(57)	Disposals	-
6,650	Net gains/(losses) from fair value adjustments	3,548
33	Transfers (to)/from Property, Plant and Equipment	830
39,258	**Balance at end of the year**	**43,640**

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 2022 £'000	Fair Value Measurements	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2023 £'000
-	39,259	-	39,259	Investment Properties	-	43,640	-	43,640
-	193	-	193	Surplus assets	-	6,634	-	6,634
-	476	-	476	Assets Held for Sale	-	1,439	-	1,439
-	**39,928**	**-**	**39,928**	**Fair value as at 31 March**	**-**	**51,713**	**-**	**51,713**

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 17 assets acquired under such leases carried on the Balance Sheet at the following net amounts:

31 March 2022 £'000	Leased Assets	31 March 2023 £'000
	Property, Plant and Equipment:	
89,218	- Other Land and Buildings	92,079
2,257	- Community Assets	2,257
	- Surplus	579
6,023	Investment Properties	6,008
97,498	**Total**	**100,923**

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 2022 £'000	Minimum Lease Payments	31 March 2023 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
3	- Payable within one year	3
365	- Payable after one year	362
870	Finance costs payable in future years	846
1,238	**Total minimum lease payments**	**1,211**

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

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	
	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
Not later than one year	3	3	26	26
Later than one year and not later than five years	14	15	107	106
Later than five years	351	347	1,105	1,079
Total	**368**	**365**	**1,238**	**1,211**

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 2022/23 contingent rents payable by the council in respect of finance leases totalled £0.34m (£0.37m in 2021/22).

Operating Leases

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

31 March 2022 £'000	Operating Leases (Lessee)	31 March 2023 £'000
872	Not later than one year	308
678	Later than one year and not later than five years	362
203	Later than five years	113
1,753	**Total**	**783**

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 2022 £'000	Operating Leases (Lessor)	31 March 2023 £'000
4,799	Not later than one year	5,165
32,075	Later than one year and not later than five years	34,707
19,513	Later than five years	13,606
56,387	**Total**	**53,478**

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 2022/23 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 five 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. 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.

3. 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.

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

5. 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
Care Homes	April 2003	March 2030	133
Schools (1)	July 2008	January 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 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**
Net Book Value at 1 April 2022	**356,722**	**89,298**	**5,611**	**451,631**
Additions	-	-	-	**-**
Depreciation & Impairment	(3,002)	(1,773)	(702)	**(5,477)**
Revaluation	8,599	13,375	-	**21,974**
Disposal	(85)	-	-	**(85)**
Other*	(214,615)	-	-	**(214,615)**
Net Book Value at 31 March 2023	**147,619**	**100,900**	**4,909**	**253,428**
Movement in liabilities resulting from PFI or similar contracts:				
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)**
Value at 1 April 2022	**(16,803)**	**(59,361)**	**(6,198)**	**(82,362)**
New liability incurred	-	-	-	-
Repayments made in year	804	2,979	814	**4,597**
Value at 31 March 2023	**(15,999)**	**(56,382)**	**(5,384)**	**(77,765)**

* PFI other movements represent the transfer of Housing PFI 2 contract, expired July 2022

The projected payments under the agreements are as follows:

Contracted payments due within:		1 year £ '000	2-5 years £ '000	6-10 years £ '000	11-15 years £ '000
Care Homes					
	Liability	427	2,047	2,112	
	Interest	347	1,048	209	
	Service Charges	4,614	19,637	16,054	
Street Lighting					
	Liability	780	4,074	96	
	Interest	473	1,054	9	
	Service Charges	1,954	7,985	179	
Housing (1)					
	Liability	463	2,356	13,179	
	Interest	2,062	7,583	5,652	
	Service Charges	12,737	56,681	67,181	
BSF Phase 1					
	Liability	1,956	9,080	13,326	4,718
	Interest	1,821	5,983	4,076	382
	Service Charges	2,149	9,228	15,895	4,507
BSF Phase 2					
	Liability	828	4,310	7,804	10,641
	Interest	2,217	7,997	7,283	3,088
	Service Charges	1,589	6,550	9,729	11,664

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). This is a measure of the capital expenditure incurred historically by the council that has yet to be financed.

2021/22 £'000	Capital Expenditure and Sources of Capital Financing	2022/23 £'000
703,721	**Opening Capital Financing Requirement**	**709,796**
	Capital Investment	
115,213	Property, Plant & Equipment and Infrastructure Assets	140,930
13,057	Investment Properties / REFCUS / Other	11,975
	Sources of Finance	
(962)	Capital Receipts	(25,058)
(25,617)	Capital grants & Other contributions	(37,289)
(33,445)	Major Repairs Reserve	(38,490)
(46,604)	Capital expenditure charged in-year to revenue accounts	(19,776)
	Debt Repayment	
(3,222)	Statutory provision for the repayment of debt	(3,767)
(12,345)	Repayment of PFI / lease liabilities	(3,472)
709,796	**Closing Capital Financing Requirement**	**734,849**
	Explanation of Movements in Year	
(6,075)	(Increase)/ decrease in underlying need to borrow	(25,053)
(6,075)	**(Increase)/ decrease in Capital Financing Requirement**	**(25,053)**

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 2023 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 2022 *£'000*	31 March 2023 *£'000*	31 March 2022 *£'000*	31 March 2023 *£'000*
Financial Assets				
At amortised cost:				
- Principal	10,716	10,640	95,526	30,228
- Accrued interest	-	-	135	448
- Loss allowance	(20)	-	-	-
At fair value through profit & loss:				
- Equity investments elected FVOCI	99	81	-	-
Total investments*	10,795	10,721	95,661	30,676
At amortised cost:				
- Principal	-	-	20,501	13,651
Total Cash and Cash Equivalents	-	-	20,501	13,651
Loans and receivables:				
- Trade receivables	7,626	7,050	105,351	127,307
- Loss allowance	(902)	(892)	(20,393)	(21,355)
Included in Debtors**	6,724	6,158	84,958	105,952
Total Financial Assets	**17,519**	**16,879**	**201,120**	**150,279**

* The total short-term investments include £476k (2021/22: £161k) representing accrued interest and principal repayments due within 12 months on long-term investments.

** The debtors lines on the Balance Sheet include £27.942m (2021/22: £22.189m) debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

Categories of Financial Instruments	Long-term 31 March 2022 £'000	Long-term 31 March 2023 £'000	Short-term 31 March 2022 £'000	Short-term 31 March 2023 £'000
Financial Liabilities				
Loans at amortised cost:				
- Principal sum borrowed	245,604	242,481	28,668	43,062
- Accrued interest	-	-	3,135	2,945
Total borrowings *	245,604	242,481	31,803	46,007
Loans at amortised cost:				
- Bank overdrawn	-	-	5,788	26,615
Total Cash Overdrawn	-	-	5,788	26,615
Liabilities at amortised cost:				
- PFI and finance lease liabilities	78,126	73,669	4,600	4,458
- Other	-	-	-	-
Total Other Long & Short-Term Liabilities***	78,126	73,669	4,600	4,458
Liabilities at amortised cost:				
- Trade payables	-	-	48,453	40,709
Included in Creditors**	-	-	48,453	40,709
Total Financial Liabilities	**323,730**	**316,150**	**90,644**	**117,789**

* The total short-term borrowing includes £26.006m (2021/22: £21.803m) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

** The creditors lines on the Balance Sheet include £151.038m (2021/22: £134.193m) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

*** Other long-term liabilities in the Balance Sheet of £74.591m (2021-22: £81.841m) include £921k (2021-22: £3.715m) of liabilities that do not meet the definition of a financial instrument. These are excluded from the figure of £73.669m (2021-22: £78.126m) in the table above.

Soft Loans

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2022/23 Code of Practice sets out specific accounting requirements for soft loans. The main soft loans consist of season ticket loans £51k, Cycle scheme loans £125k, gym membership loans £261k and home computer loans £765k. 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's deemed immaterial.

Equity instruments elected to fair value through other comprehensive income

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

Equity Instruments at fair value through other comprehensive income	Fair Value		Dividends	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000s	£000s	£000s	£000s
Islington Limited	-	-	-	-
Transform Islington Phase 1 Holdings Limited	-	-	9	-
Transform Islington Phase 2 Holdings Limited	-	-	23	1
Transform Islington Limited	81	99	-	-
Total	**81**	**99**	**32**	**1**

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	Total 2022/23	Total 2021/22
	£'000	£'000	£'000	£'000	£'000
Interest expense	(20,681)	-	-	(20,681)	(22,508)
Impairment losses	-	(5,590)	-	(5,590)	(4,125)
Interest payable and similar charges	**(20,681)**	**(5,590)**	**-**	**(26,271)**	**(26,633)**
Interest income	-	1,543	-	1,543	760
Dividend income	-	-	120	120	124
Impairment loss reversals	-	2,689	-	2,689	-
Interest and investment income	**-**	**4,232**	**120**	**4,352**	**884**
Net impact on surplus/deficit on provision of services	**(20,681)**	**(1,358)**	**120**	**(21,919)**	**(25,749)**
Gains on revaluation	-	-	-	-	7
Losses on revaluation	-	-	(18)	(18)	-
Impact on other comprehensive income	**-**	**-**	**(18)**	**(18)**	**7**
Net Gain/(Loss) for the Year	**(20,681)**	**(1,358)**	**102**	**(21,937)**	**(25,742)**

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 2023, 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 2023, 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 2023.
- 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 2022	Fair Value 31 March 2022	Balance Sheet 31 March 2023	Fair Value 31 March 2023
		£000s	£000s	£000s	£000s
Financial liabilities held at amortised cost:					
Long-term loans and short-term from PWLB	2	225,817	267,527	237,116	216,435
Other long-term and short-term loans	2	41,582	42,171	31,410	30,003
Lease payables and PFI liabilities	3	82,727	120,000	78,127	97,351
Total		**350,126**	**429,698**	**346,653**	**343,789**
Liabilities for which fair value is not disclosed *		64,248		**87,286**	
Total Financial Liabilities		**414,374**		**433,939**	
Recorded on balance sheet as:					
Short-term creditors		53,053		45,167	
Short-term borrowing		31,803		46,007	
Cash and bank overdrawn		5,788		26,615	
Long-term borrowing		245,604		242,481	
Other long-term liabilities		78,126		73,669	
Total Financial Liabilities		**414,374**		**433,939**	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount. It includes £20m of loans that are recorded as short-term borrowings on the balance sheet.

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 2022 £000s	Fair Value 31 March 2022 £000s	Balance Sheet 31 March 2023 £000s	Fair Value 31 March 2023 £000s
Financial assets held at fair value:					
Shares in unlisted companies	3	99	99	81	81
Financial assets held at amortised cost:					
Long-term loans to local authorities	3	10,000	9,609	10,000	9,302
Long-term loans to companies	3	672	734	567	627
Total		**10,771**	**10,442**	**10,648**	**10,010**
Assets for which fair value is not disclosed *		207,867		156,509	
Total Financial Assets		**218,638**		**167,157**	
Recorded on balance sheet as:					
Long-term debtors		6,724		6,158	
Long-term investments		10,794		10,720	
Short-term debtors		84,958		105,952	
Short-term investments		95,661		30,676	
Cash and cash equivalents		20,501		13,651	
Total Financial Assets		**218,638**		**167,157**	

* 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 Treasury Management in the Public Services: Code of Practice (2021) and Prudential Code for Capital Finance in Local Authorities (2021).

In line with the Treasury Management Code of Practice, 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 statutory guidance 'Capital finance: guidance on local government investments (third edition)'. 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 6 months 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 2023		31 March 2022	
	Long-term £'000	Short-term £'000	Long-term £'000	Short-term £'000
Unrated local authorities	10,000	30,200	10,000	115,500
Unrated private companies and other organisations (net of loss allowance)	639	79	695	61
Total	**10,639**	**30,279**	**10,695**	**115,561**
Credit risk not applicable *	81	-	99	-
Total Investments	**10,720**	**30,279**	**10,794**	**115,561**

*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 2023, £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 2022		31 March 2023	
		Gross receivable	Loss allowance	Gross receivable	Loss allowance
Public Sector Debtors					
Other Public Sector Debtors	0% - 100%	42,224	(990)	64,288	(1,579)
LBI Pension Fund	0%	1,446	-	1,438	-
Non-Public Sector Debtors					
Residential & Domiciliary Care	49%	8,115	(2,570)	8,918	(3,026)
Leaseholders: Major Works	10.5% - 95%	18,724	(1,076)	19,884	(1,099)
Housing Rents	0% - 95%	15,469	(9,318)	16,069	(9,805)
Other Non-Public Sector Debtors	0% - 100%	26,771	(7,111)	23,531	(6,509)
Total		**112,749**	**(21,065)**	**134,130**	**(22,018)**

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

The council does not generally allow credit for customers, such that £24m of the £54m balance is past 30 days from invoice date. The remaining £30m 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 2022 *£'000*	31 March 2023 *£'000*
Less than three months	34,247	39,102
Three to six months	3,381	1,306
Six months to one year	5,291	6,317
More than one year	5,175	7,463
Total	48,094	**54,188**

Loans, Financial Guarantees and Loan Commitments

In furtherance of the council's service objectives, it has repaid £50k to Islington Limited a fully owned subsidiary and lent £639k (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 2022 £'000	Borrower	Exposure type	Risk exposure 31 March 2023 £'000
642	Buildings Schools for the Future (BSF) private companies as listed below	Loans at market rates	639
	-Transform Islington Phase 1 Holdings Ltd		
	-Transform Islington Phase 2 Holdings Ltd		
	-Transform Islington Ltd		
50	Islington Ltd (iCo)	Loans at market rates	-
84	Highbury Roundhouse Association Ltd		78
776	**Total**		**717**

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 £000s	Lifetime expected credit losses Simplified approach for receivables £000s	Total loss allowance £000s
Opening allowance 1 April 2022	**(21)**	**(14,849)**	**(14,870)**
Change in risk	-	(3,904)	(3,904)
Closing allowance 31 March 2023	**(21)**	**(18,753)**	**(18,774)**

Liquidity Risk

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

The maturity analysis of the financial instruments is as follows:

Liquidity Risk	PWLB		Local Authorities		Other		Total	
	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
Less than one year	8,668	13,062	10,000	10,000	10,000	20,000	28,668	43,062
Between one and two years	13,062	27,337	10,000	20,000	-	-	23,062	47,337
Between two and five years	31,671	4,335	21,000	1,000	-	-	52,671	5,335
Between five and ten years	30,391	41,226	-	-	-	-	30,391	41,226
Between ten and twenty years	35,507	33,569	-	-	-	-	35,507	33,569
More than twenty years	103,976	115,079	-	-	-	-	103,976	115,079
Total	**223,275**	**234,608**	**41,000**	**31,000**	**10,000**	**20,000**	**274,275**	**285,608**
Accrued Interest *							3,135	2,945
Trade creditors *							48,453	40,709
Cash Overdrawn *							5,788	26,615
Total Carrying Amount							**331,651**	**355,877**

* 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 Strategy and Investment Strategy aim 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 2023, 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	499
Decrease in fair value of fixed rate investments*	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings/liabilities*	(20,791)

*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

31 March 2022 £'000	Short-Term Creditors	31 March 2023 £'000
	Public Sector Creditors	
58,764	GLA/DLUHC: Council Tax and Business Rates	101,493
8,090	HMRC: Tax	5,210
2,504	DWP: Housing Benefit Subsidy	-
3,781	DLUHC: Pooling of Capital Receipts	-
24,135	Public Sector Receipts in Advance	383
10,021	Other Public Sector Creditors	5,628
107,294	**Total Public Sector Creditors**	**112,714**
	Non-Public Sector Creditors	
14,672	Council Tax and Business Rates	20,418
4,601	Short-term lease liabilities	4,458
10,355	Non-public Sector Receipts in Advance	11,153
6,783	Accumulated Absences	7,402
7,353	Capital Creditors	6,686
31,589	Other Creditors	28,915
75,352	**Total Non-Public Sector Creditors**	**79,032**
182,646	**Total Short-Term Creditors**	**191,746**

25. Debtors

31 March 2022			Debtors	31 March 2023		
Gross Debt	Impairments for Doubtful Debt	Net Debt		Gross Debt	Impairments for Doubtful Debt	Net Debt
£'000	*£'000*	*£'000*		*£'000*	*£'000*	*£'000*
			Public Sector Debtors			
11,138		11,138	HMRC: VAT	14,045	-	14,045
1,446		1,446	Islington Council Pension Fund	1,438	-	1,438
43,882	(990)	42,892	Other Public Sector Debtors	65,225	(1,579)	63,646
			Non-Public Sector Debtors			
7,623	(7,147)	476	Non-Domestic Rates	8,258	(6,920)	1,338
27,528	(25,689)	1,839	Council Tax	31,464	(27,292)	4,172
13,673	(11,947)	1,726	Housing Benefit Overpayments	13,645	(11,882)	1,763
38,324	(35,683)	2,641	Parking Fines	33,561	(30,512)	3,049
8,115	(2,570)	5,545	Residential & Domiciliary Care	8,918	(3,026)	5,892
18,724	(1,076)	17,648	Leaseholders: Major Works/Service Charges	19,884	(1,099)	18,785
15,469	(9,318)	6,151	Housing Rents	16,069	(9,805)	6,264
2,712	-	2,712	Prepayments	2,636	-	2,636
26,997	(7,340)	19,657	Other Non-Public Sector Debtors	23,762	(6,738)	17,024
215,631	**(101,760)**	**113,871**	**Total Debtors**	**238,905**	**(98,853)**	**140,052**
208,005	(100,858)	107,147	Short-term debtors	231,855	(97,961)	133,894
7,626	(902)	6,724	Long-term debtors*	7,050	(892)	6,158

*All long-term debtors in 2022/23 relate to leaseholder contributions to major works

26. Provisions

Provisions 2022/23	Insurance	Business Rate Appeals	Thames Water	Social Services Charges	Disrepair claims	Pay related	Other minor	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2022	**16,428**	**12,690**	**8,593**	**676**	**820**	**-**	**288**	**39,495**
Additional provisions made in 2022/23	4,322	-	-	10	2,294	3,414	153	**10,193**
Amounts used in 2022/23	(4,404)	(802)	-	-	(1,113)	-	-	**(6,320)**
Unused amounts reversed in 2022/23	-	(366)	(1,607)	-	(332)	-	(75)	**(2,379)**
Balance at 31 March 2023	**16,345**	**11,522**	**6,986**	**686**	**1,669**	**3,414**	**366**	**40,989**

Analysis of Balance at 31 March 2023								
Settled within 12 months	5,164	3,841	6,986	-	1,669	3,414	366	**21,439**
More than 12 months	11,182	7,681	-	686	-	-	-	**19,549**
	16,345	**11,522**	**6,986**	**686**	**1,669**	**3,414**	**366**	**40,989**

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.

Thames Water

The Water Rates provision in the sum of £6.986m 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.

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.

Disrepair Claims

The Tenant Disrepair provision represents the estimated total cost the council may incur in legal costs, damages and compensation payments to tenants for claims submitted in relation to repair works that the council has failed to carry out and/or not carried out to the required standard.

Pay Related

The nature of the Pay Related provision includes agreed redundancy packages and pension strain amounts which have been agreed but not paid out as at the balance sheet date.

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	1,835
Public Liability/Tree Roots	8,386
Motor	949
Property and Miscellaneous	5,004
Adjustment for Aggregate Breaches	(1,953)
Total for 2007/08 to 2022/23	**14,221**
MMI Clawback	347
Total Funding Requirement as at 31 March 2023	**14,568**
Buffer for Unexpected Losses (75% Confidence)	1,777
Total Funding Requirement as at 31 March 2023 (Including Buffer)	**16,345**

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	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
General Fund							
BSF PFI 1 reserve	5,762	7	-	5,769	(3,788)	2,767	4,748
Budget Strategy	21,111	3,091	(4,615)	19,586	(5,530)	4,549	18,605
Budget Risk & Insurance	25,425	4,240	(3,991)	25,675	(23,241)	15,608	18,041
Business Continuity	10,000	-	-	10,000	-	-	10,000
Capital Financing	-	3,120	-	3,120	(1,314)	-	1,806
Care Experience	16,000	-	-	16,000	(1,473)	4,000	18,527
Community Infrastructure Levy	3,692	16	(3,511)	196	(167)	-	29
CIL Neighbourhood	4,743	-	(4,743)	-	-	-	-
Core Funding	41,465	14,751	(22,636)	33,580	(23,800)	-	9,781
Dedicated Schools Grant	-	5,218	-	5,218	(135)	-	5,083
Energy and Inflation	-	5,632	(123)	5,509	(5,509)	-	-
Islington Assembly Hall Restoration Levy	-	18	-	18	-	29	47
Joint Cemetery Trading Account	2,107	-	(375)	1,731	(17)	-	1,715
Levies	-	2,726	-	2,726	(234)	824	3,315
Net Zero Carbon	2,548	-	(67)	2,481	(2,481)	-	-
Restricted Grants & Contributions	-	-	-	-	-	11,458	11,458
Pooled Schools Budgets	-	828	-	828	(83)	422	1,167
Public Health	1,353	530	(171)	1,712	(191)	-	1,522
Social Care	5,985	4,258	(1,244)	8,999	(8,999)	-	-
Street Market Reserve	260	-	(122)	138	(30)	93	201
General Fund Total	**140,451**	**44,435**	**(41,599)**	**143,288**	**(76,993)**	**39,749**	**106,044**
HRA							
PFI - Housing PFI I	5,510	-	(5,510)	-	-	-	-
HRA Tenants' Heating & Hot Water	1,687	187	-	1,874	(1,868)	-	7
HRA Risk Equalisation	84,312	(27,949)		56,363	(24,865)	-	31,498
HRA Total	**91,509**	**(27,762)**	**(5,510)**	**58,237**	**(26,733)**	**-**	**31,504**

- Building Schools for the Future (BSF) PFI Smoothing – 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 – 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 – 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) – This reserve is 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 Risk Equalisation – This reserve mitigates against HRA financial pressures arising from legislative changes.

- HRA Tenants' Heating and Hot Water – This reserve allows 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 Account – 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.

- Restricted Grants and Contributions - This reserve will hold income received that is earmarked for a specific purpose where other accounting treatment is not appropriate.

- 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 2022 £'000	Unusable Reserves	31 March 2023 £'000
1,854,626	Revaluation Reserve	1,763,162
2,494,820	Capital Adjustment Account	2,489,355
98	Financial Instruments Revaluation Reserve	81
(925,752)	Pensions Reserve	(219,084)
(16,529)	Collection Fund Adjustment Account	12,391
(6,783)	Accumulated Absences Account	(7,402)
3,400,480	**Total Unusable Reserves**	**4,038,503**

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

2021/22 £'000	Store of unrealised gains on revaluation of non-current assets - Revaluation Reserve	2022/23 £'000
(1,660,158)	**Balance as at 1 April**	**(1,854,626)**
(258,696)	Gains on revaluations	(66,088)
14,785	Less Depreciation on revalued amounts	16,756
48,082	Less revaluation losses and impairments written off to previous gains	138,012
1,361	Less gains written out for disposed assets	2,784
(1,854,626)	**Balance as at 31 March**	**(1,763,162)**

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.

2021/22 £'000	Capital Adjustment Account	2022/23 £'000
(2,442,984)	**Balance as at 31 March**	**(2,494,819)**
(962)	Capital Expenditure Financed from Capital Receipts	(25,058)
(33,445)	Capital Expenditure Financed from the Major Repairs Reserve	(38,490)
(46,604)	Capital Expenditure Financed from Revenue Resources	(19,776)
(25,606)	Capital Expenditure funded by Grant	(37,289)
13,046	REFCUS Financing	11,972
16,908	Gains / Losses on revaluation of non-current assets	73,998
-	Impairments of non-current assets	-
58,209	Depreciation of PPE non-current Assets	61,571
(3,222)	Minimum Revenue Provision	(3,767)
(12,346)	Repayment of Obligations arising from PFI Contracts/Lease liabilities	(3,473)
(1,361)	Write out of Gains relating to Revalued Disposed Assets	(2,784)
4,983	Current Value of Disposed Assets	8,864
(14,785)	Write out of depreciation on revalued amounts (HCA)	(16,756)
(6,650)	Gains and losses on Fair Value of Investment Properties	(3,548)
(51,835)	**Total Increase / (Decrease) in Amounts Set Aside to Finance Capital**	**5,464**
(2,494,819)	**Balance as at 31 March**	**(2,489,355)**

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.

2021/22 £'000	Financial Instruments Revaluation Reserve	2022/23 £'000
(92)	**Balance as at 1 April**	**(98)**
(7)	Upward revaluation of investments	18
(98)	**Balance as at 31 March**	**(81)**

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.

2021/22 £'000	Pensions Reserve	2022/23 £'000
(991,468)	**Balance at 1 April**	**(925,752)**
124,292	Actuarial gains or losses on pensions assets and liabilities	759,976
(100,423)	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	(115,991)
41,847	Employer's pensions contributions and direct payments to pensioners payable in the year	62,683
(925,752)	**Balance at 31 March**	**(219,084)**

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.

2021/22 Council Tax £'000	2021/22 Non-Domestic Rates £'000	2021/22 Total £'000	Collection Fund Adjustment Account	2022/23 Council Tax £'000	2022/23 Non-Domestic Rates £'000	2022/23 Total £'000
(1,438)	(21,751)	(23,189)	**Balance at 1 April**	2,590	(19,119)	(16,529)
(111)	22,748	22,637	Contribution to General Fund from previous year's (surplus) / deficit	(1,088)	23,849	22,761
4,139	(20,116)	(15,977)	Current year's collection fund surplus / (deficit)	726	5,433	6,159
2,590	**(19,119)**	**(16,529)**	**Balance at 31 March**	**2,228**	**10,163**	**12,391**

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.

2021/22 £'000	2021/22 £'000	Accumulated Absences Account	2022/23 £'000	2022/23 £'000
	7,918	**Balance at 1 April**		**6,783**
(7,918)		Settlement or cancellation of accrual made at the end of the preceding year	(6,783)	
6,783		Amounts accrued at the end of the current year	7,402	
	(1,135)	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		619
	6,783	**Balance at 31 March**		**7,402**

29. Cash and Cash Equivalents

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

31 March 2022 £'000	Cash and Cash Equivalents	31 March 2023 £'000
(5,788)	Cash and Bank Overdrawn	(26,615)
20,000	Liquid investments	13,500
33	Cash held by the authority	72
468	Bank accounts	79
20,501	Cash and Cash Equivalents	**13,651**
14,713	**Total**	**(12,964)**

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.

2021/22 £'000	Operating Activities Adjustments	2022/23 £'000
(4,785)	**Net Surplus or (Deficit) on the Provision of Services**	**(105,120)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
58,209	Depreciation	61,571
16,908	Impairment and downward valuations	73,998
25,798	Increase/Decrease in Creditors	(83,507)
(1,579)	Increase/Decrease in Debtors	(22,504)
94	Increase/Decrease in Inventories	(568)
67,563	Movement in Pension Liability	62,267
29	Increase/(decrease) in impairment for bad debts	(10)
4,983	Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	3,962
(6,948)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(3,158)
165,057	**Total**	**92,051**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(28,043)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(33,409)
23	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	54
(31,318)	Any other items for which the cash effects are investing or financing cash flows*	(43,500)
(59,338)	**Total**	**(76,855)**
100,934	**Net Cash Flows from Operating Activities**	**(89,923)**

*This line consists of Capital Grants credited to surplus or deficit on the provision of services.

The cash flows for operating activities include the following items:

2021/22 £'000	Operating Activities (Interest)	2022/23 £'000
1,123	Interest Received	1,350
(27,413)	Interest Paid	(23,625)

31. Cash Flow Statement – Investing Activities

2021/22 £'000	Investing Activities	2022/23 £'000
(114,063)	Purchase of property, plant and equipment, investment property and intangible assets	(141,724)
(124,500)	Purchase of short-term and long-term investments	(25,000)
(324)	Other payments for investing activities	(11)
26,081	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	29,241
170,700	Proceeds from short-term and long-term investments	90,300
37,875	Other receipts from investing activities*	30,183
(4,231)	**Net cash flows from investing activities**	**(17,011)**

*Other receipts from investing activities (£30.183m) consists of capital grants received (£29.596m) and other capital payments received (£587k).

32. Cash Flow Statement – Financing Activities

2021/22 £'000	Financing Activities	2022/23 £'000
46,000	Cash receipts of short- and long-term borrowing	55,954
(13,315)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(4,600)
(143,335)	Repayments of short- and long-term borrowing	(44,668)
21,771	Other cashflows for financing activities*	72,572
(88,879)	**Net cash flows from financing activities**	**79,258**

*Other payments for financing activities £72.572m consists of change in council tax and NDR creditors due to preceptors £38.716m, change in council tax and NDR creditors due to Central Government £34.244m and change in council tax and NDR debtors from preceptors (£388k).

Reconciliation of Liabilities arising from Financing Activities	31-Mar-22 £'000	Financing Cash Flows £'000	Non Cash Changes £'000	31-Mar-23 £'000
Long-term borrowings	(245,604)	1,849	1,274	(242,481)
Short-term borrowings	(31,803)	(10,000)	(4,203)	(46,006)
Lease Liabilities**	(365)	2	-	(363)
On Balance Sheet PFI Liabilities**	(82,362)	4,598	-	(77,764)
Total Liabilities from Financing Activities	**(360,134)**	**(3,551)**	**(2,929)**	**(366,614)**

** The figures as at 31 March 2022 for Lease liabilities (£365k) and PFI liabilities (£82.362m) are restated figures. They differ from the closing balances reported in the 2021/22 statement of accounts of (£751k) and (£81.976m), respectively because £386k of liabilities were misclassified between the two lines in the 2021/22 statement of accounts. The misclassification was not corrected in the 2021/22 statement of accounts because the amount was not significant.

33. Contingent Liabilities and Assets

Legal claims pending settlement

There are 24 outstanding employment tribunal claims and 34 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 £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 maximum potential liability is estimated at £202,000 for seven of these claims. The level of potential liability of the other six claims has yet to be ascertained.

The council has potential liability for damages and costs in one other formal commercial dispute which is estimated at a maximum of £350k.

In addition, the council is involved in a number of historic child abuse and other 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.

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 enables 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 estimated 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).

In 2022/23, the council distributed £1.470m of support payments. The council’s earmarked reserves include £18.530m to fund the further, estimated maximum direct cost of the SPS. The scheme will be open until May 2024.

Termination Benefits

The cost of termination benefits in 2022/23 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

9contracts 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 expected loss of income from 1 April to 30 October 2021 by Isledon CIC due to the COVID-19 pandemic. Isledon CIC are the outsourced provider of universal youth services. The estimated liability for 2023/24 is £30k.

Guarantees given

London Borough of Islington is the sole guarantor of its subsidiary trading account, Islington Ltd (ICo). Islington Ltd has a board consisting of 3 members, who are members and officers of the council. Ico falls under the small companies rules (sections 475 and 477-479 of the Companies Act 2006) and as such, with the council as its guarantor, the company is exempt from an audit of its accounts. In Ico's financial statements for 2021/22, the company's net assets as at 31 March 2022 totalled £182k.

Contingent Assets

None known.

34. Events after the Balance Sheet Date

The audited Statement of Accounts 2022/23 was authorised for issue on 18 March 2024 by David Hodgkinson, Corporate Director of Resources. Events taking place after this date are not reflected in the financial statements or notes.

The CIPFA Code of Practice stipulates that events after 31 March 2023 must be properly reflected in the statement of accounts up to the date that the statement is authorised for issue. There are two types of event:

- adjusting events: those that provide evidence of conditions that existed at the balance sheet date – where material, the statement of accounts must be amended to reflect the impact of these events.

- non-adjusting events: those that are indicative of conditions that arose after the balance sheet date – the statement of accounts are not amended to reflect these events, but additional explanatory notes may be added.

The council has not identified any material adjusting or non-adjusting events after the 31 March 2023 up to the date the statement was authorised for issue.

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 Greater London Council (GLC) / Inner London Education Authority (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.

Transactions Relating to Post-Employment Benefits

The council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement 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 2022	31 March 2023	31 March 2022	31 March 2023
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs including admin. expenses	77,857	83,281	-	-
Past service costs including curtailments	2,469	739	-	-
Settlements	-	6,368	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	19,141	24,427	956	1,176
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**99,467**	**114,815**	**956**	**1,176**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(106,120)	104,821	-	-
Actuarial (gains) and losses arising from changes in demographic assumptions	(118,057)	(1,774)	(1,569)	(555)
Actuarial (gains) and losses arising from changes in financial assumptions	(28,606)	(1,043,475)	(232)	(10,216)
Changes in effect of Asset Ceiling	7,858	952	-	-
Experience gains /losses	121,989	187,064	445	3,207
Total Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(122,936)**	**(752,412)**	**(1,356)**	**(7,564)**
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(23,469)**	**(637,597)**	**(400)**	**(6,388)**
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	(99,467)	(114,815)	(956)	(1,176)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	38,668	59,482	3,179	3,201
Retirement Benefits Payable to Pensioners			(3,179)	(3,201)

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Scheme History	Funded Liabilities				Unfunded Liabilities			
	London Borough of Islington Pension Fund		London Pension Fund Authority		Discretionary Benefits		Total	Total
	31 March 22	31 March 23	31 March 22	31 March 23	31 March 22	31 March 23	31 March 22	31 March 23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of defined benefit obligation	(2,544,396)	(1,809,536)	(40,342)	(29,098)	(43,662)	(34,076)	**(2,628,400)**	**(1,872,710)**
Fair Value of Plan Assets	1,671,053	1,624,446	54,224	44,157	-	-	**1,725,277**	**1,668,603**
Impact of Asset Ceiling	-	-	(13,670)	(14,977)	-	-	**(13,670)**	**(14,977)**
Net liability	**(873,343)**	**(185,090)**	**212**	**82**	**(43,662)**	**(34,076)**	**(916,793)**	**(219,084)**

The estimated pension liability for the council is £219.1m as at 31 March 2023 (£916.8m as at 31 March 2022). This liability shows the underlying commitments that the council has in the long-term to pay retirement benefits. It has reduced by £697.7m due to changes in actuarial financial assumptions for IAS 19 Defined Benefit Schemes.

The total net liability of £219.1m 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 2022/23	Funded Liabilities London Borough of Islington Pension Fund	Funded Liabilities London Pension Fund Authority	Unfunded Liabilities Discretionary Benefits
	£'000	£'000	£'000
Balance as at 31 March 2022	**2,544,396**	**40,342**	**43,662**
Current service costs	81,286	105	
Interest cost	70,688	1,018	1,176
Contributions by scheme participants	14,481	18	-
Remeasurement (gains) and losses:			
Actuarial (gains) and losses arising from changes in demographic assumptions	-	(1,774)	(555)
Actuarial (gains) and losses arising from changes in financial assumptions	(1,033,403)	(10,072)	(10,216)
Experience gains /losses	185,368	1,862	3,207
Past service costs	84	-	-
Losses/(gains) on curtailment	655	-	-
Liabilities assumed on entity combinations	-	-	-
Benefits paid	(54,019)	(2,401)	(3,201)
Liabilities extinguished on settlements	-	-	-
Adjustment to opening balance	-	-	3
Balance as at 31 March 2023	**1,809,536**	**29,098**	**34,076**

Reconciliation of present value of the scheme liabilities 2021/22	Funded Liabilities London Borough of Islington Pension Fund	Funded Liabilities London Pension Fund Authority	Unfunded Liabilities Discretionary Benefits
	£'000	£'000	£'000
Balance as at 31 March 2021	**2,484,056**	**42,688**	**47,234**
Current service costs	76,318	131	-
Interest cost	51,679	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 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 2022/23	Funded Liabilities		Unfunded Liabilities
	London Borough of Islington Pension Fund	London Pension Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Closing Fair Value of Scheme Assets as at 31 March 2022	**1,671,053**	**54,224**	**-**
Interest Income	46,943	691	-
Remeasurement gain/(loss)			
The return on plan assets, excluding the amount included in the net interest expense	(102,604)	(2,217)	-
Other actuarial gains / (losses) on assets	-	166	-
Business combinations	-	-	-
Settlements	-	(6,368)	-
Contributions by the employer	50,466	57	3,201
Contributions by scheme participants	14,481	18	-
Benefits paid	(54,019)	(2,401)	(3,201)
Administration expenses	(1,874)	(16)	-
Adjustments to opening balance	-	3	-
Closing Fair Value of Scheme Assets as at 31 March 2023	**1,624,446**	**44,157**	**-**

Reconciliation of the Movements in the Fair Value of Scheme Assets 2021/22	Funded Liabilities		Unfunded Liabilities
	London Borough of Islington Pension Fund	London Pension Fund Authority	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 balance	(24)	-	-
Closing Fair Value of Scheme Assets as at 31 March 2022	**1,671,053**	**54,224**	**-**

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 2023, discounted at the IAS19 discount rate as at 31 March 2023.

Reconciliation of Asset Ceiling 2022/23	London Pension Fund Authority *£'000*
Closing impact of Asset Ceiling as at 31 March 2022	**(13,670)**
Interest on Asset Ceiling	(355)
Actuarial (loss)/gain	(952)
Closing impact of Asset Ceiling as at 31 March 2023	**(14,977)**

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

Local Government Pension Scheme assets

The Fund's assets consist of the following categories:

London Borough of Islington Pension Fund Assets	Quoted	Fair value of scheme assets 31 March 2022 £000	Fair value of scheme assets 31 March 2023 £000
Equities			
UK quoted	Y	163,764	25,505
Private equity	N	11,697	9,747
Global - North America	Y	324,184	428,370
Global - Europe	Y	300,790	301,987
Global - Japan	Y	33,421	32,489
Global - Pacific (ex Japan)	Y	33,421	32,489
Global - Emerging / Other	Y	140,368	97,630
Sub-total equities		**1,007,645**	**928,217**
Bonds			
UK other	Y	200,526	136,455
Sub-total bonds		**200,526**	**136,455**
Property			
UK	Y	257,342	231,973
Overseas	N	16,711	23,392
Sub-total property		**274,053**	**255,365**
Alternatives			
DGF and Infrastructure	Y	187,158	199,971
Private Debt	Y	-	98,117
Sub-total alternatives		**187,158**	**298,088**
Cash			
Cash accounts	N	1,671	6,335
Sub-total cash		**1,671**	**6,335**
Total assets		**1,671,053**	**1,624,460**

London Pension Fund Authority Pension Fund Assets	Quoted	Fair value of scheme assets 31 March 2022 £000	Fair value of scheme assets 31 March 2023 £000
Equities			
Global	Y	25,487	21,637
Private equity	N	9,761	7,948
Sub-total equities		**35,248**	**29,585**
Bonds			
Total return quoted	Y	6,507	3,974
Fixed Income	Y	1,627	442
Sub-total bonds		**8,134**	**4,416**
Alternatives			
Infrastructure	N	5,423	5,740
Cash	Y	1,085	-
Credit	N	4,338	4,416
Sub-total alternatives		**10,845**	**10,156**
Total assets		**54,227**	**44,157**

Basis for Estimating Assets and Liabilities

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

Both the local government pension 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 22	31 March 23	31 March 22	31 March 23	31 March 22	31 March 23
Mortality assumptions						
Longevity at 65 for current pensioners (in years):						
Men	21.7	21.8	20.6	19.9	22.7	21.8
Women	24.0	24.1	23.7	23.1	25.3	24.1
Longevity at 65 for future pensioners (in years):						
Men	22.9	23.0	22.6	21.5	n/a	n/a
Women	25.7	25.8	26.0	25.2	n/a	n/a
Rate of inflation	3.3%	2.7%	3.5%	2.9%	3.5%	2.7%
Rate of increase in salaries	4.8%	4.2%	4.5%	3.9%	n/a	n/a
Rate of increase in pensions	3.4%	2.8%	3.5%	2.9%	3.6%	2.8%
Rate of discounting scheme liabilities	2.8%	4.8%	2.6%	4.8%	2.8%	4.9%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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 while all other assumptions remain constant. 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. In the table below, a positive figure represents an increase in the overall net liability following a change in the assumption, whereas a negative figure represents a decrease in the overall net liability.

Impact on the Defined Benefit Obligation in the Scheme	London Borough of Islington Pension Fund		London Pension Fund Authority	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	*£000*	*£000*	*£000*
Longevity (increase or decrease in 1 year)	37,662	(37,662)	1,851	(1,735)
Rate of inflation (increase or decrease by 0.25% LGPS and 0.5% LPFA)	74,522	(74,522)	1,430	(1,324)
Rate of increase in salaries (increase or decrease by 0.25% LGPS and 0.5% LPFA)	8,231	(8,231)	35	(35)
Rate of increase in pensions (increase or decrease by 0.25% LGPS and 0.5% LPFA)	74,522	(74,522)	1,430	(1,324)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(138,276)	138,276	(1,329)	1,445

Impact of the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 16 years. Funding levels are monitored on an annual basis. The triennial valuation was completed on 31 March 2022.

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 £54.7m in contributions to the LGPS and LPFA schemes in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members within LGPS is 17 years in 2022/23 (16 years in 2021/22), and within LPFA is 10 years in 2022/23 (12 years in 2021/22).

The authority is exposed to a number of risks:

LGPS

- Investment risk. The Fund's primary risk is that assets fall short of liabilities in the long-term and as a result it is not able to honour promised benefits to members. The Fund has identified the investment risk inherent in the predominantly equity-based strategy, as its biggest risk. The Investment Strategy adopted by the Pension Sub-Committee to mitigate this risk includes a diversified asset allocation to include property, private equity and bonds. The equity portfolio is diversified by region and company holdings. The committee monitors regularly by performance benchmark and reviews strategies as markets evolve.

- Price Risk. The Fund quantifies prices risk by observing the potential market movement on the riskier assets and possible change in valuation.

- Currency risk. Overseas equities held by the Fund are currently 50-75% hedged hence mitigating any volatility in the major currencies of the dollar, yen and euro. 75% of the overseas equities are in the basket of the passive currency overlay hedge.

- Other risks.
    - Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.
    - There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes

LPFA

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

Defined Benefit Scheme - Accrued Pensions Contributions

As at 31 March 2023, the council owed LGPS £2.3m in contributions.

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 2022/23 the council paid £12.0m to Teacher's Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £11.8m and 23.68%, respectively. The contributions due to be paid in the next financial year are estimated to be £12.0m. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2022/23 these amounted to £0.9m (£0.8m in 2021/22).

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 2022/23, £193.1k 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 2021/22 were £158.4k and 14.38%, respectively.

37. Grant Income

The council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2022/23:

2021/22 £'000	Income from Grants, Contributions and Donations	2022/23 £'000
	Credited to Taxation and Non-Specific Grant Income	
14,505	Non-specific COVID-19 Grants	9
2,458	New Homes Bonus	861
25,440	Business Rates Relief Grant	25,500
31,318	Capital Grants	43,280
24,590	Revenue Support Grant	25,347
10,700	Social Care Support Grant	14,558
6,336	Other Non-specific Grants	11,040
115,347	**Total**	**120,595**
	Credited to Services	
159,629	Dedicated Schools Grant	158,477
147,600	Housing Benefit Subsidy	148,312
27,366	Public Health Grant	28,135
33,036	Private Finance Initiative	21,530
10,175	Pupil Premium Grant	10,321
14,154	Improved Better Care Fund	14,748
2,211	Asylum Seeker Grant	2,957
2,172	Flexible Homelessness	3,743
2,150	Sixth Form Funding	2,349
17,279	COVID-19 NCS	1,946
36,171	Other Grants and Contributions	41,757
451,943	**Total**	**434,275**
567,290	**Total Grant and Contributions**	**554,870**

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 2022 £'000	Grant Balances	31 March 2023 £'000
	Grants Receipts in Advance – Short-Term	
	Revenue Grants	
(17,161)	Covid Additional Relief Fund (CARF)	-
(20,191)	Other government grants balances	(17,071)
(244)	Other contributions	(133)
(37,596)	**Total**	**(17,204)**
	Capital Grants	
(18,612)	Government grants	(4,248)
(3,105)	s106 contributions	(3,447)
(434)	Third party contributions	-
(22,151)	**Total**	**(7,695)**
(59,747)	**Total Grants Receipts in Advance – Short-Term**	**(24,899)**
	Grants Receipts in Advance – Long-Term	
	Capital Grants	
(552)	Government grants	(566)
(22,740)	s106 contributions	(20,077)
(23,292)	**Total**	**(20,643)**

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 2022/23 are as follows:

Schools Budget funded by Dedicated Schools Grant	**Central Expenditure** *£'000*	**Individual Schools Budget** *£'000*	**Total** *£'000*	**Total 2021/22** *£'000*
Final DSG for 2022/23 before academy and high needs recoupment			200,930	194,017
less: Academy and high needs recoupment 2022/23			(39,929)	(37,811)
Total DSG after academy and high needs recoupment 2022/23			**161,000**	**156,206**
Brought forward from 2021/22			5,218	4,646
Agreed initial budgeted distribution for 2022/23	**38,640**	**127,578**	**166,218**	160,852
In-year adjustments	-	(113)	**(113)**	**(424)**
Final budgeted distribution for 2022/23	**38,640**	**127,465**	**166,105**	**160,427**
less: Actual Central Expenditure	(33,557)	-	(33,557)	(31,895)
less: Actual Individual Schools Budget deployed to schools	-	(127,465)	(127,465)	(123,314)
plus local authority contribution for 2022/23	-	-	**-**	**-**
Carry forward to 2023/24	**5,083**	**-**	**5,083**	**5,218**

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 2023 (£29m as at 31 March 2022) and mainly relate to money held for vulnerable individuals living in their own homes or in residential homes.

Housing Revenue Account

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

Income and Expenditure Statement for the Housing Revenue Account

2021/22 £'000	Housing Revenue Account Income and Expenditure Statement	2022/23 £'000
	Expenditure	
36,287	Repairs and maintenance	43,683
119,569	Supervision and management	130,407
1,093	Rents, rates, taxes and other charges	1,513
-	Rent rebates	-
32,375	Depreciation of non-current Assets	35,209
16,674	Gain or loss on Revaluation of non-current Assets	78,082
289	Debt management costs	-
206,287	**Total Expenditure**	**288,894**
	Income	
(160,480)	Dwellings rents (gross)	(168,276)
(1,440)	Non-Dwellings rents (gross)	(1,173)
-	Transfer from PFI Smoothing fund	-
(41,388)	Charges for services & facilities	(47,092)
(816)	Transfers from General fund - Communal use	(816)
-	HRA Subsidy receivable	-
(22,855)	PFI Government grant receivable	(11,021)
-	Revaluation and gain on non-current Assets	-
(201)	Contributions towards Expenditure	(267)
(1,131)	Other income	(1,603)
(228,311)	**Total Income**	**(230,248)**
(22,024)	**Net Cost of Services (Comprehensive Income and Expenditure Statement)**	**58,646**
2,456	HRA services' share of Corporate and democratic core	1,968
-	HRA share of non-allocated spec. services	-
(19,568)	**Net (Income) / Cost of HRA Services**	**60,614**
	HRA share of operating income and expenditure in the Comprehensive Income and Expenditure Statement:	
(9,282)	Gain or loss on sale of property, plant & equipment	(15,509)
263	Gain or loss on sale of investment properties	(94)
-	Income and expenditure in relation to investment properties	-
(50)	Gain or loss on revaluation of investment properties	(2,052)
19,763	Interest payable and similar charges	18,145
1,338	Movement in the allowance for bad debts	1,287
(18,359)	Capital grants and contributions receivable	(29,449)
(834)	Interest and investment income	(1,031)
(26,729)	**(Surplus)/Deficit for the year on HRA Services**	**31,911**

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.

2021/22 £'000	Movement on the HRA Statement	2022/23 £'000
(17,521)	**Balance on the HRA at the end of the previous year**	**(17,521)**
(26,729)	(Surplus) or Deficit for year on the HRA Income and expenditure account	31,911
60,000	Adjustments between accounting basis and funding basis under statute	(5,178)
33,271	**Net (Increase) or decrease before transfers to or from reserves**	**26,733**
(33,271)	Transfers to / (from) reserves	(26,733)
-	**(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.

2021/22 £'000	Note on Reconciling Items for the HRA Balance	2022/23 £'000
	Adjustments between accounting basis and funding basis under statute	
18,359	Capital grants received transferred to Grants reserve	29,449
(10)	REFCUS	(5,217)
9,786	Repayment of PFI / lease liabilities	804
9,278	Gain or loss on sale of HRA non-current assets	15,509
(16,674)	Gain or loss on revaluation of council dwellings	(78,082)
(12,790)	Reversal of charges made for retirement benefits in accordance with IAS 19	(14,661)
5,380	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	25,588
128	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(191)
50	Gain or loss on revaluation of investment properties	2,052
(111)	Capital Receipts funding of Disposal Costs	(205)
(32,375)	Transfer from Capital Adjustment Account equivalent to depreciation	(35,209)
46,604	Capital Expenditure funded by the HRA	19,776
32,375	Transfers to/(from) Major Repairs Reserve	35,209
	Transfer to / from earmarked reserves	
187	Transfer to/(from) Tenants' Heating & hot water reserve	(1,868)
(33,458)	Amounts transferred to/(from) HRA Reserve	(24,865)
26,729	**Net additional amount required by statute to be debited or credited to the HRA Balance for the year**	**(31,911)**

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 2022 *Nos*	Housing stock numbers	31 March 2023 *Nos*
22,856	Flats	22,929
2,467	Houses	2,499
25,323	**Total**	**25,428**

2. Value of Dwellings

The value of Council Dwellings as at 31 March 2023 was £3.430 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 2022/23 which means that the vacant possession value of the dwellings within the HRA as at 31 March 2023 is £13.721 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 2022 *£'000*	Housing Stock - Value	31 March 2023 *£'000*
	Operational Assets	
3,546,482	Council Dwellings	3,430,322
	Other	
33,517	Other Land & Buildings	27,823
19,416	Infrastructure assets	21,119
2,889	Vehicles, Plant & Equipment	2,523
193	Surplus non-operational assets	6,634
2	Community Assets	2
1,922	Investment Properties	4,808
34,411	Assets under Construction	74,839
476	Assets held for Sale	1,439
3,639,308	**Total**	**3,569,509**

3. Major Repairs Reserve

2021/22 £'000	Major Repairs Reserve	2022/23 £'000
(5,271)	**Balance as at 1 April**	**(4,201)**
(32,375)	Transfer from HRA equivalent to HRA depreciation	(35,208)
-	Other transfer to/(from) HRA	-
33,445	Capital Expenditure on Dwellings	38,488
(4,201)	**Balance as at 31 March**	**(921)**

4. Capital Expenditure and Capital Receipts

The council spent £116.4m on the housing stock in 2022/23 (£99.5m in 2021/22). There was a further £5.2m spent on REFCUS activity in 2022/23 (no equivalent spend in 2021/22). HRA capital receipts in year amounted to £24.4m. Following the DLUHC letter of 31/03/23 that Local Authorities could retain 100% of RTB receipts for 2022/23 and 2023/24, there is no payment to the government this year.

2021/22 £'000	HRA Capital Expenditure	2022/23 £'000
99,488	Works to HRA Dwellings / Other Properties	116,382
-	REFCUS	5,217
99,488	**Total**	**121,598**

2021/22 £'000	Capital Expenditure by Funding Source	2022/23 £'000
-	Borrowing	(21,332)
(18,009)	Capital receipts	(38,909)
(46,604)	Revenue Contributions	(19,776)
(33,445)	Major Repairs Reserve	(38,490)
(1,430)	Other	(3,091)
(99,488)	**Total**	**(121,598)**

2021/22 £'000	Summary of Capital Receipts	2022/23 £'000
10,478	Usable Capital Receipts	24,373
3,781	Paid to the government Housing Capital Receipts Pool	-
14,259	**Total**	**24,373**

5. Depreciation

2021/22 £'000	Depreciation	2022/23 £'000
29,797	Council Dwellings	32,537
406	Other Land & Buildings	414
1,387	Infrastructure Assets	1,445
785	Vehicles, Plant & Equipment	813
32,375	**Total Depreciation**	**35,209**

2022. Contribution to Pension Reserve

HRA share of the contribution to the Pension Reserve in 2022/23 was £9.1m (£7.4m in 2021/22).

2022. Rent Arrears

Outstanding rent arrears as at 31 March 2023 were £12.8m. The amounts outstanding as at 31 March 2022 were £12.6m. During 2022/23, irrecoverable rent arrears of £0.95m were written off. The cumulative bad debt provision for rent arrears within the HRA account is £7.7m. The table below shows closing rent arrears for 2022/23 and 2021/22.

2021/22 £'000	Rent Arrears	2022/23 £'000
8,290	Current tenants	8,043
4,293	Former tenants	4,743
12,583	**Total**	**12,786**

Collection Fund Statement

The Collection Fund fulfils the statutory requirement for billing authorities to maintain a separate fund for the collection and distribution of council tax and non-domestic rates (NDR).

Income and Expenditure Statement

2021/22 Council Tax £'000	2021/22 Non-Domestic Rates £'000	2021/22 Total £'000	Summary of Income and Expenditure Account as at 31 March 2023	2022/23 Council Tax £'000	2022/23 Non-Domestic Rates £'000	2022/23 TOTAL £'000
			Income			
(135,422)	(242,901)	(378,323)	Income collectable from Taxpayers (net of benefits, discounts for prompt payments and reliefs)	(141,849)	(266,270)	(408,119)
-	(7,119)	(7,119)	Business Rate Supplement Income		(8,049)	(8,049)
			Transfers from General Fund			
-	445	445	Transitional Relief	-	590	590
(135,422)	**(249,575)**	**(384,997)**	**Total Income**	**(141,849)**	**(273,729)**	**(415,578)**
			Expenditure			
			Precepts, Payments & Demands			
19	-	19	Lloyd Square	20	-	20
28,270	109,904	138,174	Greater London Authority	31,718	90,932	122,650
-	7,012	7,012	BRS Payments	-	7,859	7,859
99,230	89,111	188,341	London Borough of Islington	105,406	73,729	179,135
-	98,022	98,022	Payments with respect to Central Share	-	81,101	81,101
127,519	**304,049**	**431,568**	**Total Precepts & Demands**	**137,144**	**253,621**	**390,765**
			Collection & Admin Costs			
-	726	726	Costs of Collection	-	721	721
-	107	107	BRS Administrative Costs	-	190	190
			Other Transfers to the General Fund			
-	79	79	Renewable Energy Schemes	-	102	102
			Contributions			
			Towards previous year's Collection Fund Surplus			
111	(22,747)	(22,636)	London Borough of Islington	1,088	(23,849)	(22,761)
30	(28,855)	(28,825)	Greater London Authority	316	(29,414)	(29,098)
-	(25,712)	(25,712)	Central Government	-	(26,233)	(26,233)
			Bad and Doubtful Debts / Appeals			
50	258	308	Current Year Write Offs	63	135	198
-	10,402	10,402	Appeals Provision (Reduction)	-	(1,219)	(1,219)
2,503	1,006	3,509	Allowance for Non Collection	3,693	2,070	5,763
130,213	**239,313**	**369,526**	**Total Expenditure**	**142,304**	**176,124**	**318,428**
(5,209)	**(10,262)**	**(15,471)**	**(Surplus) / Deficit for the Year**	**455**	**(97,607)**	**(97,150)**
			Collection Fund Account Reserves			
1,839	73,993	75,832	(Surplus)/Deficit brought forward	(3,370)	63,730	60,360
(5,209)	(10,263)	(15,472)	(Surplus)/Deficit for the year	454	(97,607)	(97,153)
(3,370)	**63,730**	**60,360**	**Closing Collection Fund Balance**	**(2,916)**	**(33,877)**	**(36,793)**
			Current Share of (Surplus)/Deficit			
(2,589)	19,119	16,530	London Borough of Islington	(2,228)	(10,163)	(12,391)
(781)	23,580	22,799	Greater London Authority	(688)	(12,535)	(13,223)
-	21,031	21,031	Central Government	-	(11,179)	(11,179)
(3,370)	**63,730**	**60,360**	**Total (Surplus)/Deficit c/f**	**(2,916)**	**(33,877)**	**(36,793)**

Notes to the Collection Fund Statement

C1. Council Tax

2022/23 Council Tax income is made up of the following elements:

2021/22 £'000	Council Tax Income	2022/23 £'000
(195,086)	Gross Opening Charge	(203,949)
	Less: Adjustments	
11,795	Exemptions	12,570
70	Disabled Relief	71
17,299	Discounts	18,365
30,500	Council Tax Support	31,094
(135,422)	**Income collectable from Taxpayers**	**(141,849)**

C2. Council Tax Base

The 2022/23 council tax base was 80,178 equivalent Band D properties (77,737 in 2021/22), which was used to calculate the Band D council tax of £1,710.24 (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	2022/23 Band D No. of dwellings	2021/22 Band D No. of dwellings
A	2,139	0.667	1,427	1,489
B	3,286	0.778	2,557	2,414
C	17,489	0.889	15,548	15,061
D	22,608	1.000	22,607	21,993
E	14,160	1.222	17,304	16,915
F	7,659	1.444	11,060	10,678
G	6,249	1.667	10,417	10,290
H	869	2.000	1,738	1,716
Total	**74,459**			
Total Band D Equivalents Dwellings			**82,658**	**80,556**
Budgeted Collection Rate			97.00%	96.50%
Council Tax Base			**80,178**	**77,737**

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 31 March 2022 was £695m (£716m at 31 March 2021). The standard multiplier for 2022/23 was 51.2p (51.2p in 2021/22), and the Small Business Rate Relief multiplier for 2022/23 was 49.9p (49.9p for 2021/22).

The basis of the amount included in the Collection Fund is detailed below.

2021/22 £'000	Business Rates (NDR)	2022/23 £'000
(355,737)	**Gross rates and empty rates due at the end of the year**	(358,145)
	Less allowance and adjustments:	
7,771	NDR Payable in respect of previous years	7,687
(445)	Transitional Protection Payments	(590)
26,159	Mandatory Relief	25,174
17,630	Unoccupied Property Relief	13,344
52,314	Retail, Hospitality and Leisure Reliefs (Note 1)	20,139
8,287	Small Business Rate Relief	8,705
-	CARF Relief (Note 1)	16,184
139	Supporting Small Business Relief	66
1	Pub Relief	7
980	Discretionary Relief	1,159
112,836	**Total Reliefs and Adjustments**	**91,875**
(242,901)	**Net Rates Payable After Reliefs and adjustments**	**(266,270)**

Note 1: The government continued the Extended Retail Discounts business rates relief scheme to the retail, leisure and hospitality sector in 2022/23, providing 50% relief to eligible businesses with a cap of £110,000 per business. The Retail, Hospitality and Leisure Reliefs line above also includes nursery relief.

The government provided Covid-19 Additional Relief Fund (CARF) to those businesses who weren't eligible for Extended Retail Discounts.

The impact on the council's retained business rates income of providing these reliefs was reimbursed by the government through Section 31 grant income.

C4. Business Rates Supplement (BRS) – Crossrail

The BRS was levied by the Greater London Authority on non-domestic properties with a rateable value of £70,001 or more.

The aggregate rateable value of properties liable for BRS on 31 March 2023 was £527m (£530m at 31 March 2022). The multiplier for the year was 2.0p, giving a possible BRS income of £10.5m.

After allowable adjustments, the collectable income from BRS payers for 2022/23 was £8.049m (£7.119m in 2021/22). The £7.859m (£7.012m in 2021/22) payable to the Greater London Authority is net of £0.2m collection costs and other adjustments retained by the council.

2021/22 £'000	Business Rates Supplement (Crossrail)	2022/23 £'000
(7,119)	**BRS Due At Year End**	**(8,049)**
	Less allowance and adjustments:	
89	Losses in collection	172
89	**Total**	**172**
(7,030)	**Income due from Business Ratepayers**	**(7,877)**
18	Costs of Collection	18
(7,012)	**Total**	**(7,859)**

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 Council Pension Fund

Fund Account

2021/22 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2022/23 £'000	Note
	Contributions receivable		
31,449	Employer contributions	33,032	7a
1,252	Deficit recovery contributions	20,591	7a
14,457	Members contributions	15,618	7b
2,667	Transfers in from other pension funds	7,866	8
2,321	Other Income	2,382	9
52,146	**Total Income**	**79,489**	
	Benefits payable		
(51,746)	Pensions	(54,275)	10
(10,707)	Lump sum benefits	(10,860)	10
(4,518)	Payment to and on account of leavers	(2,218)	11
(66,971)	**Total Expenditure**	**(67,353)**	
(14,825)	**Net additions/ (withdrawals) from dealing with members**	**12,136**	
(3,132)	**Management Expenses**	**(12,219)**	12
(17,957)	**Net additions/ (withdrawals) including fund management expenses**	**(83)**	
	Net Returns on investments		
13,081	Investment income	26,154	13
128,410	Change in market value (realised & unrealised)	(74,094)	
141,491	**Total Returns on investments**	**(47,940)**	
123,534	Net increase/(decrease) in fund in year	(48,023)	
1,663,826	**Opening net assets of the scheme**	**1,787,360**	
1,787,360	**Closing net assets of the scheme**	**1,739,337**	

Net Assets Statement

2021/22 £'000	Net Assets Statement for the year ended 31 March 2023	2022/23 £'000	Note
	Investments		
1,767,578	Investment assets	1,703,621	14
16,845	Other Investment and Cash	33,004	14
1,784,423	**Total Investments**	**1,736,625**	
	Current Assets and Liabilities		
5,727	Current assets	5,421	16
(2,790)	Current liabilities	(2,709)	17
1,787,360	**Net assets of the scheme *available to fund benefits* at 31 March**	**1,739,337**	

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

Notes to the Pensions Account

1. Description of Fund

The principal purpose of the Islington Council Pension Fund is to provide pensions for its employees (other than teachers who have their own national fund) under the Local Government Pension Scheme.

The Pension Fund is a defined benefit scheme administered by Islington Council, built up from contributions paid by both employees and the council, together with interest and dividends received from the Fund's investments; out of which pensions and other benefits are paid. Government Regulations fix employees' contributions to the Fund and the extent of benefits paid out. An independent actuary assesses the council's contribution rate every three years.

a) General

The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Council has delegated the investment arrangements of the scheme to the Pensions Sub-Committee who decide on the investment policy most suitable to meet the liabilities of the Scheme and the ultimate responsibility for the investment policy lies with it. The Committee is made up of four elected members of the council who each have voting rights, and four observers, representing members of the fund, who do not have voting rights. The Committee reports to the Audit Committee and has fully delegated authority to make investment decisions. The Committee obtains and considers advice from the Corporate Director of Resources, as necessary from the Pension Fund's appointed actuary (including specific investment advice), investment managers and investment advisers.

Investment managers manage the investment portfolio. The fund has two private equity fund managers Pantheon Ventures (total 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 (total commitment £51.02m), Quinbrook Net Zero Power (total commitment £80.89m) and Pantheon Access (total commitment £76.16m).

The Fund also has three Private Debt managers, Churchill Middle Market (total commitment £72.3m), Permira Credit Solutions (total commitment £50m) and Crescent Credit Solutions (total commitment £70.36m).

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 representing the shareholders will recommend the appointment directors to the company and receive reports from the company oversees it.

The Investment Strategy Statement, Funding Strategy Statement and Governance Policy Statement, for the Fund are available on the council's website.

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	Caterlink – Pooles Park
City of London Academy, Highgate Hill	Engie Services Ltd (Cofely Workplace Ltd)
The Bridge Satellite Provision	Greenwich Leisure Ltd
The Bridge Integrated Learning Space	Isledon Arts CIC
City of London Primary Academy, Islington	Bouyges ES FM UK Ltd.
Hungerford School	
London Screen Academy	

c) Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	No's	*No's*	*No's*	*No's*	*No's*	*No's*	*No's*	*No's*
Employees Contributing into the Fund	6,087	5,916	106	95	519	565	6,712	6,576
Pensioners	5,778	6,012	501	524	50	54	6,329	6,590
Widows/ Children's Pensions	914	925	55	68	6	7	975	1,000
Deferred Benefits	7,333	7,482	660	630	333	340	8,326	8,452
Totals	**20,112**	**20,335**	**1,322**	**1,317**	**908**	**966**	**22,342**	**22,618**

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 19/20).

   In common with many other local authorities, the Pension Fund has a deficit. It was agreed with the actuary that the deficit on past service should be met by separate additional lump sum payments and recovered over nineteen years.

   The Council made a HRA deficit lump sum payment of £20m in 2022-23 to the Pension fund in advance 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.

e) Benefits

i. Benefits provided by the scheme include:

   Retirement pensions at normal retirement age.

   Other Types of Retirement Pension:

   - Redundancy and or Efficiency subject to minimum age condition of 55
   - Flexible Retirement subject to minimum age condition of 55
   - Ill-Health Retirement subject to approval by council's medical adviser

ii. 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 2022/23 financial year and its positions as at 31 March 2023. 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 2022/23, nor new CIPFA Guidance in 2022/23.

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.

Going concern

Going concern is assessed by management using four key factors as follows:

- Investment returns, diversification, and Net Asset Values
- Cashflow forecasts and liquidity
- Membership trends
- Funding levels and delivery of agreed recovery plans

The period from April 2022 to March 2023 has seen market volatility caused by impact of Ukraine invasion, consequent high energy prices, cost of living and high inflation.

The Fund performance was marginally below benchmark and valuation fall of £44m.

However, the Fund is diversified with inflation matching assets and income generation in the short to medium term.

Cashflow forecast confirms that for the 2023/24 financial year the Fund will not have to sell assets to meet benefit payments.

The Fund is an open Fund with active membership and a sturdy level of membership from 2021/22 to 2022/23.

The 2022 valuation results showed a better funding position of 96% compared to 85% in 2019, giving assurance of being able to achieve the funding target of 100% over a 16 year recovery period.

For the reason set out above, the administering authority is satisfied the Fund is a going concern and the financial statements for 2022/23 have been prepared on this basis accordingly.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

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 2023.

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 accruals 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 – Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Where fees are netted off returns by investment managers, these expenses are adjusted in the change of market value of investments.

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.

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account.

The costs of the council's in-house fund management team are also charged to the fund as well as a proportion of the time spent by officers on investment management activity.

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 as 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 2022/23.

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 2023</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>£161m increase</td></tr>
<tr><td>0.5% p.a. increase in salary increase rate</td><td><1% increase</td><td>£17m increase</td></tr>
<tr><td>0.5% p.a. increase in inflation / pension increase rate</td><td>8% increase</td><td>£160m increase</td></tr>
<tr><td>1 year increase in member life expectancy</td><td>2% increase</td><td>£39m increase</td></tr>
</table></td></tr>
<tr><td>Private equity Private debt 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, private debt and infrastructure investments are valued at £283.8m in the financial statements. These investments were valued as at the 31st March 2023.

These assets have been predicted a sensitivity range of 9.3% – 11.9% by the performance analytics. (See note 26a).</td></tr>
</table>

Item	Uncertainties	Effect if actual results differ from assumptions
Property and Pooled Property funds	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.	The total Property Funds are £273m (including pooled property). These assets were valued as at 31st March 2023 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 4.8% (See note 26a).

6. Events After the Balance Sheet Date

We have received the 2022 triennial valuation result on 31 March 2023, the employer contribution rate for the next three years has been set at 18.3%. The funding level is 96% and has a deficit of £79m to be recovered over a 16-year period.

7. Contributions Receivable

2022) 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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Administering Authority						
Islington Council *	28,189	49,860	-	-	1,543	692
Scheduled Bodies						
St Mary Magdalene Academy	246	290	-	-	24	-
City of London Academy	163	164	-	-	-	-
The New North Academy	104	110	-	-	-	-
William Tyndale School	141	153	-	-	-	-
The Courtyard School	44	57	-	-	-	-
Elliot Foundation	187	186	-	-	-	-
The Bridge School	586	656	-	-	-	-
The Bridge School Academy	78	79	-	-	-	-
Pears Family School Academy	28	24	-	-	-	-
City of London Academy Highbury Grove	341	368	-	-	-	-
City of London Academy, Highgate Hill	90	101	-	-	-	-
The Bridge Satellite Provision	46	48	-	-	-	-
City of London Primary Academy, Islington	26	42	-	-	-	-
Clerkenwell Parochial Academy	35	-	-	-	10	-
Hungerford School	166	125	-	-	-	-
London Screen Academy	109	122	-	-	-	-
Sub-Total Scheduled Bodies	**2,390**	**2,525**	**-**	**-**	**34**	**-**
Admitted bodies						
Volunteering Matters (CSV)	100	100	-	-	-	13
Camden & Islington NHS Foundation Trust	53	55	-	-	-	-
Braithwaite	7	7	-	-	-	-
Pleydell	30	33	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	-	-	-	-	-	-
Brunswick	30	30	-	-	-	-
Caterlink	168	151	-	-	-	-
Caterlink – Pooles Park	-	8	-	-	-	-
Engie Services Ltd (Balfour Beatty)	92	92	-	-	-	-
Greenwich Leisure Ltd	51	31	-	-	-	-
Isledon Arts CIC	7	19	-	-	-	-
Alliance In Partnership	4	-	-	-	-	-
Bouyges ES FM UK Ltd.	3	7	-	-	-	-
Sub-total Admitted Bodies	**545**	**533**	**-**	**-**	**-**	**13**
Totals	**31,124**	**52,918**	**0**	**0**	**1,577**	**705**

*HRA deficit lump sum contribution of £20.0m is included in Islington Council's 2022-23 normal contributions.

b) <u>Members' Contributions</u>

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 (including Added Years) 2021/22 £'000	2022/23 £'000
Administering Authority		
Islington Council	13,452	14,529
Scheduled Bodies		
St Mary Magdalene	102	122
City of London Academy	77	72
The New North Academy	27	29
William Tyndale School	36	41
The Courtyard School	24	29
Elliot Foundation	152	151
The Bridge School	153	176
The Bridge School Academy	37	37
Pears Family School Academy	11	10
City of London Academy Highbury Grove	78	87
City of London Academy, Highgate Hill	45	50
The Bridge Satellite Provision	18	18
City of London Primary Academy, Islington	10	16
Clerkenwell Parochial academy	1	-
Hungerford School	21	24
London Screen Academy	62	71
Sub-Total Scheduled Bodies	**854**	**933**
Admitted bodies		
Volunteering Matters (CSV)	-	-
Camden & Islington NHS Foundation Trust	7	8
Braithwaite	2	2
Pleydell	8	9
NCP Services (Islington South)	6	7
SSE Contracting Ltd (Islington Lighting)	5	5
Brunswick	7	7
Caterlink	50	46
Caterlink -Pooles Park	-	2
Engie Ltd (Balfour Beatty)	38	40
Greenwich Leisure Ltd	24	20
Isledon Arts CIC	3	9
Bouyges ES FM UK Ltd.	1	1
Sub-total Admitted Bodies	**151**	**156**
Totals	**14,457**	**15,618**

8. Transfers in

2021/22 £'000	Transfers in	2022/23 £'000
-	Group transfers in from other schemes	-
2,667	Individual transfers in from other schemes	7,866
2,667	**Total transfers in**	**7,866**

9. Other Income

2021/22 £'000	Other Income	2022/23 £'000
2,321	Other	2,382
2,321	**Total other income**	**2,382**

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 2021/22 £'000	Pensions 2022/23 £'000	Lump sum benefits 2021/22 £'000	Lump sum benefits 2022/23 £'000	Lump sum death 2021/22 £'000	Lump sum death 2022/23 £'000
Administering Authority						
Islington Council	48,013	50,347	8,108	8,758	2,101	1,381
Scheduled Bodies						
St Mary Magdalene Academy	33	44	30	5	-	-
City of London Academy	63	76	7	8	-	-
The New North Academy	28	28	9	-	-	-
William Tyndale School	27	25	-	-	-	97
The Courtyard	5	5	-	-	-	-
Tech City (Stem 6th form Academy)	2	1	-	-	-	-
Elliott Foundation Academies	-	5	-	-	-	-
The Bridge Integrated Learning Space	10	9	-	-	-	-
Pears Family School Academy	1	1	-	-	-	-
City of London Academy Highbury Grove	21	32	-	-	-	-
City of London Highgate Hill	8	11	50	-	-	-
Clerkenwell	24	14	9	-	-	-
City of London Primary Academy, Islington	-	-	-	-	-	-
Hungerford School	7	7	-	-	-	-
Sub-Total Scheduled Bodies	**229**	**258**	**105**	**13**	**-**	**97**
Admitted Bodies						
Volunteering Matters (CSV)	1,297	1,306	55	-	133	-
Aquaterra	222	229	-	-	-	-
CEA	866	889	35	-	-	-
FSST	4	4	-	-	-	-
Kier Islington Ltd (Caxton)	599	608	-	9	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	73	78	-	-	-	-
ALA	21	23	-	-	-	-
Notting Hill Trust	15	16	-	-	-	-
Camden & Islington NHS Foundation Trust	88	104	-	38	-	-
Pleydell	13	14	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	57	58	-	-	-	-
Brunswick	10	10	-	-	-	-
Southern Housing Group	9	10	-	-	-	-
Cushman & Wakefield LLP (Dunlop Haywards)	8	8	-	-	-	-
Mouchel Parkman	33	34	-	-	-	-
Caterlink	44	49	-	11	74	48
Engie Ltd (Balfour Beatty)	29	37	-	78	-	84
Kier Support Services	21	21	-	-	-	-
Breyers	7	8	-	-	-	-
Mears	18	93	96	315	-	-
Greenwich Leisure Ltd	52	62	-	28	-	-
WJ Catering	10	-	-	-	-	-
Alliance In Partnership	4	5	-	-	-	-
Sub-total Admitted Bodies	**3,504**	**3,670**	**186**	**479**	**207**	**132**
Totals	**51,746**	**54,275**	**8,399**	**9,250**	**2,308**	**1,610**

11. Payments to and on Account of Leavers

2021/22 £'000	Payment to and on Account of Leavers	2022/23 £'000
62	Refunds of Contributions	130
4,456	Individual Transfer	2,088
4,518	**Total payments to and on account of leavers**	**2,218**

12. Management Expenses

2021/22 £'000	Management Expenses	2022/23 £'000
1,464	Administrative Cost (12a)	1,509
1,173	Investment Management Expenses (12b)	10,238
495	Oversight and Governance Cost (12c)	472
3,132	**Total Management Expenses**	**12,219**

In 2022/23, £1.7m of fees is based on such estimates for property funds.

12(a) Administrative Expenses

2021/22 £'000	Administrative expenses	2022/23 £'000
1,354	Employee Cost	1,438
110	Support services	71
1,464	**Total administrative expenses**	**1,509**

All other costs of administration are borne by Islington Council.

12(b) Investment Expenses

2021/22 £'000	Investment Expenses	2022/23 £'000
1,134	Management Fees	10,200
39	Custody Fees	38
1,173	**Total investment management expenses**	**10,238**

12(c) Oversight and Governance Cost

2021/22 £'000	Oversight & Governance Cost	2022/23 £'000
14	Performance Management Services	30
284	Advisory Services Fees	268
99	Operation and Support	30
60	Actuarial Fees	99
38	Audit Fees	45
495	**Total Oversight & Governance Cost**	**472**

13. Income from Investments

2021/22 £'000	Investment return gain/(loss)	2022/23 £'000
6,256	UK Equities	3,764
-	Bonds	7
5,208	Global & emerging equities	6,406
(4)	Private equity	-
(139)	Private debt	4,901
5,249	Property	5,266
-	Infrastructure	1,446
(3,932)	Derivatives	4,060
253	Other investments & dividends	14
190	Cash	290
13,081	**Net returns on investment**	**26,154**

14. Reconciliation Of Movements in Investments and Derivatives

Investments	Value as at 31 Mar 22 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 23 £'000
UK Equities	169,440	3,114	(166,967)	(5,421)	166
Global active equities	573,340	6,353	(1,250)	(20,961)	557,482
Multi Asset	114,440	-	(60,000)	(8,680)	45,760
Global Passive Equities	236,108	333,808	(168,711)	(3,764)	397,442
Fixed interest	75,992	-	(462)	2,115	77,645
Bonds	133,687	83	(50,285)	(15,318)	68,167
Property	282,459	4,582	(2,700)	(36,285)	248,057
Property - Private equities	18,037	9,809	(6,347)	3,562	25,060
Private equities	11,687	525	(3,042)	1,331	10,501
Private Debt	27,803	84,438	(9,324)	2,009	104,927
Infrastructure - PIV	124,585	63,590	(42,593)	22,832	168,414
	1,767,578	**506,303**	**(511,682)**	**(58,579)**	**1,703,621**
Derivatives - Forward FX (including spot FX)	(5,728)	39,978	(12,026)	(15,515)	6,709
	1,761,850	**546,281**	**(523,708)**	**(74,094)**	**1,710,330**
Other Investment & Cash	22,573	-	-	-	26,295
Total Investments	**1,784,423**	**546,281**	**(523,708)**	**(74,094)**	**1,736,625**

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		2021/22 £'000	2022/23 £'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		67	62
Total Fixed interest securities		**67**	**62**
Index -linked			
UK public sector quoted		121	-
Total Index -linked		**121**	**-**
Equities (valued at Bid Price)			
UK quoted		142,307	166
Overseas quoted		27,133	-
Total Equities		**169,440**	**166**
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	282,459	248,057
	Pooled Multi Asset	114,440	45,760
	Bond	133,687	68,105
	Fixed interest	75,804	77,646
Overseas Managed Funds	Global active equities	573,340	557,482
	Global Passive equities	236,108	397,442
	Private equities	11,687	10,501
	Private equities -Property	18,037	25,060
	Private Debt	27,803	104,926
Infrastructure Investment		124,585	168,415
Total Pooled investment vehicles		**1,597,950**	**1,703,394**
Other investment balances (valued at Amortised cost)			
Outstanding dividends & RWT		1,542	265
Derivatives - Forward FX		(5,728)	6,709
Cash deposits: Sterling		20,402	647
Cash deposits: Other		629	25,383
Total Other investment balances		**16,845**	**33,004**
Total Investment Assets		**1,784,423**	**1,736,626**

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
	’	*£’00’*	*£’000*
3 Months	Euros	-	(47,717)
	Japanese Yen	-	(12,846)
	Pound Sterling	268,480	-
	US Dollars	-	(201,209)
		268,480	**(261,772)**

Net Forward FX at 31 March 2023	6,709
Net Forward FX at 31 March 2022	(5,728)

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 2022 *£’000*	% of total fund	Market value 31 March 2023 *£’000*	% of total fund
LBI Self-Managed UK quoted	136,306	7.6%	-	-
London CIV Pooled - Newton MSCI All Country World	321,802	18.0%	322,581	18.5%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non-Gilt	133,687	7.5%	-	-
Aviva Lime Property UK Unit Trust	149,466	8.4%	129,779	7.5%
Threadneedle Pooled Investment Property AREF IPD All Balanced	104,274	5.8%	90,327	5.2%
Legal & General Pooled Investment Vehicle	236,108	13.2%	233,378	13.4%
Schroders Pooled Investment Multi Asset	114,440	6.4%	-	-
Quinbrook Infrastructure	-	-	98,656	5.7%
London CIV RBC EQ RBC Bmk	180,227	10.1%	166,436	9.6%
L&G Paris Align Global Passive Equities	-	-	164,064	9.4%

16. Current Assets

2021/22 *£’000*	Current Assets	2022/23 *£’000*
2,478	Contributions due from Employers & Employee	3,266
50	Sundry Debtors	27
3199	Cash Balances	2,128
5,727	**Total Current Assets**	**5,421**

17. Current Liabilities

2021/22 £'000	Current Liabilities	2022/23 £'000
(243)	Accrued Benefits	(169)
(886)	Sundry Creditors	(865)
(1,661)	Accrued Expenses	(1,675)
(2,790)	**Total Current liabilities**	**(2,709)**

18. Actuarial Position

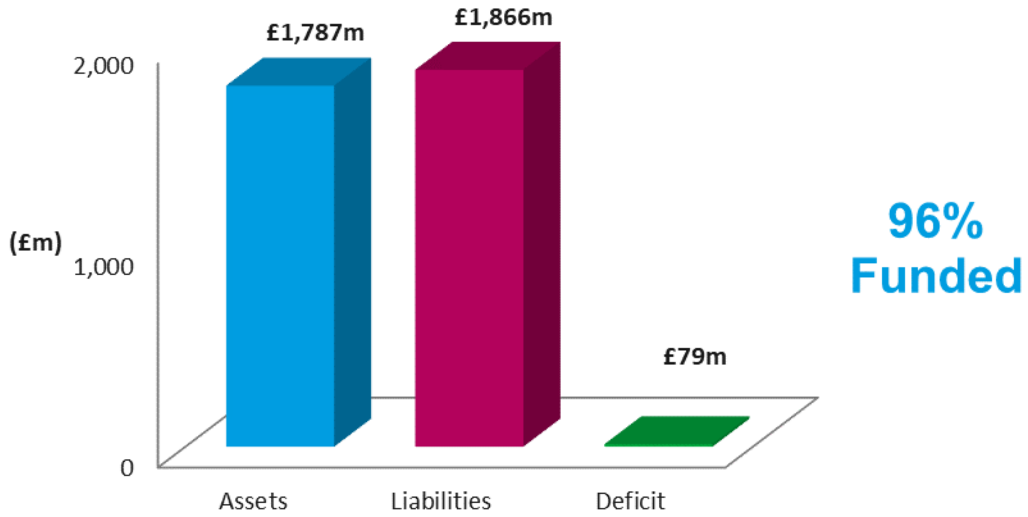
Islington Council Pension Fund

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 20–2 - 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 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £1,787 million represented 96% of the Fund's past service liabilities of £1,866 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £79 million.



The valuation also showed that a Primary contribution rate of 18.4% 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. Equally, where there is a surplus, it is may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the 2022 actuarial valuation the average recovery period adopted was 16 years. The total recovery payment (the “Secondary rate” for 2023/26) was, on average, an addition of approximately £5.1m per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

In practice, each individual employer’s position is assessed separately, and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	**For future service liabilities (Primary rate of contribution)**
Rate of return on investments (discount rate)	4.65% per annum	5.10% per annum
Rate of pay increases (long-term)	4.60% per annum	4.60% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.10% per annum	3.10% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

19. Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS26

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 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.8% per annum	4.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	3.4% per annum	2.7% per annum
Rate of pay increases*	4.9% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	3.5% per annum	2.8% per annum

*This is the long-term assumption. An allowance corresponding to that made at the 2019 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:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% p.a.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations. The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Start of period liabilities	£2,692m
Interest on liabilities	£75m
Net benefits accrued/paid over the period*	£45m
Actuarial (gains)/losses (see below)	(£895m)
End of period liabilities	**£1,917m**

*this includes any increase in liabilities arising as a result of early retirements

Key factors leading to the actuarial gains above are:

Change in financial assumptions: Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a.. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.4% p.a.. In combination, these factors lead to a significant reduction in liabilities.

Change in demographic assumptions: As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions. This acts to reduce the liabilities.

Pension increases / high short-term inflation: The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities

2022 actuarial valuation: The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

The “McCloud judgment”: The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Covid 19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

Current high inflation: The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

Paul Middleman

Fellow of the Institute and

Faculty of Actuaries

Michelle Doman

Fellow of the Institute and

Faculty of Actuaries

Mercer Limited

May 2023

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 2022/23 is £175,168 and the value of the fund as at 31 March 2023 is £1.926m.

2021/22 *Market Value* *£'000*	Additional Voluntary Contribution	2022/23 *Market Value* *£'000*
1,767	Prudential	1,685
170	Utmost (formerly Equitable life)	168
73	Phoenix Life (formerly NPI)	73
2,010	**Total Additional Voluntary Contributions**	**1,926**

21. Contingent Assets and Liabilities

There were no contingent assets or liabilities as at 31 March 2023, (no contingent assets or liabilities as at 31 March 2022).

22. Contractual Commitments

The fund has outstanding commitments totalling £186.3 as at 31 March 2023 (£167.7m ~31 March 2022).

Two private equity fund managers Pantheon Ventures £4.5m and Standard Life £4.0m.

One fund of funds private global property manager, Franklin Templeton Fund 1, II and III £37.5m.

The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £38.8m and £8.4m respectively.

Three Private debt managers Churchill Middle Market £20.7m, Permira Credit Solutions £35m and Crescent Credit Solutions £37.4m.

23. Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2023, the Pension Fund is due from the Islington Council £0.862m (£0.372m~31 March 2022). 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.

2021/22		2022/23
£'000		*£'000*
(65)	Short-term benefits	(168)
(55)	Post-employment benefits	(24)
(20)	Termination benefits	-
(141)		**(192)**

*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 its 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.

26. 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.

Price risk

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Price Risk 2022/23	Final Market Value as at 31 March 2023 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	49,120	13.26%	55,631	42,609
Overseas Equities	905,078	10.74%	1,002,312	807,843
Total Bonds	145,750	5.71%	154,076	137,424
Pooled Multi Asset	45,760	7.43%	49,160	42,361
Cash	33,959	1.32%	34,406	33,511
Property	273,118	4.83%	286,300	259,935
Infrastructure	168,413	10.45%	186,007	150,820
Private Debt	104,927	11.92%	117,433	92,421
Private Equity	10,501	9.32%	11,479	9,522
Total Assets	**1,736,626**	**7.81%**	**1,872,256**	**1,600,996**

The % change for Total Assets includes the impact of correlation across asset classes

Price Risk 2021/22	Final Market Value as at 31 March 2022 £'000	% Change	Value on Increase £'000	Value on Decrease £'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**

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) 2022/23	Final Market Value as at 31 March 2023 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	905,078	7.30%	971,106	839,049
Overseas Private Equity	10,501	7.30%	11,267	9,735
Overseas Infrastructure	168,413	7.30%	180,700	156,127
Overseas Private Debt	104,927	7.30%	112,582	97,272
Overseas property	25,060	7.30%	26,889	23,232
Total Assets	**1,213,979**	7.30%	**1,302,544**	**1,125,415**

Currency Risk (By Asset Class) 2021/22	Final Market Value as at 31 March 2022 £'000	% Change	Value on Increase £'000	Value on Decrease £'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**

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 2023 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	35,132	34,781	35,483
Fixed interest securities	62	61	63
Total	**35,194**	**34,842**	**35,546**

Assets Exposed to interest rate risk	Value at 31 March 2022 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	20,044	19,844	20,244
Fixed interest securities	67	66	68
Total	**20,111**	**19,910**	**20,312**

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 2023, liquid assets were £1,420m representing 82% of total fund assets (£1,620m at 31 March 2022 representing 91% of the Fund at that date).

The majority of these investments can in fact be liquidated within a matter of days at a cost.

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 2023	Quoted Market Price Level 1 £'000	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				
Equities	166	-	-	166
Global Active equities	557,482	-	-	557,482
Multi Asset	45,760	-	-	45,760
Global Passive Equities	-	397,443	-	397,443
Fixed interest	77,646	-	-	77,646
Bonds	-	68,167	-	68,167
Property	-	248,056	-	248,056
Property - Private equities	-	-	25,060	25,060
Infrastructure	-	-	168,413	168,413
Private equities	-	-	10,501	10,501
Private Debt	-	-	104,927	104,927
Derivatives	-	-	6,709	6,709
Cash	26,030	-	-	26,030
Other investments / Dividends	265	-	-	265
Loans and Receivables	2,128	-	-	2,128
Total Financial Assets	**709,477**	**713,666**	**315,610**	**1,738,753**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(168)	-	(168)
Total Financial Liabilities	**-**	**(168)**	**-**	**(168)**
Net Financial Assets	**709,477**	**713,498**	**315,610**	**1,738,585**

Values at 31 March 2022	Restated Quoted Market Price Level 1	Restated Using Observable Inputs Level 2	With Significant Unobservable inputs Level 3	Total
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	**958,985**	**652,254**	**176,383**	**1,787,622**
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	**958,985**	**652,005**	**176,383**	**1,787,373**

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 1.

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			
Equities	The published bid market price on the final day of the accounting period.	Not required	Not required
Multi Asset	Quoted market value based on current yields.	Not required	Not required
Global active equities	Quoted market value based on current yields.	Not required	Not required
Bonds	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			
Global passive equities	Closing bid price where bid and offer prices are published	Evaluated price feeds	Not required
Property	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Bonds	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required

Description of asset	Basis of valuation	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.	Manager valuation statements are prepared in accordance with ECVA guidelines.	Upward valuations are only considered when there is validation of the investment objectives and such progress can be demonstrated
Private equities: (Property)	Independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets.	Properties valued on an open market basis. Valuation carried out in accordance with the principles laid down by the RICS Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated. Downward valuations are enacted where the manager considers there is an impairment to the underlying investment.
Private Debt	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	Credit ratings and default history within the pool.	Valuations could be affected by changes to expected cashflows or default in the underlying loans.
Derivatives	Market forward exchange rates at the year-end.	Exchange rate risk	Changes to the value of the financial instrument being hedged against.

Sensitivity of assets valued at level 3

Having consulted with independent investment advisors, the fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Potential Variation in fair value	Value at 31 March 2023	Potential value on increase	Potential value on decrease
Private Equity - o/seas	9.3%	35,560	38,873	32,247
Infrastructure - PIV	10.4%	168,413	186,006	150,819
Private Debt	5.7%	104,927	110,921	98,933
Total		**308,900**	**335,800**	**282,000**

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.

27a. Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2022 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Value at 31 March 2023 £'000
Private Equity	29,724	10,333	(9,390)	4,893	35,560
Infrastructure - PIV	124,584	63,590	(42,593)	22,832	168,413
Private Debt	27,803	84,438	(9,324)	2,009	104,927
Derivatives	(5,728)	39,978	(12,026)	(15,515)	6,709
Total Level 3 Assets	**176,383**	**198,339**	**(73,332)**	**14,219**	**315,608**

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	16,691	419	(7,940)	2,517	11,688
Infrastructure - PIV	93,127	20,914	(8,015)	18,558	124,584
Private Debt	-	28,924	(1,604)	482	27,802
Derivatives	(673)	-	-	(5,055)	-5,728
Level 3 Assets c/fwd	**109,145**	**50,258**	**(17,558)**	**16,502**	**158,346**
Private Equity - o/seas (prior period adjustment)*	14,899	5,644	(3,037)	531	18,037
Total Level 3 Assets	**124,044**	**55,902**	**(20,595)**	**17,033**	**176,383**

* The prior period adjustment' relates to a 'reclassification of private equity funds of £14.9m that was previously level 2 classified as level 3. The total value of Fund investments in 2020/21 remain unchanged.

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.

28. Investment Assets by Fund Manager

Investment Assets by Fund Manager	2021/22 *£'000*	2022/23 *£'000*
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	136,306	166
Overseas quoted - LBI self-managed	27,133	-
CASH DEPOSITS		
Sterling	15,349	610
Other	1,371	26,109
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,515	265
Bond (FIXED INTEREST)		
UK	67	62
INDEX-LINKED		
UK	121	-
POOLED FUNDS		
UK	6,000	-
Total LBI In House Fund	**187,862**	**27,212**
Newton - London CIV		
POOLED FUNDS		
Global Active equities	321,802	322,581
CASH DEPOSITS		
Sterling	1	-
Other	264	279
OTHER INVESTMENT BALANCES		
Outstanding Dividends	27	-
Total Newton	**322,094**	**322,860**
Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Bonds	133,687	68,167
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity	2,503	1,975
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity	9,184	8,526
Aviva Lime Property		
UK UNIT TRUSTS		
POOLED INVESTMENT: Property	149,466	129,779
Threadneedle Pensions		
POOLED INVESTMENT: Property	104,274	90,327
Thesis		
POOLED INVESTMENT: Property	28,719	27,951
BNY Mellon		
CASH DEPOSITS: Sterling	5,052	37
Outstanding Foreign Exchange Trades	(5,728)	6,709
Total BNY Mellon	**(676)**	**6,746**
Legal & General		
POOLED INVESTMENT VEHICLES		
Global Passive Equities	236,108	233,378
Franklin Templeton		
Private equity - Pooled Investment Global Property	18,037	25,060
Schroders		
Pooled Investment Multi Asset	114,440	45,760

Investment Assets by Fund Manager	2021/22 £'000	2022/23 £'000
BMO		
Global Active equities	71,312	68,466
Cash - other	(1,005)	(1,005)
	70,307	**67,461**
Pantheon Infrastructure		
Infrastructure	53,779	69,757
Quinbrook Infrastructure		
Infrastructure	70,805	98,656
RBC/ LONDON CIV		
Global Active equities	180,227	166,436
M&G AOF		
Pooled Investment Managed Funds - Bonds	75,804	77,583
CHURCHILL		
Private debt	27,803	54,805
Permira CS		
Private debt	0	15,481
L&G Paris Align		
Global Passive Equities	0	164,064
Crescent		
Private debt	0	34,641
Total Investment Assets	**1,784,423**	**1,736,625**

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).

The Audit Findings for Islington Council

Year ended 31 March 2023

Contents

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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 the Audit and Risk Committee.

Name: Paul Dossett
For Grant Thornton UK LLP
March 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Islington Council Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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

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

Our audit work was completed on site and remotely during October 2023 through to February 2024. Our findings are summarised on pages 6 to 22. We have identified two classification adjustments to the financial statements that we not materiel individually or in aggregate and did not impact on your Council's Comprehensive Income and Expenditure Statement. Audit adjustments and disclosure amendments are detailed in Appendix D. We also identified potential understatement of PPE asset values due to errors in valuation calculations. Management have not amended the account for these difference as in aggregate they were not material.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix G] or material changes to the financial statements, subject to the closing procedures set out on page 6.

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

Our anticipated financial statements audit report opinion will be unmodified and unqualified.

Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

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 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 pages 23 to 24, and our detailed commentary is set out in the separate Interim Auditor's Annual Report, which will be presented at the March 2024 Audit and Risk Committee 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 two improvement recommendations to support your Financial Sustainability arrangements.
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 2022/23 audit of Islington Council until we have completed our consideration of an objection brought to our attention by a local authority elector undersection 27 of the Local Audit and Accountability Act 2014 in respect of the 2020/21 audit. We are satisfied that this matter does not have a material effect on the financial statements for the year ended 31 March 2023.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us. The audit team and the Council have worked constructively with the Council to resolve any delays including the audit team working on site alongside Council officers during the audit.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. This risk has been well managed here at the Council. The value of borrowings as at 31 March 2023 stands at £288.5m, an increase of £11m from prior year against an asset base of £5bn.

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 and Risk Committee.

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

Audit approach

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

- An evaluation of the Council'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.

We have not altered our audit plan, as communicated to Audit and Risk Committee on 18 September 2023.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Risk Committee meeting on 18 March 2024. These outstanding items include:

- complete our quality review of accounting disclosures
- receipt of management representation letter; and
- review of the 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.

Materiality levels remain the same as reported in our audit plan.

We set out in this table our determination of materiality for Islington Council.

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	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	900,000	This balance is set at 5% of overall materiality

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	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. 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	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 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. Our risk assessment identified a total of 61 journals for testing for the Council. 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 complete. Additionally, we followed up the issue we raised in prior year relating to journals posted by 'superusers' as part of our testing. 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. The number of these system-generated journals were over 21,000 (prior year over 22,000). Our sample testing during the year confirm the process is reconciled by a superuser and reviewed by a second superuser. We found no evidence of management override from our sample testing. Management confirmed these transactions are system-generated when bank files are uploaded into Cedar by system administrators. These transactions are cleared from Civica suspense by finance teams. However, if their clearance of these transactions occurs in a later period to the date of the original transaction, the Cedar system will suspend the transaction 'in error', as the system does not allow backposting of transactions to a prior period. Clearance of the 'in error' transactions can only be done by superusers. Our sample testing during the year confirm the process is reconciled by a superuser and reviewed by a second superuser, which minimising the risk of management override. Our prior year recommendation is not yet addressed. Management confirmed that Internal Audit will be undertaking a review of financial system controls in 2023/24 and will cover this area to help identify any opportunities to improve efficiency and further minimise the risk of management override.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue recognition 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 kept this assessment under review. Our assessment remain unchanged.
Valuation of land and land and buildings including dwellings 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	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 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. Our review of PPE valuation did take longer to complete due to a number of reasons This was mainly due to the volume of queries and follow up between both management and auditor expert, time taken to respond to auditor queries by valuation experts. We acknowledge there was also some absence of the key audit resource addressing this area in early January. Our audit work identified the following issues in respect of valuation of land and buildings: • 3 Depreciated Replacement Cost samples with errors in the data used to calculate the valuations resulting in error of £3.4m • 2 Existing Use Value samples with errors in number of years yields on the lease applied and differences in yields applied by valuers resulting in an extrapolated error of £4.9m • 3 trivial errors in sample testing of council dwellings which were subsequently amended by Council valuation expert. The errors identified individual or in aggregate were not material.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Accuracy and presentation of the Private Finance Initiative (PFI) and similar contracts liabilities and associated disclosures 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.	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. • 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. Our audit work has not identified any issues in respect of valuation of PFI.
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£219m as at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	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 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. • Assess the impact of the 2022 triennial on our review of pension assets and liabilities The methods and assumptions used by the Actuary are reasonable and within the expected ranges of PwC and is consistent with IAS 19.

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
Measurement of Infrastructure Assets • The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. Depreciation depends upon the use of appropriate useful economic lives. • The update to the Code (November 2022) provides a temporary relief from the requirement to report the gross book value and accumulated depreciation for infrastructure assets, because historical information deficits mean that this information is unlikely to faithfully represent the asset position. An amendment to the Local Authority Capital and Finance regulations (SI 2022 No 1232) permits Local Authorities when derecognising components of infrastructure assets, replaced by expenditure on existing assets, to determine the relevant amount to be nil. Islington Council has material infrastructure assets, at net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.	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 including components are 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	Our review is complete. No other significant issue arising from our review to report to those charged with governance.
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 Council and Islington Council 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 8	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. Our review is complete.	We have not identified any material issues from our work.

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
IT Control deficiencies Our IT audit focused on your design and implementation review of ITGC that supports the financial statement audit. The following applications were in scope of this audit: • Alusta • Cedar • CivicaPay • ResourceLink	We completed the following tasks as part of this ITGC review: • IT General Controls Testing: Design, implementation assessment over controls for security management; technology acquisition development and maintenance; and technology infrastructure. • performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas. • documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary.	An overview of our findings is set out on page 17 and recommendations are in Appendix B. There was no evidence from our work that the deficiencies and improvement recommendations has a direct impact on the financial statements
PPE Depreciation As part of depreciation testing, we note fully depreciated assets of £15.2m were on the Fixed Asset Register.	We compared the gross carried forward and gross brought forward figures and these were in line with our expectation. Management confirmed these assets continue to be use and are not surplus assets.	The value of fully depreciated assets is not material
Note 8 Termination Benefit We reviewed and tested your termination benefits against your supporting records	We noted the following in your disclosure: • a small number of termination benefits related to 2021/22 or earlier • one termination benefit related to 2023/24 was included in error • two termination benefit relating to 2022/23 were omitted in error • pension costs estimates were inconsistent with payroll records (not materially).	We challenged management over the accuracy and completeness of the population of terminal benefits. The challenge and follow up work took additional time and several meetings to resolve. The termination benefits supporting record was updated for the omissions and pension estimate costs were updated with actual cost. The Termination benefit disclosure was amended. We revisited our testing and no further errors were identified. We also identified other minor errors within Note 8 Senior Officer remuneration and remuneration bands. The errors were corrected by management. Details are sent out in Appendix D
Movement in Reserves Statement (MIRS) We note you MIRS disclosure does not have 'total' columns for statutory GF and statutory HRA (eg including earmarked) per Code requirements	We compared your MIRS disclosure against the Code and not it does not strictly adhere to the recommended disclosure	We recommend as part of your 2023/24 accounts preparations, you include 'total' columns for statutory GF and statutory HRA (eg including earmarked) per Code requirements.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line 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 £1,234m Investment Properties £43.6m	Other land and buildings which were revalued during the year comprise of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and 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 including investment properties as at 31 March 2023.	• 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 2023. • 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 complete. Our testing identified immaterial errors as set out on page 9.	Light purple
Land and Building valuations: Council Dwellings £3,430m	The Council owns 25,428 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 £3.4 billion, a net decrease of £117m from 2021/22.	• 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. Our testing identified immaterial errors as set out on page 9.	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

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £219m</td>
<td> Council's total net pension liability at 31 March 2023 is £219m (PY £917m) 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 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.
There has been a £698m net actuarial gain during 2022/23. </td>
<td>
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:

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.8%</td><td>4.7% - 1.9%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>2.8%</td><td>2.7%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>4.2%</td><td>1.25%-1.5% above CPI</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>23 / 21.8</td><td>22.4-24.7 / 21.0 – 22.6</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>25.8 / 24.1</td><td>25.3-26.6 / 23.5-24.7</td><td>●</td></tr>
</table>

We reviewed your revised assumptions and disclosures and noted no issues
We confirmed there were no significant changes in 2022/23 to the valuation method
Our assessment is complete and no issue was identified.
</td>
<td>Light Purple</td>
</tr>
</table>

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
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2. Financial Statements: key judgements and estimates

Page 197

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation - £554m	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. Our assessment is complete and no issue was identified.	Light purple

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £3.8m	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 £3,767k, a net increase of 545k from 2021/22.	• 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 2022. • There have been no changes to the Council's MRP policy since 2021/22 although in our view 1.5% (MRP as a percentage of Capital Financing Requirement) slightly below our broader expectations which would be around 2% which we often see elsewhere. The relative level of increase in the MRP charge is reasonable in the context of additional borrowing incurred during the year.	Light purple

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Assessment

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- [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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Alusta	Detailed Roll forward ITGC assessment (design effectiveness)	🟢	🟢	🟢	🟢	N/a
Cedar	Detailed Roll forward ITGC assessment (design effectiveness)	🟠	🟠	🟢	🟢	N/a
Civica Pay	Detailed Roll forward ITGC assessment (design effectiveness)	🟠	🟠	🟢	🟢	N/a
Resource Link	Detailed ITGC assessment (design effectiveness)	🟢	🟢	🟢	🟢	N/a

We also performed specific procedures in relation to the Cyber security performed during the audit period. We observed the following results:

IT System	Result	Related significant risks/other risks
Cyber Security	Deficiencies identified, made an improvement recommendation	N/a

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟠 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Committee. We have not been made aware of any other 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 at the conclusion of the audit.

2. Financial Statements: other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to all banking and investment counterparties and component auditors. This permission was granted and the requests were sent and received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

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 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. We plan to issue an unmodified opinion in this respect – refer to Appendix H.
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. We have nothing to report on these matters.

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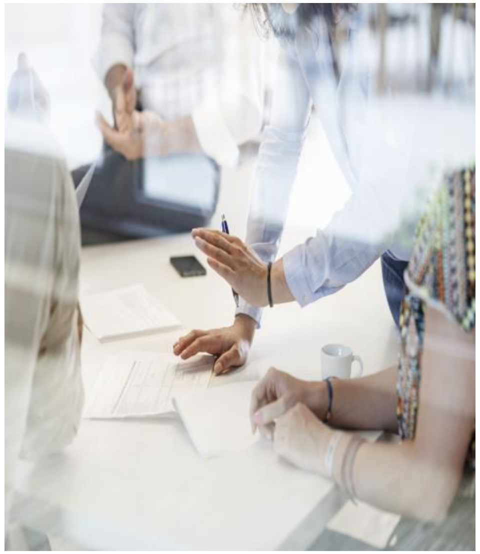

2. Financial Statements: other responsibilities under the Code

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. Work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of Islington Council in the audit report, as detailed in Appendix I, due to on-going work on an elector query received in 2020/21.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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.

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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 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. We agreed with management two improvement recommendations to support your Financial Sustainability arrangements around reporting to Members progress on savings delivery and identifying efficiencies within Children and Adult Social Care. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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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 and consider that an objective reasonable and informed third party would take the same view. 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 F.

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 Grant Thornton International Transparency report 2023.

4. 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 non-audit services were identified.

Service	Fee estimate £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	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 proposed fee for the audit of £272,829 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.
		Self review (because GT provides audit services)	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	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 £272,829 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.
		Self review (because GT provides audit services)	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	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 £272,829 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.
		Self review (because GT provides audit services)	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 2022/23.

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 and Risk Committee as set out in our Audit Plan. None of the services provided are subject to contingent fees.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to 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	•	
Confirmation of independence and objectivity	•	•
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 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 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 Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 4 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	**User access within Cedar and Civica Pay is not appropriately revoked for terminated employees** Formal user management procedures have not been established to ensure consistent processes are followed for removing and reviewing user access. We noted that the user access is only terminated by the Finance Systems team when notification is received from the HR or Zellis. Therefore, the user is not terminated in a timely manner from Cedar and Civica Pay. We understand that the Council has implemented the new user administration process from June 2023 for Civica and Cedar. **Risks** Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorized access transactions. There is also a risk that these accounts may be misused by valid system users to circumvent internal controls.	It is recommended that the Council should: • ensure that a comprehensive user administration procedures are in place to revoke leavers access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/or line managers. • Consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner. **Management response** Management accepts the recommendation and has already implemented the recommendation. The management response on the previous year's audit was that a 'new workflow tool will be implemented during the course of the next financial year'. The Hornbill solution was implemented later than expected, so the Finance Systems Team have instead developed a new comprehensive user administration process for both Cedar and Civica. Every year the user listings for Civica and Cedar are exported to a report which specifies each user's manager. The Finance Systems team then e-mail each manager and ask them to confirm if the access is still required. In addition, the Finance Systems Team now receive immediate notifications from HR via Zellis when a user leaves the council. The Finance Systems team also receive a monthly report from HR indicating leavers. They revoke the access within Cedar and Civica when these leaver notifications are received. The final results of this year's recertification will be available for the next audit period. Also note that the Cedar user profiles automatically get disabled within 30 days

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**Lack of logging and monitoring of security events within Resource Link** We noted that the Information security event logs, which capture the monitoring of activities such as failed logins and use of privileged user accounts, are maintained but not reviewed periodically. **Risks** Without appropriate audit logging and monitoring, unauthorised activities may not be detected in a timely manner, can go unnoticed, and evidence of whether or not the attack led to a breach can be inconclusive.	Considering the criticality of Resource Link for financial reporting, information security events such as: • repeated invalid / unauthorized login attempts to access systems, data or applications • privileged user activities • privileged generic accounts • changes to system configurations, tables and standing data should be logged and formally reviewed. It is recommended that security event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating [the application] and its underlying database. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence. **Management response** ResourceLink is a hosted application that uses single sign on. Through ResourceLink, the IT service receives notification indicating when an employee leaves the council, which disables network logins and access to ResourceLink. There is monitoring in place which reviews financial information monthly. The report includes the following information: • investigation of net pay variances for an employee; • employees that were paid last month, but not this month and • employees that are paid this month but not last month. The reports are saved to the network and are held in line with LBI's retention policy.
Low	**Lack of enforcement of password settings within the Cedar** Our audit procedures identified that password complexity settings within Cedar application were not configured as per the Council's password policy. • Password complexity – Disabled (should be enabled as per Council Policy) • Password Reset Time – 0 (should be set as 30min) **Risks** A lack of robust password settings may allow financial information to be compromised by unauthorized users. In particular, if password complexity is not configured, users will tend to choose simple, guessable words as their passwords.	The Council should ensure that password settings configured on the Cedar are in line with the organization's password policy. We recommend that password parameters for Cedar should be configured to meet best practice guidelines such as those recommended by NCSC. Where configuration settings cannot be strengthened due to system limitations, management should undertake a risk assessment and implement additional compensating controls. **Management response** The Upgrade from Cedar E5.5 to E5.7 (planned to go live in 2024) will include new 'single sign on' functionality. This will ensure that password complexity settings for the Cedar application are aligned with the Council's password policy.

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**Insufficient evidence of cyber security controls** We noted that the Council maintains a high-level risk register with broad risks around phishing, malware and ransomware attacks listed. However, the risk register is limited in the actions taken by the Council to mitigate those cyber risk. We also identified that while these cyber risks are discussed with senior management team, there is a lack of meeting minutes retained to demonstrate the discussion of the risks and action plans. **Risks** Cybersecurity risk is the probability of exposure, loss of critical assets and sensitive information, or reputational harm because of a cyber-attack or breach within an organisation's network. Where organisations have a lack of focus to addressing these risks, there is an increased probability of a cyber threat occurring which in turn can easily turn into a cyber-attack.	The Council should formally log cyber risks identified in the risk register along with detailed actions taken to mitigate those risks. **Management response** We agree that there should be greater transparency regarding the risk management process. This recommendation is, therefore, accepted.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Islington Council's 2021/22 financial statements, which resulted in 6 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 3 are still to be completed.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	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. Prior year 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.	2022/23 management update The 22,000 transactions referred to in this finding are not manual journals. These transactions are system-generated when bank files are uploaded into Cedar by system administrators. Transactions will enter Civica suspense if they do not contain the correct referencing – this is determined by the payer and is not within the council's control. Transactions are cleared from Civica suspense by finance teams, not superusers. However, if their clearance of these transactions occurs in a later period to the date of the original transaction, the Cedar system will suspend the transaction 'in error', as the system does not allow backposting of transactions to a prior period. Clearance of the 'in error' transactions can only be done by superusers. This process is reconciled and reviewed by a second superuser, minimising the risk of management override. We believe restricting access to the 'in error' area of cedar to superusers, and not allowing backposting are essential system controls. Internal Audit are undertaking a review of financial system controls in 2023/24, which will cover this area. This will help identify any opportunities to improve efficiency and further minimise the risk of management override. Auditor follow up 2022/23 Our testing in 2022/23 found similar issues. Per management commentary above, Internal Audit will undertake a review of system controls in 2023/24.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial	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. Prior year 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.	2022/23 management update For the 2022/23 audit, where possible, transaction listings have been cleansed to strip out identifiable contra entries, and the working papers include a complete audit trail for this. We will continue to review and cleanse population listings to support a timely audit. Auditor follow up 2022/23 We accept there have been some improvements, however we have again during 2022/23 identified significant number of contra entries in the following account transactions including: • PPE additions testing • Debtors testing • Fees and charges testing • Grant income testing • Operating expenditure testing This has resulted in additional time to complete and increased cost to the audit.

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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 Prior year recommendation Recommend IP reviews include all lease income within a block or properties and undertake timely rent reviews prior to IP year end valuations.	2022/23 management update Valuers use the best information made available to them at the time of their valuations. Where management is made aware of further information after the valuations are complete, it will consider whether this could have a material impact on the value of investment properties. Auditor follow up Our testing in 2022/23 did not identify a similar issue. Recommendation closed.
✓	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 Prior year recommendation Recommend you strengthen your closedown arrangements to ensure income above pre agreed closedown thresholds are accrued for at year end	2022/23 management update Our closedown timetable includes dedicated time for finance staff to carry out reviews of post-year end payments, receipts and invoices, to identify any missing accruals. Given the short time available for closedown, we aim to strike a balance between identifying all accruals and producing materially accurate and complete draft accounts by the statutory deadline. Auditor follow up Our testing in 2022/23 did not identify a similar issue. Recommendation closed.

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Inadequate oversight around generic users across in scope applications and database	Auditor follow up This finding has been remediated for the in-scope applications and databases. Civica Pay: the generic account, civica.admin, has been disabled and was not active during the audit period. Resource Link: the system administrator 'sa' account and the payroll processing, Ibibacsip account have both been disabled and were not active during the audit period. Cedar: the generic user accounts, Support 2 and Support 3, were disabled during 2021 and were not active during the audit period.
X	User access within Cedar and Civica Pay is not appropriately revoked for terminated employees	Auditor follow up This finding has been not remediated. Please refer to Appendix B for further details.

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Assessment

✓ Action completed

X Not yet addressed

D. 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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
ST Grants received in advance was incorrectly classified as ST creditors	NIL	5,021k (5,021k)	NIL	NIL
Grant Income was incorrectly classified as fees and charges income (Note 12)	1,760k (1,760k)	NIL	NIL	NIL
Overall impact	NIL	NIL	**NIL**	**NIL**

D. 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	Auditor recommendations	Adjusted?
Note 6 – Pooled Budgets (PB)	We note that PB income and expenditure were understated by an equal amount (£1.3m) when compared to your supporting records. The PB note was updated	✓
Note 8 – Officers' Remuneration	A small number of errors and omissions were identified during our review including omission of a prior year comparison, omission from salary bandings when compared to payroll records. The disclosures were updated including updating the narrative disclosure supporting the remuneration table	✓
Note 8 - Termination Benefit	Omission of exit packages paid in the year were omitted from initial records, errors were identified in the Exit packages cost bands and pension estimates were updated with actual pension costs. The supporting records and Termination Benefit disclosures were updated	✓
Note 10 - Audit Fees	Audit Fees was revised to be consistent with proposed audit fees set out in the Audit plan.	✓
Note 12 – Expenditure and Income Analysed by Nature	We identified an item of income which was incorrectly classified as 'income from council tax and non-domestic rates' rather than 'fees, charges and other service income'. The error have no impact on total income reported	✓
Note 20 - Private Finance Initiative and Similar Contracts	Recommended that £214m 'other' movement be better explained in this note and also clearly disclose that Housing Scheme 2 PFI ended in year. Disclosure were amended.	✓
Note 22 - Financial instruments (FI)	Our work identified some minor inconsistencies between the FI disclosure (current and fair value) and corresponding notes such as ST debtors, creditors and other liabilities. Disclosure were amended to make it clearer to the reader of the accounts	✓
Note 27 – Transfers to/from Earmarked Reserves	Note 27 should include prior year comparatives per Code requirement. Prior year comparatives have been disclosed.	✓
Note 30 - Cash Flow Statement – Operating Activities and Investing Activities	We recommend material 'other' balances within Operating and Investing activities include a narrative explanation of key items within to comply with Code requirements. Narrative explanations have been disclosed for both material Operating and Investing activities.	✓
Note 35 - Defined Benefit Pension Schemes	We recommend material other remeasurements include a narrative explanation of key items within to comply with Code requirements. Narrative explanations have been disclosed for other remeasurements.	✓

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D. 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	Auditor recommendations	Adjusted?
Note 37 Grant Income	Income from a nominal code was omitted from Note 37. The note was updated. Error was not material.	✓
HRA Note 4 - Capital Expenditure and Capital Receipts	HRA capital receipt of £27.3m was incorrectly disclosed as 'Other income'. The note has been amended	✓
Various	Notes to the accounts were updated for a number of minor disclosure errors, omissions, prior year comparisons including Note 1-Accounting Policies; Note 3-Critical Judgements in Applying Accounting Policies; Note 22 and 23-Financial Instruments; Note-18 Investment Properties	✓

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D. Audit Adjustments (continued)

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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on general fund £'000	Reason for not adjusting
Errors found in OLB Revaluation testing due to the incorrect inputs in number of years and differing valuers' view on yields	NIL	(4,947) 4,947	NIL	Impact is not material.
Errors found in OLB Revaluation testing due to the incorrect inputs in GIA/BCIS/developed land area	NIL	(3,393) 3,393	NIL	Impact is not material
Overall impact	**NIL**	NIL	NIL	Cumulative impact is not material

E. Fees and non-audit services

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

Audit fees	**Proposed fee**
New scale fee	£175,429
Reduced materiality	£5,625
Use of expert (engagement)	£14,000
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing, Collection Fund – relief testing	£1,250
Pension valuation and assurance letter	£5,500
Value for Money audit – new NAO requirements	£20,000
ISA 540	£6,000
ISA 315	£5,000
Additional journals testing	£3,000
Infrastructure	£3,500
Triennial valuation work	£3,500
Quality review – (Quality Partner)	£1,500
ITGC review, additional testing on employee remuneration, MRP	£9.750
PPE valuation	£9,400
Raising the bar/regulatory factors	£9,375
Total audit fees (excluding VAT)	**£272,829**
Objection consideration from 2020/21 (estimate)	**£12,000**

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee (estimate)
Audit Related Services includes Housing Capital receipts (in progress), Teachers' Pension (completed) and Housing Benefits (in progress).	£49,900	£52,400
Total non-audit fees (excluding VAT)	**£49,900**	**£52,400**

The fees reconcile to the financial statements.	Council (£000)	Audit related services (£000)
• fees per financial statements	229	50
• Teachers' pension fee variation	Nil	2
• Accounts audit fee variation	44	Nil
• Objection 2020/21	12	Nil
• total fees per above	285	52

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

We are also the auditor of the pension fund and fees in relation to Fund are reflected on its separate Audit Findings Report. The final fee will be discussed with Management at the conclusion of the audit. All fees are subject to PSAA approval.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit opinion

Our draft audit opinion is included below and will be 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 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund 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 2022/23.

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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 2023 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 2022/23; 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 of 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 of 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 2022/23 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 2022) 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.

In auditing the financial statements, we have concluded that the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.

Our responsibilities and the responsibilities of the Corporate Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and Statement of Accounts, other than the financial statements and our auditor's report thereon and and our auditor's report on the pension fund financial statements. The Corporate Director of Resources is responsible for the other information. 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.

G. Audit opinion

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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.

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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, 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 and the Corporate Director of Resources

As explained more fully 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 of Resources. The Corporate Director of Resources 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of 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 of 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

G. Audit opinion

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 2022/23, 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), Local Government Act 1972 and the Local Government Act 2003.

We enquired of management and the Audit and Risk Committee, 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.

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We enquired of management, internal audit and the Audit and Risk committee, 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 management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. 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 management 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, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, 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. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- 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.

G. Audit opinion

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.

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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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 2023.

We have nothing to report in respect of the above matter.

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.

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 January 2023. 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:

- 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 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector undersection 27 of the Local Audit and Accountability Act 2014.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

G. Audit opinion

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 44 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:

H. Audit letter in respect of delayed VFM work

Chair of Audit and Risk Committee

Islington Council

Town Hall,

Upper Street

London

N1 2UD

August 2023

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Dear Cllr Nick Wayne, Chair of Audit and Risk Committee, 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 January 2024 and an interim report will be presented to the Audit and Risk Committee in March 2024. 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

Grant Thornton

grantthornton.co.uk

Grant Thornton

The Audit Findings Report for London Borough of Islington Pension Fund

Year ended 31 March 2023

March 2024

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Contents

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.

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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 will be discussed with management and the Audit and Risk Committee.

Name : Paul Dossett
For Grant Thornton UK LLP
Date : March 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Islington Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of 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 Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.	Our work on the Pension Fund financial statements is complete. Our audit work was completed during October 2023 - February 2024. Our work was budgeted to take place over a period of 4 weeks. However, as a result of delays further explained on page 13 of this report, our work was completed in 16 weeks. Our findings are summarised on pages 5 to 15. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding closing procedures: • receipt and review of the pension fund letter of representation; and • review of the final set of financial statements. We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated opinion on the financial statements will be unmodified. We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report in March 2024.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Mercer Limited. The results of the latest triennial valuation are reflected in the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. We tested the data provided to the actuary and were satisfied the data agreed to underlying source documents. No errors were identified.

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 and Risk Committee.

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

Audit approach

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

- An evaluation of the 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

We have not altered our Pension Fund Audit Plan as communicated to you in September 2023.

Conclusion

We have completed our audit of the Pension Fund's financial statements and subject to outstanding closing procedures set out on page 3 being resolved, we anticipate issuing an unqualified opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by management, the finance team and other staff throughout the audit process.

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 investment assets changing significantly from previous year resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount (£)
Materiality for the financial statements	34,000,000
Performance materiality	23,800,000
Trivial matters	1,700,000
Materiality for fund account	7,900,000

We have applied a lower specific materiality for the fund account for the first time this year. As a result of applying the lower specific materiality, our scope of work on the fund account balances has increased on fund account balances. This is aimed at enhancing our assurance on the fund account balances which are quantitatively lower than balances within the net asset statement.

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	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. 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.	Audit procedures undertaken in response to the identified risk included: • evaluating of the design effectiveness of management controls over journals; • analysing the journals listing and determining the criteria for selecting high risk unusual journals; • testing unusual journals recorded during the year and the accounts production stage for appropriateness and corroboration; • gaining an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have evaluated the accounting estimates and critical judgements applied by management and concluded that these are reasonable. We also concluded that management's rationale in changes of estimates was reasonable. We tested a total of 30 journals and have not identified any material issues from our work. Furthermore, we have not identified any significant unusual transactions nor changes in accounting policies.
Improper revenue recognition **(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. In the Audit Plan, we reported that having considered the risk factors set out in ISA240 and the nature of the Pension Fund revenue streams, we had determined that the risk of fraud arising from revenue recognition 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 local authorities, including London Borough of Islington, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for the London Borough of Islington Pension Fund. There have been no changes to our assessment as reported in the Audit Plan.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
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 (£308.9 million at 31 March 2023) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgmental 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.	Audit procedures undertaken in response to the identified risk included: • evaluating management's processes for valuing Level 3 investments; • reviewing the nature and basis of estimated values and assessing what assurance management has over the year end valuations provided for these types of investments, to ensure that the requirements of the Code were met; • independently requesting year-end confirmations from investment managers and the custodian. • for level 3 investments, testing the valuation by obtaining and reviewing the 8 fund manager audited accounts for level 3 investments, at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciling those values to the values at 31 March 2023 with reference to known movements in the intervening period; • evaluating the competence, capabilities and objectivity of the valuation expert through review of all 17 service auditor reports; • where available, reviewing investment manager service auditor report on design and operating effectiveness of internal controls; • evaluating 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; • evaluating the competence, capabilities and objectivity of the valuation expert; • writing to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code were met. • engaging our own valuer to assess the instructions to the Pension Fund direct property valuer, the valuer's report and the assumptions that underpin the valuation. The Level 3 investment balance recorded in the financial statements is based on the figure provided by the fund's custodian. The custodian's balance is estimated utilising the December 2022 audited figure adjusted for movements from 1 January 2023 to 31 March 2023. The custodian's estimate does not account for the market movement between 1 January 2023 to 31 March 2023. Once the movement in markets is factored into the valuation, the level 3 investments is reduced by £955k. The difference is not material to the financial statements and as such, it has not been adjusted. As part of gaining assurance over Level 3 investments, we review the audited statements of individual pension fund investments. We note three investments with a total of £2.9m, the auditor's opinion therein included an 'emphasis of matters' (EoM) stating that the audited accounts were not prepared on a going concern basis. The value of the investments were not material to the financial statements.

2. Financial Statements: Other risks

Risks identified	Commentary
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.	Audit procedures undertaken in response to the identified risk included: • gaining an understanding of the Fund's process for valuing Level 2 investments and evaluating the design of the associated controls; • reviewing the nature and basis of estimated values and considering what assurance management has over the year end valuations provided for these types of investments; • independently requesting year-end confirmations from investment managers and custodian; • reviewing the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seeking explanations for variances; • testing a sample of the underlying investments to quoted prices; and • reviewing all investment manager service auditor reports on design effectiveness of internal controls. The Level 2 investment balance recorded in the financial statements is based on the figure provided by the fund's custodian. The custodian's balance is estimated utilising the December 2022 audited figure adjusted for movements from 1 January 2023 to 31 March 2023. The custodian's estimate does not account for the market movement between 1 January 2023 to 31 March 2023. Once the movement in markets is factored into the valuation, the level 2 investments are increased by £1.2m. The difference is not material to the financial statements and as such, it has not been adjusted.
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.	Audit procedures undertaken in response to the identified risk included: • evaluating the Fund's accounting policy for recognition of contributions for appropriateness; • gaining an understanding of the Fund's system for accounting for contribution income and evaluating the design effectiveness of the associated controls; • testing a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • testing relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained. We have not identified any material issues from our work, however, management was not able to reconcile a difference of £673,190 between the contributions' listings provided and the amount disclosed in the financial statements. This results in a potential overstatement of contributions in the financial statements. The difference is not material to the financial statements and as such, it has not been adjusted.
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.	Audit procedures undertaken in response to the identified risk included: • evaluating the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • testing a sample of lump sums and associated individual pensions in payment by reference to member files; and • testing relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. We have not identified any material issues from our work.

2. Financial Statements: Other risks

Risks identified	Commentary
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 (£1.9 billion as at 31 March 2023) 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: • updating our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluating the design of the associated controls; • evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessing the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assessing the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • testing the consistency of disclosures with the actuarial report from the actuary; and • assessing 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. We have not identified any material issues from our work.
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 when 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 relating to expenditure recognition is necessary, as the same rebuttal factors outlined 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 and our testing in relation to the significant risk of management override of controls set out on page 7.	Audit procedures undertaken in response to the identified risk included: • obtaining an understanding of the design effectiveness of controls relating to operating expenditure; • performing testing over post year end transactions to assess completeness of expenditure recognition; and • testing 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.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 investments – £315.6m	The Pension Fund has investments in level 3 assets that are valued in note 27 as at 31 March 2023 at £315.6m. 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 fund managers and 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 2022 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 level 3 investments as at 31 December 2022 • 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 £104.9m 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 three of the individual pension fund investment audited accounts with a total of £2.9m included an EoM. Refer to page 8 for further details.	Light Purple
Level 2 Investments – £713.4m	The investments are not traded on an open exchange/market and the valuation of the investment is subjective.	• 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 We have not identified any material issues from our work. We note the custodian's balance is estimated utilising the December 2022 audited figure adjusted for movements from 1 January 2023 to 31 March 2023. The custodian's estimate does not account for the market movement between 1 January 2023 to 31 March 2023. Once the movement in markets is factored into the valuation, the level 2 investments are increased by £1.2m. The difference is not material to the financial statements and as such, it has not been adjusted	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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Alusta	Detailed Roll forward ITGC (design effectiveness)	🟢	🟢	🟢	🟢	N/A
Cedar	Detailed Roll forward ITGC (design effectiveness)	🟡	🟡	🟢	🟢	N/A
Civica Pay	Detailed Roll forward ITGC (design effectiveness)	🟡	🟡	🟢	🟢	N/A
Resource Link	Detailed Roll forward ITGC (design effectiveness)	🟢	🟢	🟢	🟢	N/A

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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 Audit and Risk Committee. 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 has been requested from the Pension Fund and included in the Audit and Risk Committee papers.
Audit evidence and explanations	All information and explanations requested from management were provided. The financial statements were published and a full suite of supporting working papers was provided to the audit team prior to the commencement of the audit. The quality of working papers provided by the finance team to the audit team was good though the timeliness of responses could be improved. We note as part of our review of prior year comparatives against the 2021.22 audited financial statements that management had amended a small number of notes. We challenged management on the amendments made to the prior year comparisons. Management updated the prior year comparisons to be consistent with the 2021.22 audited accounts. We reviewed the updated prior year comparisons and identified no further errors. The review took additional time and meetings with management to resolve, which contributed to the length of time the audit has taken.
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 the requests were returned with positive confirmation. We experienced delays in obtaining the required investment confirmations from the Pension Fund's banking and investment counterparties. Our work was budgeted to take place over a period of 4 weeks, however, as a result these delays, the work took place in 16 weeks. The audit team had to continuously pause the work and continue when responses were received. 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 Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

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. 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 Pension Fund 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 Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund'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, pension Fund Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We have nothing to report on these matters.
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.

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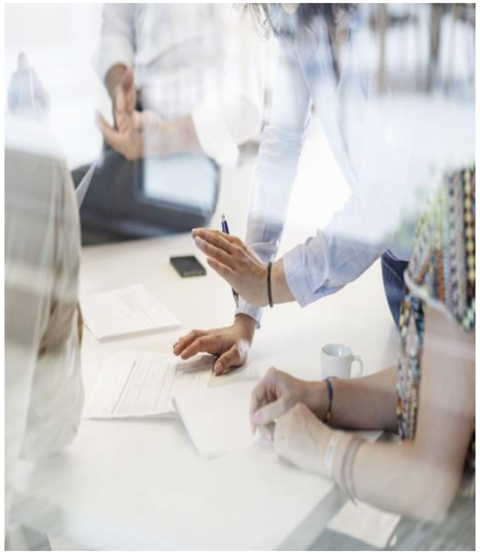

3. Independence and ethics

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 and consider that an objective reasonable and informed third party would take the same view. 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 Grant Thornton International Transparency report 2023.

3. 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 Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

	Audit fee 2022/23
London Borough of Islington Pension Fund Audit fees (excluding VAT)	£57,920

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for services provided. No non-audit service was provided in the year.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

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A. Communication of audit matters to 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	•	
Confirmation of independence and objectivity	•	•
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 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 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		•

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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 Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Follow up of prior year recommendations

We identified the following issue in the audit of London Borough of Islington Pension Fund's 2021/22 financial statements, which resulted in a recommendation being reported in our 2021/22 Audit Findings Report. We have followed up on the recommendation and noted that it is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**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 **Prior year recommendation** Recommended 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.	**2022/23 management update** Management review audited accounts and auditors' reports for all fund investments as standard, and this information is also shared with the Custodians. Management will endeavour to get more information from third party providers where the reports raise any issues of concern. **Auditor follow up** Our testing in 2022/23 did identify a similar issue where three investments with a total of £2.9m, the auditor's opinion therein included an 'emphasis of matters' (EoM) stating that the audited accounts were not prepared on a going concern basis. The value of the investments were not material to the financial statements.
✓	**Pension Fund Level 3 investments** We note that the Pension Fund has 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 was valued and when it was valued in accordance with the Code. Management amended the disclosures, however, we note the Level 3 update did not set out the financial impact on key sensitivities that could change fair value significantly. **Prior year recommendation** Recommended management improve Level 3 disclosure in future years by disclosing the financial effect to be fully compliant with the Code.	**2022/23 management update** The sensitivity analysis for level 3 was included in the accounts for 21/22 and 22/23. **Auditor follow up** Our testing in 2022/23 did not identify a similar issue. Recommendation closed.

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.

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 assets for the year ending 31 March 2023.

Detail	Pension Fund Account £	Net Asset Statement £	Adjusted?
Note 12 and 12c: Audit Fees Prior year analysis for audit fees was based on an estimate. The Pension Fund team opted to amend the prior year audit fee to disclose the actual fees paid 2021/22. The increase of £18,000 is trivial bringing the total audit fees to £38,000. The amendment had an impact on a number of areas including Fund Accounts; Net Assets Statement; Note 12 Management expenses; Note 12c Oversight and Governance Cost; and Note 17 Current Liabilities.	(18,000)	(18,000)	Adjusted
Overall impact	**(18,000)**	**(18,000)**	

C. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £	Net Asset Statement £	Impact on total net assets	Reason for not adjusting
Note 7: Contributions receivable There is a difference between the contributions' listings provided and the amount disclosed in the financial statements This results in a potential overstatement of contributions in the financial statements.	N/A	(673,190)	(673,190)	Impact is not material
Note 27: Financial Instruments The Level 3 investment recorded in the financial statement is based on the figures provided by the fund's Custodian. The Custodian balance is estimated on 31 December 2022 after adjustment. The custodian estimates does not account for the market movement between 1 January 2023 to 31 March 2023.	-	(955,505)	(955,505)	Impact is not material
Note 27: Financial Instruments The Level 2 investment recorded in the financial statement is based on the figures provided by the fund's Custodian. The Custodian balance is estimated on 31 December 2022 after adjustment. . The custodian estimates does not account for the market movement between 1 January 2023 to 31 March 2023.	-	(1,166,972)	(1,166,972)	Impact is not material
Overall impact	-	(2,795,667)	(2,795,667)	Cumulative error is not material

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D. 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/issue/Omission	Auditor recommendations	Adjusted?
Note 10: Benefits The total benefits payable in note 10 for the prior year was incorrectly disclosed as £50,422,000 in the first draft set of financial statements, instead of £51,746,000. This was a disclosure error (£1,324,000 - above our trivial threshold) and did not affect any other accounts. The error has been corrected in the final set of financial statements.	We recommend management improve on ensuring accuracy on comparative disclosures.	✓
Note 14a Investment detail The investment in bonds and fixed interest were amalgamated as one	We recommend the disclosure disaggregate the balance between bonds and fixed interest	✓
Note 27: Financial Instruments The table setting out the level 3 basis of valuation had not clearly set out the valuation technique used per the CIPFA Code. The sensitivity column did not disclose the financial impact setting out: a) brief analysis to support the assessment for each of the three level 3 instruments; and b) include in the disclosure the percentage change to be consistent with the CIPFA Code.	We recommend management improve Level 3 disclosure in future years by disclosing the financial effect to be fully compliant with the CIPFA Code.	✓
Note 12: Management Expenses In the prior year, a large portion of management expenses were incorrectly netted off against investments. This resulted in management expenses of £3,114,000 being disclosed. In the current year, management expenses (£12,237,000) have been correctly disclosed separately in the financial statements. This has resulted in an inaccurate comparative disclosure where there seems to be 293% increase in management expenses.	We recommend management add a narrative explanation explaining the difference between years.	X
Note 27: Financial Instruments The prior year level 3 financial instruments total was incorrectly disclosed as £182,111,000 instead of £176,383,000 as per audited 2021/22 financial statements. The resulting variance was £5,728,000 (above our trivial threshold).	We recommend management improve on ensuring accuracy on comparative disclosures.	✓
The prior year comparative figures were incorrectly disclosed on the following: Fund Account: Management expenses disclosed as £3,114k instead of £3,132k Net asset Statement: Current liabilities disclosed as £2,743k instead of £2,790k Note 12 and 12c: Oversight and Governance costs disclosed as £477k instead of £495k Note 17: Sundry creditors disclosed as £839k instead of £886k Note 27: Total Level 3 assets disclosed as £182,111kk instead of £176,383k	We recommend management update the prior year comparative figures to be consistent with the 2021/22 audited accounts	✓

D. Fees and non-audit services

Audit fees	Proposed final fee
Scale Fee	£22,420
Additional requirements – payroll change of circumstances (Information Provided by the Entity) IPE Testing	£500
Impact of ISA 540	£3,600
Impact of ISA 315	£3,000
Additional journals testing	£2,000
Other local factors taking into account the likelihood of extra sampling, testing, new guidance, investment valuation etc.	£5,036
IAS 19 assurance letter for scheduled and admitted bodies	£5,000
Derivatives testing	£4,364
Pension Fund Annual Report review	£5,000
Additional hours from the audit team from delays in delivery of audit evidence	£7,000
Total audit fees (excluding VAT)	£57,920

This covers all services provided by us and our network to the Pension Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

We are also the auditor of the financial statements and fees in relation to Council are reflected on its separate Audit Findings Report. The final fee will be discussed with Management at the conclusion of the audit. All fees are subject to PSAA approval.

D. Fees and non-audit services

We confirm below our final fees charged for the audit. There are no non-audit or other audited related services that have been undertaken for the Pension Fund.

None of the below services were provided on a contingent fee basis.

Reconciliation of audit fees	Pension Fund Audit fees (Note 12c)
Fees per Audit Plan (proposed fee)	£44,556
Reconciling item: Increased audit requirements	£13,364
Fees per draft financial statements	**£57,920**

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

F. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report.

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

Opinion

We have audited the financial statements of Islington Pension Fund (the 'Pension Fund') administered by London Borough of Islington (the 'Authority') for the year ended 31 March 2023 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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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 Pension Fund's 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 of 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 Pension Fund'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 Pension Fund to cease to continue as a going concern.

In our evaluation of the Corporate Director of 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 2022/23 that the Pension Fund'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 Pension Fund. 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 in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements 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 Pension Fund'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 of Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Corporate Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Corporate Director of Resources and Those Charged with Governance for the financial statements' section of this report.

F. Audit opinion

Other information

The Corporate Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's 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 Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements, or our knowledge of the Pension Fund 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 Pension Fund 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.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund 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 in relation to the Pension Fund.

Responsibilities of the Authority, the Corporate Director of Resources and Those Charged with Governance for the financial statements

As explained more fully 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 of Resources. The Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

F. Audit opinion

In preparing the Pension Fund's financial statements, the Corporate Director of Resources is responsible for assessing the Pension Fund'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 Pension Fund will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's 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.

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 Pension Fund 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 Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit and Risk Committee, 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, internal audit and the Audit and Risk Committee, 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 Pension Fund'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:
  - journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
  - accounting estimates made in respect of the valuation of investment assets

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F. Audit opinion

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Corporate Director of Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, including directly-held investments in property and the IAS 26 pensions asset valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

  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, the significant accounting estimates related to the valuation of level 3 investments, including directly-held investments in property, and the IAS 26 pensions asset valuation.

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- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund 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 Pension Fund'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.

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.

F. Audit opinion

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

March 2024

grantthornton.co.uk

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Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Islington Council
Islington Town Hall
London
N1 2UD

XX March 2024 (date of audit opinion)

Dear Sirs

Islington Council: Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Islington Council for the year ended 31 March 2023 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 2022/23 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 2022/23 ("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 valuation of Property Plant and Equipment and Pension liabilities. 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. 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.

RAAC - we have considered the impact of reinforced autoclaved aerated concrete (RAAC) on our financial statements. We have no knowledge of any material events or circumstances that would require adjustments to be made to our financial statements.

Equal Pay - - we have considered the impact of equal pay claims on our financial statements. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay.

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.

If you would like this document in large print or Braille, audiotape or in another language, please telephone 020 7527 2000.

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 and Risk Committee at its meeting on 18 March 2024.

Yours faithfully,

Name Dave Hodgkinson

Position Director of Corporate Resources Date XXday XX March 2024

Name Councillor Nick Wayne

Position Chair of Audit Committee Date XXday XX March 2024

If you would like this document in large print or Braille, audiotape or in another language, please telephone 020 7527 2000.

Signed on behalf of the Council

If you would like this document in large print or Braille, audiotape or in another language, please telephone 020 7527 2000.

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Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Islington Council
Islington Town Hall
London
N1 2UD

XXday XX March 2024 (date of audit opinion)

Dear Sirs

London Borough of Islington Council Pension Fund

Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of London Borough of Islington Council Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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 investment 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. 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. 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. 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.

xxii. 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 and Risk Committee at its meeting on 18 March 2024.

Yours faithfully,

Name Dave Hodgkinson

Position Director of Corporate Resources Date XXday XX March 2024

Name Councillor Nick Wayne

Position Chair of Audit Committee Date XXday XX March 2024

Signed on behalf of the Fund

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ISLINGTON
For a more equal future

Annual Governance Statement

Islington Council

2022/23

Executive Summary

Good governance lies at the heart of Islington Council's ability to achieve the ambitions it sets out in the Islington Together 2030 plan. In a time of increasing financial pressures and with recent examples of governance failures in the local government sector, it has never been more important to have strong governance arrangements in place. The council is committed to acting in the public interest, in managing its finances, and making inclusive, robust decisions and plans that ultimately deliver improved outcomes for those it serves.

The Annual Governance Statement (AGS) is a valuable means of explaining to the community, service users, taxpayers and other stakeholders the council's governance arrangements and how the controls it has in place manage the risk that it will fail to deliver its strategic outcomes. A description of the council's main governance arrangements is provided in section 2 of this AGS.

The council is required by law to conduct a review, at least once a year, of the effectiveness of its governance arrangements, and communicate this publicly in an annual governance statement. Details of the council's 2022/23 review are provided in sections 3 and 4 of this AGS. The review process has been undertaken in an open and honest manner, and has considered the council's performance across all of its activities.

The review has identified a number of areas where arrangements can be strengthened, and these are summarised below:

- The council has identified where its Constitution needs to be updated to make it accessible, internally consistent, legally compliant and fit for purpose.

- The council has a significant backlog of stage 2 complaints with the response times for these complaints increasing significantly. This is coming under greater scrutiny from the Housing Ombudsman and the Local Government and Social Care Ombudsman.

- 15 of the council's schools are in deficit as of 31 March 2023 (29% of maintained schools). Internal Audit have also raised high priority recommendations in relation to some schools in their annual audit plan.

- The council needs to ensure it has adequately prepared for the introduction of the new Procurement Bill, which is expected to come into force in 2024. The Bill will introduce changes to requirements placed on public sector buyers, including greater requirements to publish information about procurement and contract-related decisions.

- The council is not currently complying fully with the requirements of the Local Government Transparency Code, which requires local authorities to publish on its website specific information about the council including lists of expenditure over specified values, and statutory notices for contract awards and extensions.

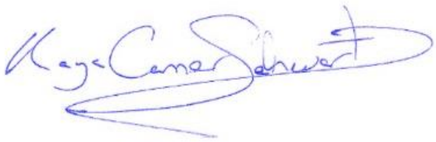
- The external audit opinion on the 2021/22 accounts has not yet been issued, reflecting sector-wide delays in publishing audited accounts.

- Following the recent de-merger of the public health department from a joint arrangement with Camden Council, a review of governance arrangements within the new single-borough department of Public Health is required to ensure arrangements are up to date and reflect best practice.

- There is scope to strengthen the arrangements for submitting and monitoring business cases for new capital schemes.

The council is committed to addressing each of these governance issues and has prepared an action plan to enable this, shown in section 4 of the AGS. Progress in implementing the action plan will be carefully monitored during the year ahead, and an update will be reported in next year's AGS.

Signed by:



Victoria Lawson
Chief Executive

Councillor Kaya Comer-Schwartz
Leader of the Council

Date: XX March 2024

1. Introduction

1.1 Good governance is about how an organisation such as a local authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

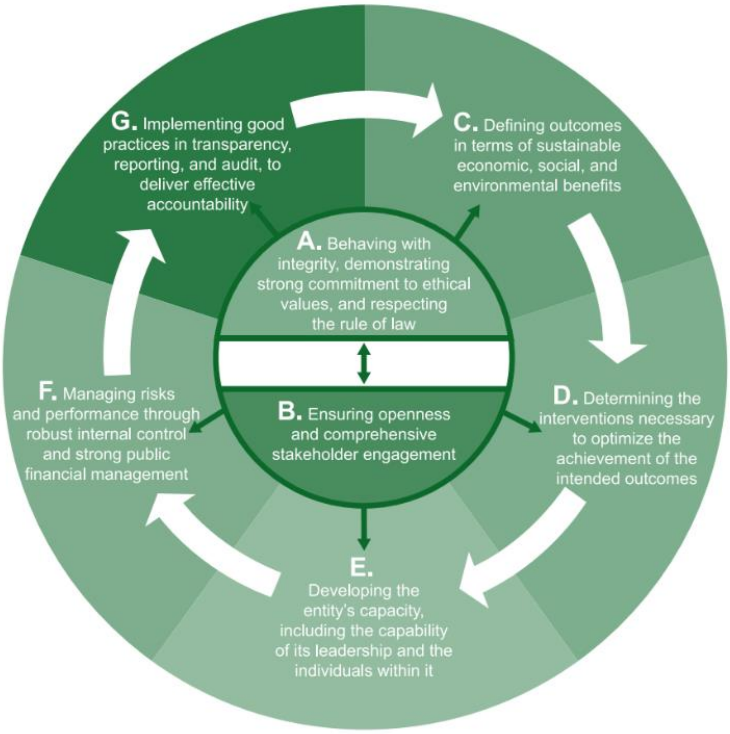
1.2 The *Delivering Good Governance in Local Government: Framework* (2016), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE), sets the standard for local authority governance in the United Kingdom.

1.3 The framework is designed to help local authorities develop and implement high standards of governance, to ensure that:

- resources are directed in accordance with agreed policy and priorities;
- there is sound and inclusive decision making; and
- there is accountability for the use of resources to achieve desired outcomes for residents and communities.

1.4 The framework sets out seven core principles, as illustrated in **Figure 1** below, that underpin good governance in the public sector. It shows that achieving good governance is a continuous process of evaluation and review.

Figure 1 – Delivering Good Governance Core Principles



1.5 This Annual Governance Statement (AGS) demonstrates how Islington Council's governance arrangements deliver these seven principles in practice. It is divided into the following sections:

- Section 2 – explains the key elements of Islington Council's governance framework.
- Section 3 – describes how the council has reviewed the effectiveness of its governance arrangements in 2022/23 and gives the main findings of this review.
- Section 4 – summarises the actions the council will take in the year ahead to address the main governance issues identified in the review of effectiveness.

2. Islington Council's Governance Framework

2.1 Islington Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded and properly accounted for and used in a way that represents value for money. Additionally, the council has a duty under the Local Government Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

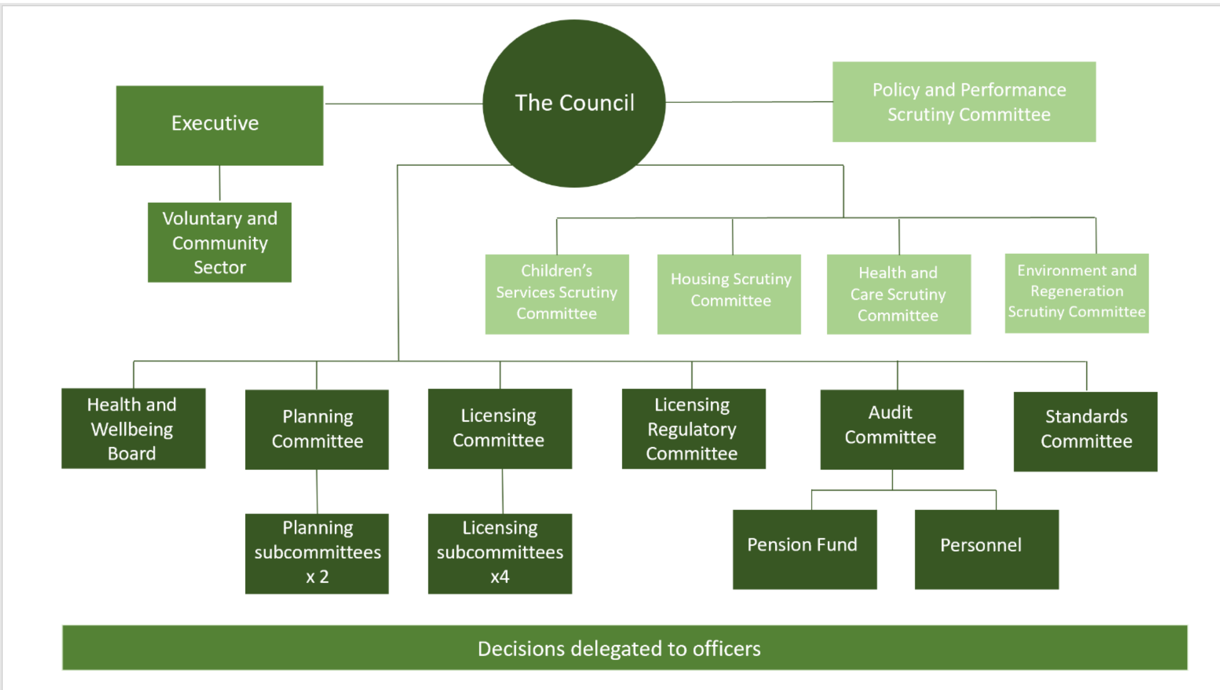
2.2 In discharging these responsibilities, Islington Council is responsible for putting in place proper arrangements for the governance of its affairs and the effective management of risk. To achieve this, the council has adopted a code of governance which is consistent with the seven principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).

2.3 The council's code of governance consists of a number of policy documents and procedures and is underpinned by an ethos and shared values in which the highest standard of conduct is expected from all Members and officers.

2.4 A key component of the code of governance is the council's written Constitution. This sets out how decisions are made and the procedures which are followed to ensure efficiency, transparency, and accountability to residents. A copy of the council's constitution can be found of the council's website: Islington Council Constitution.

2.5 The Constitution defines the roles and responsibilities of the executive, non-executive, scrutiny and chief officer functions. **Figure 2**, below, illustrates the council's policy and decision-making processes, as defined by the Constitution.

Figure 2 – Islington Council's decision-making structure chart



2.6 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. 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 responsibilities include:

- reviewing the external auditor's reports and annual audit letter;
- approving internal audit's annual Audit Plan and reviewing its reports;
- approving the council's Annual Governance Statement; and
- considering the council's arrangements for risk management.

2.7 The Local Government Act 2000 requires all councils to establish a Standards Committee to consider the standards of conduct and behaviour of councillors. It advises on the Members' Code of Conduct, hears cases on potential breaches, grants dispensations in certain circumstances and hears complaints that have been referred by the Monitoring Officer.

2.8 Section 3 of this Annual Governance Statement reviews the effectiveness of the Audit Committee and Standards Committee in 2022/23.

2.9 Another significant aspect of the council's code of governance is its system of internal control, which is designed in accordance with the council's key rules and procedures, including the Constitution, Code of Conduct for Employees and Financial Regulations. The system of internal control is intended to identify the risks that threaten the achievement of the council's strategic aims and objectives, to evaluate the likelihood and impact of those risks, and to manage them efficiently, effectively and economically.

2.10 Appendix A sets out in more detail the core elements of the council's code of governance and demonstrates how these align to the seven principles of the CIPFA/SOLACE framework.

2.11 The rest of section 2 highlights certain aspects of the council's governance arrangements that have seen significant developments in 2022/23.

The Council's Corporate Governance Review

2.12 In mid-2022, the council commissioned a comprehensive review of the council's governance arrangements. This review made several recommendations, which the council has turned into a programme of work, starting in January 2023.

2.13 The first phase of the programme is a detailed review of the council's Constitution, to ensure it is up to date and fit for purpose. The current Constitution is a large and unwieldy document that is difficult to navigate and internally inconsistent. An initial statutory compliance health check, presented to the Audit Committee in March 2023, identified several areas where the Constitution needs to be updated to make it legally compliant.

2.14 A Constitution Review Working Group was set up to steer the review and update of the Constitution. The overall aim is to recommend to Full Council a revised version of the Constitution in 2023. By September 2023, the review aims to:

- Ensure the Constitution is compliant with relevant legislation;
- Review the Terms of Reference for Committees;
- Update Schemes of Delegation, Procurement Rules and Financial Regulations, including researching best practice;
- Through the Standards Committee, update the Code of Conduct for Members and the Arrangements for dealing with member complaints; and
- Seek member input on the Constitution's review at the member development sessions on governance.

2.15 The Constitution Review Working Group comprises the Chair of the Audit Committee, the Executive member for Resources, the Monitoring Officer, Deputy Monitoring Officer, the Chief Lawyer (Governance), the Head of Democratic Services and Governance, and the Committee Services Manager.

2.16 Additional working groups are being set up to cover specific aspects of the work above.

2.17 The programme of work also includes:

- providing training for Members and legal staff on governance issues.
- reviewing report and procurement templates and guidance to cover options appraisals, data, insight and officer advice to support recommendations.

2.18 The council is also considering extending the corporate governance review programme in 2023/24 to look at scrutiny arrangements across the council and the governance of integrated care partnerships.

2.19 The council will continue to monitor this programme of work in the year ahead. This is summarised in section 4 of this AGS.

2.20 The corporate governance review has prompted senior management within directorates to begin reviewing local schemes of delegation and internal control arrangements, to further strengthen these arrangements.

Complaints Process

2.21 Complaints are an important way for an organisation to be accountable to the public, as well as providing valuable prompts to review organisational performance and the conduct of the people that work within and for it.

2.22 The council has a formal two-stage process for managing complaints with the process set out on the council's website. At stage 1, a complaint is passed to the relevant department, who investigate and aim to respond within ten working days. Departmental complaints officers record and report on all complaints, and the service response is monitored. If having received a Stage 1 response, the complainant is dissatisfied, they can ask that within one month the Corporate Customer Service Team at Stage 2 (Chief Executive) of the complaints process look at their concerns, and, if necessary, carry out an independent investigation on behalf of the Chief Executive. The council aims to respond within 20 working days.

2.23 The council's aim is to ensure that when things go wrong, it responds quickly to put things right. The council is committed to learning from and improving its performance in response to customer feedback.

2.24 Since the pandemic, Islington Council has seen a doubling in the number of complaints made to the council, compared to pre-pandemic levels, and its response times have increased significantly. The council now has a significant backlog of stage 2 complaints to process.

2.25 To address the backlog, the council increased the capacity of the corporate complaints team from three complaints officers to 17 (plus a manager and a business support officer), to assist with the increased volumes. It has also implemented an improvement plan to address the issue. This has included the introduction of daily meetings with key staff between 5pm and 7pm each evening, for a detailed assessment of the backlog, to identify quick and effective solutions, and actions required.

2.26 A bi-weekly Complaints Review Project Board led by the Corporate Director of Resources and Corporate Director of Community Engagement and Wellbeing was established, to provide oversight and governance. The Project Board reviews the weekly highlight report, examines progress in reducing the backlog and oversees the service review.

2.27 The council commissioned an independent consultancy, 31ten, who have a team experienced in this field, to complete a full review of the council's management of complaints and to put forward options for management going forward. The council has also employed a project manager for six months to help drive the complaints turnaround phase.

2.28 Section 4 of the AGS explains how the council will monitor the implementation of this plan in the year ahead and details further actions the council is proposing.

Responding to the impact of high inflation

2.29 As outlined in Appendix A, the council has robust arrangements in place to set a balanced annual budget and medium-term financial strategy (MTFS). The council's financial management processes are agile and able to respond to changes in the external environment in order for outcomes to be achieved, despite significant and changing pressures on resources.

2.30 In 2022/23, the Consumer Prices Index rose to a peak of 11.1% in October 2022, the highest annual inflation rate since 1981. This high inflation had a significant impact on the council's financial planning, eroding available resources, and acting as a constraint on budgets while many residents were also struggling with rising prices. The sections below set out how the council has responded to energy inflation specifically and the cost-of-living crisis.

Energy Inflation

2.31 The council's energy supply contracts for the period 2020-2024 were awarded in December 2019, with an estimated total value of £32m over four years. This covered energy supplied to council buildings, landlord supplies in housing properties, Greenwich Leisure Ltd (GLL) leisure centres and most of the borough's primary schools.

2.32 Due to the large increase in energy prices during late 2021 and early 2022, exacerbated by the Ukraine War, it was likely that the £32m threshold would be exceeded before the end of the 2022/23 financial year. Therefore, a contract modification notice under the Public Contracts Regulations (PCR) 2015 (Regulation 72) Part G Annex 5 was published.

2.33 The Energy Risk Management Committee, who make decisions on when to trade, was expanded to add representatives from Corporate and Housing finance given the significant increase in energy prices. Governance and assurance were also strengthened by the creation of an Energy Steering Group, attended by service and corporate directors and representatives of the finance and energy teams.

2.34 The financial impact to the council of sharp increases in gas and electric prices were significant in 2022/23, with annual energy costs rising by nearly 200% (and could have been as high as 350% had the government not intervened with the Energy Bill Relief Scheme for the October 2022 to March 2023 period).

2.35 In order to mitigate the price rises and access lower prices, the council terminated its existing energy contracts and joined a Public Buying Organisation (PBO) for 2023/24 and 2024/25. The PBO uses professional traders to purchase energy on behalf of the council. In addition, a Corporate Energy Savings Programme was launched, which reduced expected costs by around 10% in the first three quarters of the year.

Cost-of-Living Crisis

2.36 The cost-of-living crisis continues to have a significant impact on Islington's residents and businesses. The council is committed to helping the borough's most vulnerable residents through the cost-of-living crisis. In addition to a core offer of support that has been protected despite many years of funding pressure, significant new activity was introduced to maximise the effectiveness of the council's local response, as outlined below:

- ongoing delivery of the council's core offer of financial and other support for residents and businesses;
- maximising the effective targeting of relevant government grants, such as the Household Support fund, and ensuring they were rapidly distributed;
- a one-off £1m Hardship Fund to support working households on low incomes who are facing large rent rises, launched in advance of the 2023/24 financial year;
- working with voluntary sectors partners to maximise the borough's collective offer, with a particular focus on a network of warm spaces;
- measures across all directorates to monitor the impact of the crisis, to help assess if the council's actions are making a difference and to understand and to respond to what will inevitably be a disproportionate impact on some local communities;
- a communications campaign to maximise awareness and take up of the support available, including a Cost-of-Living Summit and dedicated area on the council's website; and
- a new Cost of Living Board to coordinate this activity and ensure that the council and partners are doing all they can to support residents and businesses.

Cyber and Data Security

2.37 A key element of good governance is having effective arrangements in place for the safe storage, use and sharing of data. Cyber crime continues to grow in intensity fuelled by the global political tensions that have continued over the last year. The council's ongoing programme of activity to reduce cyber risk has progressed well.

2.38 Recent activity of significance has included:

- The transition of many key business applications to the cloud including the Taranto parking system and all the NEC (Northgate) products, encompassing the departments for Public Protection, Planning and, Revenues and Benefits. This reduces the likelihood and impact of a cyber attack;
- An initiative to move the secondary data centre out of the council's premises in Newington Barrow Way to other third-party hosting arrangements, including Azure, which is a group of unique physical buildings located all over the globe that house a group of networked computer servers.
- A cloud-based Security and Incident Management (SIEM) system;
- Continued achievement of Public Sector Network Certification (PSN);
- An ongoing training programme on cyber security for all staff; and

- The appointment of a new Head of Cyber Security.

Commissioning and Procurement

2.39 The council has strong governance arrangements in place in relation to commissioning and procurement practices, to allow it to focus on maximising value for money, and on delivering high-quality procured services that meet contractual commitments and are based on strong supplier relationships.

2.40 The council has a clear direction for Commissioning and Procurement as set out in the Progressive Procurement Strategy 2020/27, agreed by the Executive on 15 October 2020: Progressive Procurement Strategy 2020/27. The strategy sets out the council's general approach regarding money spent with third parties. It covers all aspects of supply chain management and is divided into three themes. These themes are active leadership, progressive supply partnerships and achieving community benefits.

2.41 The strategy is supported by the council's Procurement Rules and individual service and commissioning plans. The Strategic Procurement and Supply Assurance service supports officers to comply with the legislative and governance framework for procurement and supply. That service includes highly qualified and experienced senior officers. Extensive suites of guidance, templates and forms ensure that important aspects of the procurement and supply process are clearly set out and available to all officers.

2.42 Internal challenge is delivered on significant decisions by a Commissioning and Procurement Board, incorporating an Executive Member, senior managers from all areas of the council and specialist experts. A board of operational managers form the Supply Chain Practitioners Group which reviews working practices and champions key priorities for service departments like social value and net zero carbon.

2.43 In 2022/23, the council invested in a new contracts register to improve controls, data quality, transparency and future financial tracking, which will be launched in 2023/24.

2.44 The council is preparing for the new Procurement Bill becoming law, which is expected in late 2023/24. The new Procurement Bill aims to establish a single digital platform for both buyers and suppliers to access procurement data, and a public debarment list for excluded suppliers.

2.45 While value for money will remain the core objective of procurement, the Bill will require public sector buyers to take account of national strategic priorities such as creating new (local) jobs, tackling climate change, improving the diversity of their suppliers and innovation.

2.46 Enhanced transparency requirements under legislation include publishing information about future procurement ahead of time, and publicising new contract opportunities, procurement results and information on contract performance.

2.47 The council's preparedness for the implementation of the new Procurement Bill is considered in section 4 of the AGS.

Capital Programme and Governance

2.48 The council's Corporate Asset Strategy, introduced in March 2020, is designed to deliver a strategic, long-term approach to managing and enhancing the council's community asset base. Alongside a formal three-year capital programme, the council also includes in the annual budget setting report the latest indicative capital expenditure estimates over the next 10 years.

2.49 Oversight and governance of the capital programme is supported by a framework of advisory boards with member and officer involvement, as shown in **Figure 3**:

Figure 3 – Capital programme oversight

- Corporate Asset Delivery Board (CADB) – This consists of officers and Members and oversees, and scrutinises, the council's capital programme and the overall delivery of the corporate asset strategy. It has oversight of the other capital boards. It has no decision-making authority. Executive/Council approval is required for any capital investment decisions in line with the Constitution and Financial Regulations.

- Major Projects Delivery Board – This is an officer Board and is accountable for initiating and monitoring delivery of significant mixed-use developments. This includes those led by development partners, as well as smaller but complex schemes cutting across different directorates and/or with complex stakeholder management issues.

- Housing Delivery Board - consisting of officers and Members, integrating the governance of new homes delivery and major works across the council's existing stock.

- Borough Investment Panel - consisting of officers and Members and accountable for recommending approval of all Community Infrastructure Levy (CIL) / section 106 investment decisions, and overseeing spend.

- A series of Directorate level programme delivery (officer) boards are accountable for all other asset development and capital programme activity and are subject to wider directorate governance arrangements.

2.50 As part of setting the 2022/23 budget, a new process was introduced requiring officers to submit a new bid form for all proposed capital schemes, which asked for detailed financial information and an explanation of how the scheme would achieve the council's strategic priorities. These forms were reviewed by CADB. In addition, all current and new schemes were reviewed and listed in priority order, and the list then compared to an affordability envelope to determine which could proceed and which would be moved to the reserve list.

2.51 Despite these arrangements being in place, the council has identified some areas of concern in relation to the capital programme. These include:

- the process for submitting business cases;
- a lack of budget for feasibility studies;
- inconsistent monitoring of expenditure against budget;
- ineffective challenge of under/overspends; and
- programme slippage.

2.52 The council is undertaking a programme of work to address these concerns. It has agreed a new Terms of Reference for CADB, which formalises the requirement for a business case for new capital schemes. This business case process is currently being finalised and will be rolled out as part of the 2024/25 capital budget setting process.

2.53 These new arrangements have been noted in section 4 of the AGS.

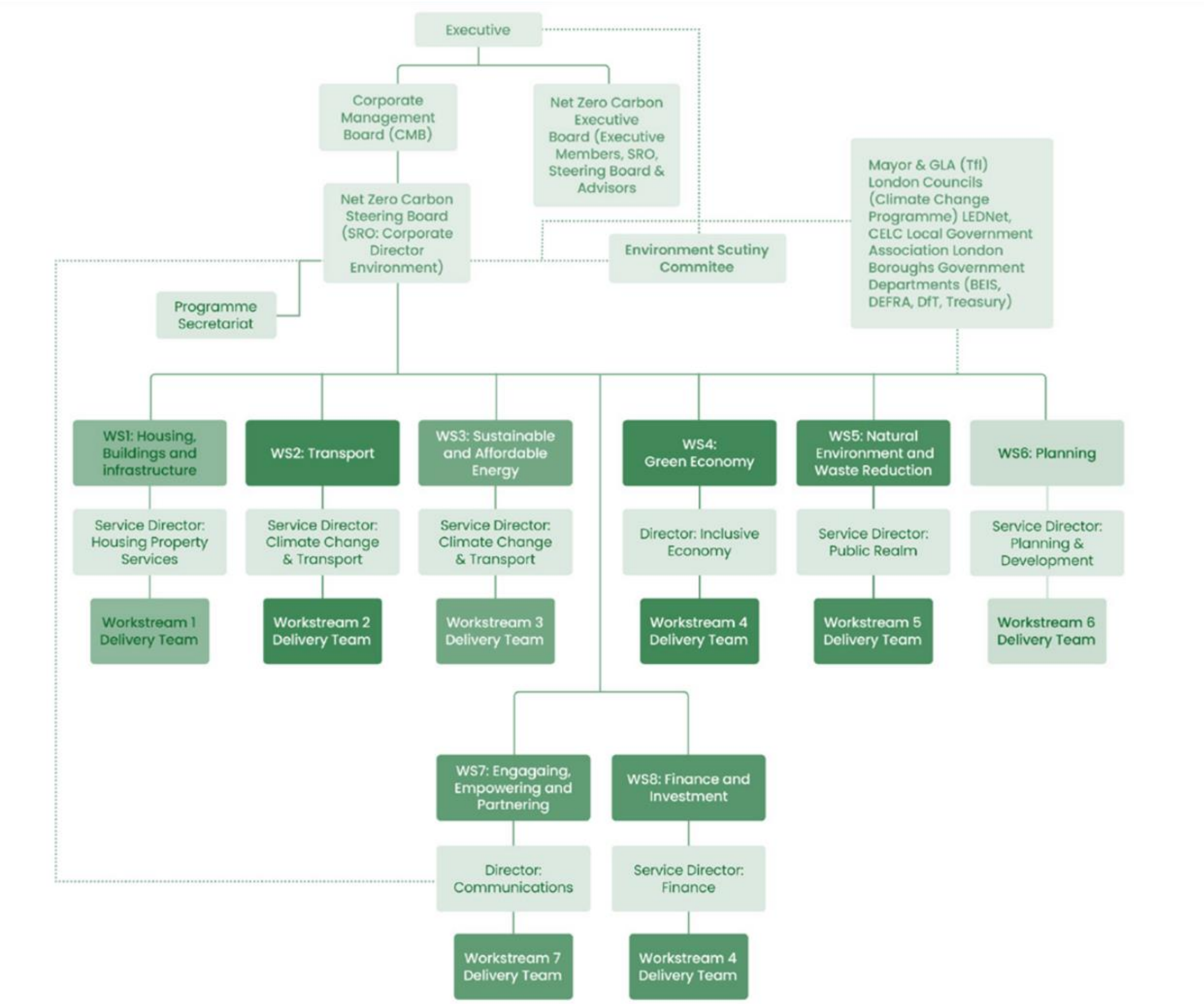
Vision 2030: Building a Net Zero Carbon Islington by 2030

2.54 The long-term nature and impact of many of local government's responsibilities mean that it should plan for sustainable outcomes that are within its financial means, and take a longer-term view when making decisions that balance the combined social, economic and environmental impact of policies.

2.55 The council demonstrates this in one of its five strategic missions, to achieve a greener, healthier Islington by 2030, as set out in the Islington Together 2030 Plan. A key strand of this mission is to deliver a net zero carbon Islington by 2030, as outlined in the Net Zero Carbon strategy - Vision 2030: Building A Net Zero Carbon Islington By 2030. An annual review of progress to date and updated action plans was published in June 2022 (Vision 2030: Annual Review).

2.56 Vision 2030 recognised the importance of establishing a cross-departmental governance structure that extends across the organisation. The key elements of that structure are set out in Figure 4 below. The programme is split into eight workstreams, labelled WS1 to WS8 in Figure 4:

Figure 4: Governance Arrangement for the Net Zero Programme



2.57 The Environment and Regeneration Scrutiny Committee receive quarterly performance updates from the boards, detailing the progress against the published commitments in Vision 2030. Each Scrutiny Committee meeting has also included a Scrutiny Review dedicated to different elements of the Net Zero Carbon programme.

2.58 The council is working collaboratively with other local authorities in the London Councils Climate Change Programme to share best practice, join up activity, and grasp economies of scale. It is also engaging with partners in the Net Zero Carbon Task and Finish Group to consider options such as joint communication campaigns, bulk procurement and monitoring and funding.

2.59 In April 2023, the council held a special public meeting of the Environment and Regeneration Scrutiny Committee to engage local stakeholders on the council's net zero carbon strategy. This was an opportunity to explain the council's programme and hear from stakeholders on how to take the work forward.

2.60 To help reach net zero carbon by 2030, in September 2022, Islington Council's Pension Fund rebalanced its equity holdings by reducing its shares in UK companies (thereby reducing its ownership of UK energy companies) and adopting a 'Global Paris-Aligned Index' for all passively managed equities. The council's pensions team with advisors executed a large transaction in which it sold UK shares in a Financial Times Stock Exchange (FTSE)-based Index and acquired £164m in a new Paris-Aligned Index fund.

2.61 Achieving net zero carbon by 2030 will require an unprecedented level of funding. The Cities Commission for Climate Investment (3Ci) is a partnership between Connected Places Catapult, Core Cities UK, London Councils and other local authorities across the UK aimed at supporting local authorities secure the necessary long-term finance for achieving net zero. In 2022/23, Islington Council submitted its return to 3Ci in which it identified potential projects totalling £1.490bn that are necessary to achieve a net zero carbon Islington by 2030. One of the council's Net Zero workstreams is addressing this.

3. Review of Effectiveness

3.1 The council has a responsibility to conduct, at least annually, a review of the effectiveness of key elements of its governance framework including the system of internal control. The council has undertaken this review in accordance with the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016). The review has drawn on the following sources of information:

- The council's corporate governance review, detailed in section 2.12 of this AGS
- External Audit outcomes
- Internal Audit outcomes, and the Head of Internal Audit's annual opinion
- Audit Committee and Standards Committee reports
- Reports from inspectorates and Ombudsmen
- Scrutiny arrangements
- Risk management arrangements
- Information governance arrangements

- Performance and budget monitoring information
- Self-assessments undertaken by Directors in April and May 2023

3.2 Further details on some of the key sources of information considered in the review are set out below. In addition to this annual review, senior leadership and management routinely review elements of the governance arrangements throughout the year, to streamline and improve processes and make sure these arrangements remain fit for purpose.

External Audit

3.3 The council's external auditors, Grant Thornton have not yet issued their audit opinion on the 2021/22 Statement of Accounts. They have, however, substantially completed their audit work on the 2021/22 accounts and have provided updates on progress to the Audit Committee in 2022/23. In these updates, external audit have not reported any significant governance issues, or highlighted any material errors in the financial statements. It is anticipated they will issue an unqualified audit opinion, subject to the successful completion of their remaining audit work, in 2023. In previous years external audit has consistently provided an unqualified audit opinion on the council's statement of accounts and statutory grant claims, with few adjustments required to the statements and claims as a result of their audits.

3.4 In their Interim Auditor's Annual Report in December 2022, Grant Thornton did not identify any significant weaknesses in the council's financial sustainability, its governance arrangements or in its arrangements for improving economy, efficiency and effectiveness in 2021/22. This was reiterated in external audit's progress report to the Audit Committee in March 2023. They made three recommendations to strengthen arrangements, shown in Table 1 below.

Table 1 – External audit recommendations

External audit recommendation	Response
There should be enhanced reporting on savings delivery to Members to show progress on delivery of savings	The council implemented this recommendation as part of its budget monitoring in 2022/23.
Consideration should be given to rationalising the number of risks in the corporate risk report, and to developing a training module for all staff, to raise awareness of risk across the organisation	Given the breadth of the council's responsibilities, the challenging external environment and the ambitious mission in the strategic plan, the council does not believe it has an unreasonable number of risks within its corporate risk report. The

	council follows the risk framework in terms of deciding if a risk fulfils criteria for corporate level. The council did close six principal risk during the last year providing evidence that it is working to incrementally tighten up the corporate risk profile. The council will consider how best to develop and deploy a training module to raise risk awareness across the organisation.
The council should develop a data quality strategy. Directorates set their own KPIs. Information passed to the corporate performance team is signed off as accurate by the relevant director but there is nothing in place which outlines how data will be verified as accurate, complete and timely.	The council will seek to develop a data quality strategy.

3.5 External audit did not consider the matters above to be significant governance issues.

3.6 The statutory deadline for publishing audited 2021/22 accounts was 30 November 2022. Delays in signing audit opinions are widespread across the local authority sector and were first highlighted by Sir Tony Redmond's independent review of local authority financial reporting and external audit in 2020. In the National Audit Office's report 'Progress update: Timeliness of local auditor reporting on local government in England' (January 2023), it states that auditors gave opinions on just 12% of local authority 2021/22 financial statements by the November 2022 deadline – down from 45% in 2019/20 and 97% in 2018/19.

3.7 Although undoubtedly affected by the COVID pandemic, the reasons for the continuing delay in publishing audited accounts are complex. Recent uncertainty over how to value infrastructure assets meant many audit opinions were delayed. Whilst CIPFA has now provided clarity on infrastructure assets, in the meantime a significant backlog of audits has built up, and a lot of audit resource is being absorbed in resolving the backlog. Other factors contributing to the delays include capacity problems within audit firms and difficulties retaining experienced auditors, the increasing complexity of local audit work, and the lack of a sector leader for local government audit to co-ordinate and respond efficiently to emerging risks and issues where a national steer is required.

3.8 The timely completion of external audits is vital in providing local authorities with accurate and reliable financial information to plan and manage their services and finances effectively. It ensures local authority financial arrangements, including whether value for money is being achieved, are transparent to the taxpayer, and facilitates assurance for the public sector more broadly through the audit of the Whole of Government Accounts. The governance risk this delay poses for Islington Council is considered in section 4 of the AGS.

Internal Audit

3.9 The council's Internal Audit annual plan sets out a programme of work designed to provide assurance to the Section 151 Officer, management and Members that, in relation to areas included in the audit plan, the council complies with relevant laws, regulations, internal policies and procedures and has taken action to mitigate principal risks.

3.10 The 2022/23 Internal Audit plan included 750 planned days of audit work. This resulted in the delivery of 33 audits, covering all the council's directorates, as well as cross-cutting themes. The 2022/23 Interim Internal Audit Report was presented to the Audit Committee in January 2023 and the Annual Internal Audit Report will be presented to the Audit Committee in September 2023. In 2022/23, 33 audits were delivered as follows:

- Eight principal risk audits;
- Four key financial systems audits;
- 11 establishment audits (five schools, five tenant management organisations and one voluntary sector organisation);
- One control design assessment;
- Six grant certification audits; and
- Three extended follow ups of limited and no assurance audits from prior years.

3.11 The work undertaken during 2022/23 has enabled the Head of Internal Audit to form a reasonable conclusion on the council's control framework, risk and governance arrangements. For the year ended 31 March 2023, the Head of Internal Audit's opinion is that there is Moderate assurance over the adequacy and effectiveness of the council's arrangements – overall the council's systems for control, risk and governance are generally adequate with some improvement required.

3.12 Follow up of audit recommendations in 2022/23 demonstrated an improved level of engagement from directorates. Several recommendations were found to be implemented or partially implemented at follow up, with a further programme of work being undertaken in the first quarter of 2023/24 to assess the implementation of open actions. Residual risks will be closely monitored through follow-up audits and the Controls Board, and Corporate Management Board (CMB) monitoring, in 2023/24.

3.13 The Internal Audit service continues to be effective, complies with Public Sector Internal Audit Standards (PSIAS), and provides the necessary skills and expertise to deliver a cost effective, value added, service to the council, its partners, and stakeholders. The Shared Internal Audit Service (SIAS) underwent an external quality assessment as part of the London Audit Group's independent peer review process in 2021/22. The review assessed the SIAS as Generally Conforming to the PSIAS, which is the highest available level of assessment for local authorities. Practices and working protocols in place during the review in 2021/22 continued into 2022/23. In 2022/23, the Internal Audit service continued to benefit from ongoing networking and benchmarking across the Cross Council Assurance Service (a consortium of London boroughs drawing on the same framework agreement for co-sourced assurance services).

Audit Committee minutes and reports

3.14 As an advisory body, the effectiveness of the Audit Committee can be measured by looking at the degree to which it supported and influenced the development of an effective control environment and governance arrangements. The minutes of committee meetings, published on the council's website, include several examples of how the Audit Committee has made a positive contribution, including:

- Supporting and advising on the council's review and update of the Constitution;
- Reviewing risk management arrangements through regular updates from internal audit and regular deep-dives on individual risks in the Principal Risk Report. This has included a deep-dive on the volatility in the energy market (in September 2022) and on health and social care integration and social care market instability (in January 2023);
- Providing a robust review of the council's Annual Governance Statement and the assurances underpinning it;
- Actively monitoring reports and the implementation of recommendations made by auditors;
- Reviewing and confirming the terms of reference for the Audit Committee and the Pensions Sub-Committee.

Standards Committee Reports

3.15 The Standards Committee is responsible for considering whether complaints about a breach of the Code of Conduct for Members should be investigated, and for hearing complaints which have been investigated. A report to the March 2023 Standards Committee revealed that 24 complaints about councillors were received in the three years from 2019/20 to 2021/22. Whilst the Standards Committee was not convened to consider any complaints during this period, the Audit Committee received an annual report from the Monitoring Officer detailing the complaints made against councillors. In March 2023, the Standards Committee approved a revision to the 'Arrangements for Dealing with Standards Allegations' (2012), to make the procedure for dealing with complaints about councillors clearer, more accessible and fit for purpose. The revised procedure, called the 'Arrangements for Dealing with Complaints under the Members' Code of Conduct', gives greater clarity on the role of the Standards Committee, which has now resumed responsibility for hearing complaints.

3.16 In January 2023 the Standards Committee found, on a balance of probabilities, that an Islington Councillor improperly communicated confidential information, and brought the council into disrepute, contrary to paragraphs 4 and 5 of the council's Code of Conduct for Members, and in breach of the Nolan Principles of Integrity, Accountability and Leadership. This case demonstrates the strengthening role of the Standards Committee in visibly upholding ethical conduct.

Principal Risk Report and Risk Management Strategy and Framework Report

3.17 The Principal Risk Report and a revised Risk Management Strategy and Framework was agreed by the Audit Committee in June 2022. An update on the Principal Risk Report was presented to the Audit Committee in January 2023. This update highlights the following key risks:

- Financial stability and resilience - High inflation and demand for Council services are having a significant impact on the council's budget. The budget setting process for the 2023/24 financial year has been particularly challenging amidst great economic and political uncertainty. There is a significant budget gap to close over the medium-term outlook to 2025/26.

- Volatility in the energy market - An unpredictable fuel and energy market has given rise to significant risk to the council's energy purchasing, and is expected to remain high until the end of the war in Ukraine.

- Declining financial resilience of residents - the cost-of-living crisis is likely to remain over the next few years and will present challenges for residents to remain financially resilient, a significant proportion of whom already face long term income deprivation.

3.18 Section 2 of the AGS set out the arrangements the council has in place to manage these risks, including flexible and robust medium term financial planning arrangements. The CIPFA Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the FM Code authorities can demonstrate their financial resilience in meeting foreseen demands and unexpected financial shocks.

3.19 Islington Council undertook a self-assessment against the FM Code as part of its 2022/23 and 2023/24 budget setting process. The latest assessment (informing the 2023/24 budget) showed the council achieves a high level of compliance against 94% of the FM Code statements of standard (or best) practice. Where there is only a medium level of compliance (6%), actions have been identified to take the council to high level.

Information Governance Arrangements

3.20 In 2022/23, the council received 1,958 Freedom of Information (FOI) requests, a decrease of 35 requests compared to the prior period. The council responded to 88% of requests within 20 working days, just below the Information Commissioner's Office (ICO) target of 90%. The council received 553 Individual Rights Requests, an increase of 49 requests compared to the prior period and responded to 74% within the target timeframe. At least 50% of the Individual Rights Requests are for historic children's social care files which are complex and often involve a significant number of paper files that must be scanned and reviewed. This is a complex process which can exceed the statutory timeframe.

3.21 The council's response time remains higher than that of central government bodies over the same period. A restructure is underway (in April 2023) which will centralise the teams that deal with Freedom of Information and Subject Access Requests under the corporate Information Governance team. It is expected that this will improve response times.

3.22 The ICO carry out compulsory audits or ask organisations to participate in a 'consensual' audit. The council has not been required to participate in any audits by the ICO in 2022/23. The council are required by law to refer data breaches to the ICO where they meet the threshold for reporting. The council reported one incident in 2022/23, which was closed with no further action as the ICO was satisfied with the mitigating actions taken by the council.

3.23 Individuals are entitled to escalate complaints to the ICO, where they have a Freedom of Information or Data Protection concern, for example a late/incomplete subject access request, or alleged data breach of data protection legislation. The ICO can issue a decision notice in response to an FOI complaint (this can be for or against the council). The ICO can also issue practice recommendations or fines in relation to breaches of data protection legislation. There have been no decision notices or practice recommendations issued against the council in 2022/23.

3.24 Individuals are entitled to appeal an ICO decision notice or data protection complaint to the First Tier Tribunal (FTT). Whilst these appeals are against the ICO, the council can be added as a second respondent by the ICO or the FTT. The council was not added as a second respondent to any FTT complaints in 2022/23.

Care Quality Commission and Ofsted

3.25 The Care Quality Commission (CQC) is an independent regulator of health and social care in England. On the CQC website, none of the council's services have been assessed as inadequate or requiring improvement. Most recently, the CQC assessed Islington Council's Supported Living Service for Adults with Learning Disabilities as good. This was based on a full review in 2019, and a reassessment of the data in April 2023. The Islington Reablement Service and Islington Council Shared Lives service were assessed as good in CQC's latest inspections (reported in 2019).

3.26 Ofsted is a government department that inspects services providing education for learners of all ages. Ofsted reports are published on its website. The latest Ofsted reports show that of the council's maintained schools:

- 14 schools are Outstanding (26% of all maintained schools)
- 39 schools are Good (72% of all maintained schools)
- 1 school is Inadequate (2% of all maintained schools)

3.27 Ofsted carried out a focused visit in October 2022, inspecting the council's arrangements for care experienced children and young people. It concluded that arrangements were strong, making one recommendation that the council improve the consistency of recording actions in supervision records and align them to findings from case audits. No significant governance issues were identified in this report.

Local Government and Social Care Ombudsman and Housing Ombudsman

3.28 The Local Government and Social Care Ombudsman (LGSCO) conducts independent, impartial investigations of complaints about service failure and maladministration in local authorities, in line with Part III of the Local Government Act 1974. The LGSCO sends the council annual reviews of its performance, which the council signposts on its website: Local Government and Social Care Ombudsman Reports | Islington Council. These are reviewed by the Audit Committee.

3.29 The latest available Annual Review letter (2022), covering the period 2021/22, shows the LGSCO upheld 73% of complaints against the council (compared to a sector average of 71%), and were satisfied the council had successfully implemented its recommendations in all cases. The council provided a satisfactory remedy before the complaint reached the Ombudsman in 27% of upheld cases (compared to an average of 11% in similar organisations).

The Housing Ombudsman (HO) resolves disputes involving the tenants and leaseholders of social landlords and is the final stage for complaints that have already been responded to as part of the council's internal complaints process. The latest available report on the HO website shows that in 2021/22, 21 cases were determined by the HO, though none were cases of severe maladministration. The council complied with all HO orders within six months and paid out £9,728 in compensation.

3.30 Whilst these reports, from 2021/22 do not highlight any significant governance issues, in 2022/23 the council has become the subject of increasing scrutiny from the HO and LGSCO. Since the pandemic, Islington Council has seen a significant increase in the number of complaints made to the council and in its response times, to a point where the council now has a significant backlog of complaints to process. Measures already taken by the council to try and address this were highlighted in section 2 of the AGS.

3.31 In August 2022, the council received notification from the LGSCO of their intention to investigate the delay in response times under section 26D of the Local Government Act 1974. The council is in contact with LGSCO about the matter, to highlight the actions the council has already taken and are proposing to take to address this issue.

3.32 In December 2022, the HO informed the council of its decision to launch a Section 49 investigation into Islington's handling of damp and mould complaints. In January 2023, the HO enquired about the stage 2 investigation backlog and the council's plans to resolve this.

3.33 The council has implemented a plan to address the backlog of complaints and is proposing further improvements to the arrangements in the coming year. Section 4 of the AGS summarises the actions proposed.

Performance and budget monitoring information

3.34 A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it enforces financial discipline, strategic allocation of resources, efficient service delivery and accountability.

3.35 This is demonstrated in the Provisional Outturn report for 2022/23, which showed an overall net, break-even position for the General Fund. The council had sufficient levels of reserves it could call upon to achieve this outturn position, and it continues to monitor the levels of reserves (through the setting and monitoring of the 2023/24 budget and MTFS) to ensure they provide the financial resilience the council needs.

3.36 The provisional outturn for the Housing Revenue Account (HRA) was an in-year deficit of £12.987m, which was balanced by contributions from HRA reserves. The deficit was primarily due to a temporary use of Revenue Contribution to Capital Outlay (RCCO) towards the financing of new build and property acquisitions programmes, aligning with the council's treasury management strategy to delay external borrowing and as such the associated interest charges by utilising HRA reserves to finance HRA capital expenditure.

3.37 90% of the capital programme was delivered (with capital expenditure of £152m delivered against a revised 2022/23 budget of £169m). The variance against the budget was due to a variety of delays across the programme, for example where clarity was needed on the Net Zero Carbon strategy.

3.38 The financial position of Islington's schools remains challenging, mirroring the national picture with schools facing increasing cost pressures. Individual school balances in Islington have been declining since 2018/19, when they totalled £11.732m, down to £6.291m at the end of 2022/23. There were 15 schools in deficit as of 31 March 2023 (29% of maintained schools). The Education and Skills Funding Agency gives guidance on the level of balances schools should hold. In Islington, only 17 schools had balances above the suggested level as at 31 March 2023, down from 21 schools at the start of the year.

3.39 The main causes for the decline in schools' balances have been reported in the 2022/23 Provisional Outturn report:

- Reducing pupil numbers. 90% of school funding is pupil-led – each reduction in pupils equates to an average loss of funding per pupil of £5,430 in primary and £8,040 in secondary schools.
- Increased numbers of elective home educated pupils – there are currently 356 elective home educated pupils, at a cost of £1.9m in lost funding for the council's schools. This is an increase of 197 from before the pandemic, and 270 since 2016/17.
- Increasing numbers of pupils with Special Educational Needs and Disabilities (SEND). Education health and care plans increased at a rate of 10.4% per annum in Islington in 2021/22.
- Below inflation per-pupil increases in funding under the national funding formula. This is significantly less than the increases in energy costs and likely staff pay awards in schools, as well as other cost pressures.

3.40 The council is currently reviewing the scrutiny arrangements for schools' finance and formulating recovery plans to ensure their future sustainability. This issue will be monitored through section 4 of the AGS.

Self-Assessment

3.41 In accordance with the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016), a self-assessment of the effectiveness of governance arrangements was completed in April and May 2023 by each directorate, at Director level, to inform the AGS. Where these self-assessments identified particular governance issues or areas where improvements are needed, these are detailed in section 4 of the AGS.

4. Governance Issues

4.1 A key element of the annual governance statement is to identify any significant governance issues. Table 2 below summarises the governance issues which management will continue to monitor and address in the year ahead.

Table 2 – Governance issues to monitor in the year ahead

Governance issue	Action	Responsible Officer	Target Date
The council is undertaking a review of its Constitution, and this has identified areas where changes and updates are needed. Without these changes, the Constitution may not be legally compliant, up to date, or internally consistent. Updating the Constitution would make the document more accessible and would help Members and officers take decisions more robustly with more clarity over who takes which decisions.	Complete the review of the council's Constitution. The Constitution Review Working Group will oversee this work and recommend to Full Council a revised version of the Constitution, including all its parts upon completion of the review. The Constitution Review Working Group will also review report and procurement templates and guidance.	Corporate Director of Resources	December 2023
The council has a significant backlog of stage 2 complaints, and the response times for these complaints has increased significantly. It is coming under increasing scrutiny from the Housing Ombudsman and the Local Government and Social Care Ombudsman. The complaints process is an important way service users and the public can hold the council to account. A deterioration in this process can erode the council's ability to demonstrate ethical conduct and the delivery of desired outcomes.	Implement and monitor delivery of an improvement plan to address the backlog of stage 2 complaints. This plan includes increasing the capacity of the corporate complaints team, changes to working practices, a full review by an external consultancy, and the establishment of a bi-weekly Complaints Review Project Board to monitor progress and implementation of the plan. Other plans include implementing:	Corporate Director of Community Engagement and Well-being	December 2023

Governance issue	Action	Responsible Officer	Target Date
	• A performance dashboard for the department to track progress, risks, issues and mitigation plans across the financial year. • Bi-weekly Department Management Team meetings focussing on business governance • Quarterly Department Management Team feedback reporting on complaints, Subject Access Requests and Member Enquiries.		
There were 15 schools in deficit as of 31 March 2023 (29% of maintained schools). Internal Audit have also raised high priority recommendations in relation to some schools in their annual audit plan.	Formalise scrutiny arrangements for schools' finance, and recovery plans to ensure the future sustainability of Islington's schools	Corporate Director, Children's services and Corporate Director of Resources	March 2024
The council has identified areas where it could strengthen governance arrangements surrounding the approval of business cases for new capital schemes.	Implement the new Terms of Reference for the Corporate Asset Delivery Board, which	Corporate Director of Resources	April 2024

Governance issue	Action	Responsible Officer	Target Date
	sets out the business case requirements for all new capital schemes.		
The new Procurement Bill is expected to come into force in 2024. This will introduce changes to requirements placed on public sector buyers, including greater requirements to publish information about procurement ahead of time, and publicise new contract opportunities, procurement results and information on contract performance.	Review current procurement rules, written procedures and forms to ensure compliance with the new Procurement Bill. Ensure officers receive adequate training and guidance on the requirements of the Bill and the operational and governance changes that will be required.	Corporate Director of Community Wealth Building	April 2024
The council is not currently complying fully with the requirements of the Local Government Transparency Code, which requires local authorities to publish on its website specific information about the council including lists of expenditure over specified values, and statutory notices for contract awards and extensions.	Ensure information on the council's website is fully compliant with the Local Government Transparency Code.	Corporate Director of Resources	March 2024
External audit's opinion on the 2021/22 accounts has not yet been issued, reflecting sector-wide delays in publishing audited accounts. To be able to effectively plan and budget for the future, the council needs accurate and timely information about its	Work with Grant Thornton to plan and co-ordinate the delivery of the 2021/22 and 2022/23 audits, to complete both audits by the 30 September 2023 statutory deadline for publishing audited 2022/23 accounts. Prepare an action plan based on lessons	Director of Finance	30 September 2023

Governance issue	Action	Responsible Officer	Target Date
financial position, which is confirmed in the publication of audited accounts. Untimely audits can contribute to governance failure if warning signs are not communicated in time, or with sufficient clarity. Continued delays could erode transparency and public confidence in how taxpayers' money is spent.	learnt in the previous audit visit, to ensure a smooth audit engagement in July 2023.		
Islington Council's Public Health department de-merged from Camden Council at the end of 2022/23, while retaining a small range of shared functions via a memorandum of understanding agreement. Additional governance measures were introduced during 2022/23 to ensure that the de-merger was handled effectively. A Commissioning and Governance group within the council, with specific responsibility and focus on matters of governance, reports directly to the Directorate Management Team. The department will need to undertake a post-implementation review to ensure governance arrangements under the new structure are robust.	Review governance and internal control arrangements within the new single-borough department of Public Health to ensure arrangements are up to date and reflect best practice.	Director of Public Health	December 2023

5. Conclusion

5.1 The council has identified a number of governance issues and has proposed a set of actions to address them, as outlined in Table 2 above. It will continue to monitor and address these in the year ahead, and report progress in next year's Annual Governance Statement.

Appendix A – Summary of Islington Council's Governance Framework – CIPFA/SOLACE Principles

This section details the key elements of the council's governance framework, and demonstrates how these align to the core principles of good governance set out in the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	Islington Council expects the highest standard of conduct and behaviour from all its Members and officers. This expectation is formally set out in the Codes of Conduct for Members and Employees, which are underpinned by the Seven Principles of Public Life (the Nolan Principles). The Code of Conduct for Members is currently being reviewed as part of a wider review of the Constitution. This will ensure the Code complies with the recent report by the Committee on Standards in Public Life titled "Leading in Practice: A Review by the Committee on Standards in Public Life" (January 2023). The review is also considering the Local Government Association's Model Councillor Code of Conduct. A revised Code of Conduct for Members will be recommended to the Standards Committee in June 2023, and to Full Council in July 2023. The Standards Committee is responsible for considering whether complaints about a breach of the Code of Conduct for Members should be investigated, and for hearing complaints which have been investigated. The council's 'Arrangements for Dealing with Complaints under the Members' Code of Conduct' was reviewed and approved by the Standards Committee in March 2023. The interim Director of Law and Governance is the Monitoring Officer. The Monitoring Officer advises Members on the scope of powers to take decisions, maladministration, financial impropriety, and budget and policy framework issues, and can report to Full Council (or to the Executive) if they consider any proposal or decision has or would give rise to unlawfulness.

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	Compliance with policies and legislation is managed through a range of corporate written rules and procedures which define how decisions are taken and the processes and controls required to manage risk and act in the public interest. These include: • The Constitution • Financial Regulations (Part 6 of the Constitution) • Procurement Rules (Part 6 of the Constitution) • Code of Conduct for Members (Part 6 of the Constitution), including procedures on the Register of Interests • Code of Conduct for Employees • Anti-Fraud and Corruption Policy • Corporate Complaints Policy • Members Allowance Scheme (Part 7 of the Constitution) The council is undertaking a detailed review of the Constitution. Further details are provided in section 2.12 of this AGS. The council is undertaking a review of the Anti-Fraud and Corruption Strategy and Policy in line with best practice. This is due to be presented to Audit Committee in July 2023.

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	The council has an established whistleblowing policy in accordance with the requirements of the 1998 Public Interest Disclosure Act. 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. The council's Whistleblowing Officer is the Head of Internal Audit, Investigations and Risk Management. Several other policies are also in place and available to officers via the council's Intranet pages, including Human Resources (HR) policies (including discipline procedures), information governance policies and service-specific policies. All key policies and guidance for officers, including the Code of Conduct for Employees, are highlighted to new starters as part of the corporate induction process, and compliance is monitored through the council's performance management processes.
Principle B: Ensuring openness and comprehensive stakeholder engagement	**Ensuring Openness** The council is committed to transparency and believes residents have a right to see what is going on and to hold the council to account. Council meetings are open to the public; the only exception is for agenda items that are exempt or confidential within the terms of the Constitution. The time, date and location of public meetings are displayed on the council's website. The Forward Plan, published on the council's website, lists the key decisions the council will make over the next four months. All committee minutes and decisions are documented on the council's website in a timely manner, and the criteria, rationale and considerations used in any decisions are clear. The financial, legal, and environmental implications of all key decisions must be considered and publicly reported on the council's website, as is an equality impact assessment for each key decision.

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	In the Islington Together 2030 Plan, the council commits to further modernising and opening up the way it communicates with residents, and will publish a new Communications and Campaigns Plan in 2023/24 to accelerate this change. **Stakeholder and Community Engagement** The council regularly engages and consults with residents and the wider community on a diverse range of issues. Various communication channels are used, including the council's websites, email, social media channels, public meetings and the quarterly magazine, IslingtonLife, delivered to residents. Throughout the pandemic and now in relation to the cost-of-living crisis, the council has engaged extensively with community groups, using their insight to shape its communications materials and approach so that the council can make sure important messages reach the right people through channels they trust. Examples of engagement include targeted communications once covid vaccinations had started such as 'Near Neighbours', as well as the launch of the 'We are Islington' helpline earlier in the pandemic. Surveys of residents are undertaken to test perceptions of the council, its services, and the priorities for residents. The findings are used to shape policy and communications. The Resident Survey of 1,000 residents provides insight into resident perception and satisfaction which is used to inform service planning. The council recognises that regular ongoing engagement is essential to keeping residents' experiences at the forefront during decision making. As part of Let's Talk Islington, from November 2021 to August 2022, the council engaged with more than 6,000 residents to understand their perceptions and experiences of inequality and their priorities and aspirations for Islington. The council assembled an Inequality Taskforce of civic, academic, and business leaders to bring new perspectives in tackling inequality. The findings and reports from these initiatives, published on the council's website, helped shape the Islington Together 2030 Plan.

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	More recently, the council's Challenging Inequality action learning sets provide an opportunity for residents to work closely with councillors and council officers to act on the direct feedback of Islington residents. A model of ongoing community conversations will be rolled out with the publication of the Community Power Framework in 2023. The council facilitates a number of networks with community partners, in particular for voluntary sector organisations and faith communities working to promote equalities outcomes for communities with protected characteristics. These organisations, funded through the Voluntary and Community Sector (VCS) Partnership Grants Programme 2021-2024, can be viewed on the council's website. Under this programme, the council has made commitments of £2.7m per year until March 2024. This is supplemented by an annual programme of community and equality events delivered in partnership with the borough's voluntary and community sector as well as some delivered directly by the council. All voluntary organisations that receive awards are required to comply with the council's minimum standards for VCS organisations and are subject to proportionate grant monitoring that aligns with the council's audit approach. Islington's 16 ward partnerships are led by ward councillors and give residents, community groups and businesses the opportunity to shape services and improve their neighbourhoods. Ward partnerships act as a forum for community engagement – bringing together ward councillors, service providers, and local communities to identify and address issues and priorities relevant to the ward. They are an essential arena for the resident's voice and views to be heard, and an important arena for civic participation, where local issues are raised. In 2022, the council launched the Thriving Neighbourhoods programme, which gives local people the opportunity to submit suggestions for improvements to the shared spaces on the council's estates. Over 200 projects so far have been funded by the Thriving Neighbourhoods programme, including improved playgrounds and community centres. The Islington Youth Council, set up in 2011, is made up of 14 youth councillors who have been elected to represent the views of children and young people in Islington. By attending meetings, taking part in consultations, and engaging other

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	young people through social media, the Youth Council helps determine how money is spent on services for children and young people and plays an important role in holding Council leaders and decision makers to account. Governance arrangements for partnerships with institutional stakeholders are formally documented in Memorandums of Understanding or other formal terms of reference. This ensures the purpose, objectives and intended outcomes for each partnership is clear, and resources can be used optimally to achieve the desired outcomes. Examples include the council's pooled funds arrangements with other health providers under Section 75 of the National Health Service Act 2006, details of which are reported in the council's Statement of Accounts.
Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits	**Defining Outcomes** The central aim of the council's administration is to create a more equal future in Islington. The council's priorities to achieve its vision of a more equal borough are set out in the Islington Together 2030 Plan which sets out the strategic framework that will drive the council's work with its partners over the coming years. The council's biggest ever engagement programme called Let's Talk Islington informed the council's vision and priorities in the Islington Together 2030 Plan. The Islington Together 2030 Plan sets out five key missions in order to create a more equal future for Islington by 2030: • Child Friendly Islington: Islington is a place where all children and young people are rooted in a community where they feel safe, can thrive and are able to be part of and lead change. • Fairer Together: Everyone in Islington who needs extra help can access the right support for them at the right time and in the right place

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	• Safe Place to Call Home: Everyone in Islington has a safe, decent, and genuinely affordable place to call home. • Community Wealth Building: There is a sustainable, inclusive, and locally rooted economy in Islington, where wealth is fairly shared and residents and businesses feel they have a stake in their community. • Greener, Healthier Islington: People in Islington can live healthy and independent lives and enjoy London's greenest, cleanest, and healthiest neighbourhoods. The strategic plan details some of the key programmes which will deliver these missions. The 2023/24 budget enables the delivery of the priorities set out in the Islington Together 2030 Plan, by including growth to support manifesto commitments and continued transformation funding to put strategic priorities into practice. **Sustainable economic, social, and environmental benefits** The council considers and balances the combined economic, social, and environmental implications of policies and plans in all key decisions, and this is documented on the council's website. The Medium Term Financial Strategy 2023/24 to 2025/26 demonstrates how the council takes a longer-term view in its decision making, balancing plans for sustainable outcomes with short term financial constraints. Fairness is at the heart of Islington Council's strategic vision. The council's Challenging Inequality Programme sets out the council's long-term ambition for challenging inequality and promoting inclusion, through its role as a strategic leader, employer, service provider and commissioner. The Challenging Inequality Strategy, published on the council's website, presents the specific actions and the outcomes that will be monitored to ensure this vision translates into tangible change for residents and staff. In a commitment to openness and accountability, the governance and monitoring of this programme is covered by a wide range of structures including the Challenging Inequality Programme Board (made up of council directors and service leads), staff networks, the Race Equality Working Group for elected

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	Members, the Challenging Inequality Coalition of community groups, and the Challenging Inequalities Partners Working Group of a variety of organisations and institutions. Progress will be reported publicly and refreshed via an annual stocktake. The council declared a Climate Emergency in June 2019, recognising the need to drastically reduce carbon emissions in the borough. A pledge has been made to work towards being a net zero borough by 2030, and the Vision 2030: Building a Net Zero Carbon Islington by 2030 strategy was adopted in November 2020. The Affordable Energy Board has been replaced by a Net Zero Carbon Executive Board with a wider remit. This board is developing strong interfaces with other council officer/member boards to manage strategic risks. This area has also been included in the council's Principal Risk Report to ensure that the risk cause, consequence, and mitigating actions are tracked and monitored.
Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	**Determining Interventions** Decision makers receive objective and rigorous analysis of a variety of options when making decisions, indicating how intended outcomes would be achieved and the associated risks, for instance in the challenge and review process that underpins the setting of the annual budget and savings plans. All key decisions include details of the financial, legal, environmental and equality implications, to allow Members and officers to make informed decisions. The council recognises that an evidence-based approach is essential to keeping residents' experiences at the centre of what it does. Active stakeholder engagement played a significant role in the development in the Islington Together 2030 strategic plan. The council designed a tiered engagement strategy, aspiring for a mix of mass engagement (large-

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	scale, light-touch methods to reach as many local people as possible), and targeted approaches to engage with different communities across socio-economic status, ethnicities, sexualities, genders, ages, faiths, and disabilities. **Planning Interventions** The council's strategic priorities are fully aligned to the annual budget and medium-term financial strategy. The council has considered long term pressures on funding streams, such as council tax, business rates and the government funding settlement. The council works in partnership with a wide range of organisations from the statutory sector, third sector and business sector to deliver services for local people and drive forward improvements in Islington. Partnership working includes different types of relationships – from contractual arrangements between the council and other organisations to deliver services or projects through to strategic forums (some of which are required by statute, others voluntary) which bring partners together around the table to agree how best to tackle key challenges and shared priorities. Some have funding to allocate and targets to meet, others provide a steer to inform individual partners' priorities and commissioning. Governance arrangements vary depending on the nature of partnership working but are designed to ensure that the partnership remains appropriate, effective, and fit for purpose. In addition, the council's Financial Regulations provide guidance on best practice in managing partnership arrangements. Where the relationship is a contractual one i.e., funding to deliver an agreed service, the contract or service level agreement will set out requirements around use of funding, what is to be delivered, targets, measurable outputs and how the contract is to be monitored, reviewed and evaluated. Contracts and budgets are managed by the relevant department with the Corporate Director having overall responsibility. Where the relationship is a strategic one, for

Core Principles of the CIPFA/SOLACE framework	**Examples of the governance arrangements the council has in place**
	instance membership of a partnership such as the Safer Islington Partnership, the Terms of Reference will set out governance and accountability arrangements. Where a partnership is a mandatory requirement, e.g. the Safer Islington Partnership and Children's Trust Boards, there will be an expectation set out in legislation on named partners to attend. Even in the case of non-mandatory partnerships such as the Children and Families Board or the Islington Partnership Board, partners may agree 'mandatory' membership from key organisations. Over the past decade, the council has worked closely with its partners through the Islington Partnership Board (IPB). The IPB discusses priorities for the borough, shares information about key issues affecting individual organisations and agrees joint working arrangement for cross cutting challenges such as youth unemployment and welfare benefit reforms. Where the partnership involves sharing data then either a contract or an Information Sharing Agreement will be in place. The Health and Wellbeing Board, which includes membership from the council, the Islington Integrated Care Board and Healthwatch Islington provides the mechanism for leadership of the local health and wellbeing system, maintaining an overview of account for improvement in health and wellbeing outcomes, and ensuring effective coordination and integration of commissioning plans to secure best use of resources and population health outcomes. **Optimising the Achievement of Intended Outcomes** The council has in place a robust Performance Management Framework to ensure effective delivery of services and priorities. Elements are:

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	• Corporate Performance Indicators – performance measures covering the impact of key services and priorities; • Internal monitoring and challenge around performance and delivery through Departmental Management Teams and CMB; • Public reporting and scrutiny through quarterly reports to scrutiny committees, including more in-depth scrutiny of specific topics; and • Overall monitoring of corporate performance through the Policy and Performance Scrutiny Committee. Performance reports are submitted to the council's five scrutiny committees on a quarterly basis. The reports are published in the papers for the relevant meetings on the council's website. **Capital Programme** The council's Corporate Asset Strategy, introduced in March 2020, ensures investment is directly linked to core council ambitions around fairness and community wealth building. It is designed to deliver a strategic, long-term approach to managing and enhancing the council's community asset base. Alongside the formal three-year capital programme, the approved 2023/24 budget report included latest indicative capital expenditure estimates over the next 10 years. Oversight and governance of the capital programme is supported by a framework of advisory boards with member and officer involvement:

Core Principles of the CIPFA/SOLACE framework	**Examples of the governance arrangements the council has in place**
	• The Corporate Asset Delivery Board, comprised of officers and Members, is accountable for the overall delivery of the corporate asset strategy, with oversight of all material asset and capital related decisions. It reviews the 10-year capital strategy and supporting annual programmes, subject to formal budget approval. • The Major Projects Board, comprised of officers, is accountable for initiating and monitoring delivery of significant mixed-use developments including those led by development partners, as well as smaller but complex schemes cutting across different directorates and/or with complex stakeholder management issues. • The Housing Delivery Board, comprised of officers and Members, integrates governance of new homes delivery and major works across the council's existing stock. • The Borough Investment Panel, comprised of officers and Members, is accountable for recommending approval of all CIL/s106 investment decisions and spend oversight. • A series of Directorate level programme delivery boards, comprised of officers, are accountable for all other asset development and capital programme activity and linked to wider Directorate governance arrangements.
Principle E: Developing the entity's capacity, including the capability of its	The council is committed to the ongoing professional development of Members and officers, to ensure everyone has the knowledge and skills they need to carry out their role effectively. After the local elections in May 2022, a significant induction programme for new Members was delivered. An ongoing programme of training and development is being provided to Members on both a group and individual basis, with several dates scheduled for planned training each year. This programme of work is overseen by a Member Training and Development Steering Group, whose membership includes the Leader of the Council and the Chief Executive. Training includes appropriate skills and specific knowledge. Members have also attended various conferences and

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
leadership and the individuals within it	away days in 2022/23 to update their knowledge. Details of all training provided to Members is reported to the Audit Committee annually and was last reported in November 2022. In March 2023 the council made a formal commitment to work towards achieving the Local Government Association's Member Development Charter Status over the next three years. In 2022/23 the council used a Quality Conversations approach to employee performance management. This approach ensured that meaningful conversations took place between managers and employees as regularly as required to manage and improve personal and organisational performance, ensuring that the council's employees possessed the right skills and behaviours to help achieve success. A Policy and Performance Scrutiny Committee Working Group focused on improvements to performance development during 2022, resulting in a new approach to performance development being introduced from April 2023. All managers have participated in mandatory training as part of its implementation. New employees attend the council's corporate induction programme, in addition to which directorate and role specific training is provided where needed. The council introduced a new learning management system (MyLearning) in 2022 which is now the central place for e-learning and course bookings. Information on staff training, development programmes and courses available are regularly publicised on the council's intranet website, IC Bulletin and News Roundup. There is compulsory training for staff on key issues such as equality, data protection and cyber security and health and safety. The council continues to add to the existing wellbeing support available to staff. This includes providing support and resources on a range of topics including mental health and work/life balance. The council has several Mental Health Ambassadors who are available to listen and offer support to all staff in a confidential capacity. Staff participated in a Wellbeing Conversation - a focused check-in between managers and their teams on health and wellbeing and were

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	encouraged to develop a personal wellbeing plan to be followed-up throughout 2023. The council is also investing in a range of initiatives to improve the safety of the workplace, such as carbon dioxide monitors.
Principle F: Managing risks and performance through robust internal control and strong public financial management	**Managing Risk** The council’s Principal Risk Report is revised annually and presented to the Audit Committee. The process is led by the council’s Risk Manager and Head of Internal Audit, in consultation with risk owners, Directorate Managements Teams (DMTs) and CMB. Risk Management updates are also included as applicable on the Audit Committee’s agenda. The council reviewed and updated its risk management framework in 2022. It continues to make efforts to improve the organisation’s risk maturity and move towards a more risk aware culture by embedding risk management into all decision making and business-as-usual practices. In the council’s Quarter 3 Corporate Performance Update to CMB, performance against the council’s key performance indicators (which are aligned to strategic priorities) was cross-checked with Strategic Risk Management to ensure that issues of strategic significance were consistent across the two areas and there were no important gaps. **Robust internal control** The council’s Internal Audit annual plan sets out a programme of work designed to provide assurance that the council complies with relevant laws, regulations, internal policies and procedures and has taken action to mitigate the risks identified in the council’s Principal Risks Report. The plan is drafted from a number of sources including the council’s Principal Risks Report, an Internal Audit risk assessment, audit plans of other local authorities, intelligence from

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	previous audits/fraud investigations, and CIPFA good governance guidelines. The 2022/23 Internal Audit plan was approved by the Audit Committee in March 2022. The Audit Committee receives Internal Audit reports on progress and outcomes against the plan bi-annually. Internal Audit updates are also included as a standing item at each Audit Committee meeting. A Controls Board is in place to facilitate an ongoing dialogue between Internal Audit and Directorate Management Teams around the progress of the Internal Audit plan, emerging assurance themes, monitoring of audit actions arising from internal and external audit work, proactive advisory work and escalation of areas of concern. The Director of Finance chairs the Controls Board and its members include Internal Audit and representatives from all directorates. In 2023/24, bi-annual updates on internal audit recommendations will also be presented to CMB. The Audit Committee reviews and approves the annual Statement of Accounts, monitors the effectiveness of the council's corporate governance activities and promotes high standards of member conduct. The Audit Committee has independent members suitably qualified and trained to support the committee in an advisory capacity. The council's Anti-Fraud Strategy promotes a zero-tolerance approach to fraud and incorporates the council's fraud response plan. The council's whistleblowing policy provides a mechanism for suspected fraud to be reported confidentially. The Head of Internal Audit has overall responsibility for anti-fraud related activity and reports outcomes of fraud investigations annually to the Audit Committee and whistleblowing investigations bi-annually. The council continued to participate in the National Fraud Initiative in 2022/23. **Managing Data** Through its Information Governance Strategy, the council promotes a culture of good practice around the collection, storage, use and sharing of data, and compliance with legislation. Its application will continue to be tracked in the

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	coming year. The council has an Information Asset Register and a Record of Processing Activity in place to ensure that it manages its information and identifies and mitigates any risks efficiently. A comprehensive Data and Information Management policy suite is in place to ensure staff are aware of their obligations to keep personal data secure. All staff are trained on their data protection and information governance responsibilities through mandatory e-Learning courses. This training also includes cyber security awareness training. **Managing Performance** The council has a suite of corporate performance indicators to help monitor delivery of the priorities in the Strategic Plan through the council's services. Performance is reported quarterly to CMB and the Policy and Performance Scrutiny Committee, which includes a narrative update highlighting key successes, challenges and priorities going forward. Performance measurement and reporting is used to identify areas of improvement to our services for residents. There are five scrutiny committees within the council, which provide constructive challenge and debate on policies and objectives and hold the work of the Executive and the council to account. They can undertake more in-depth research into particular areas of policy, and request evidence from other service providers and external organisations. Each Executive Member, accompanied by the relevant Corporate Director, is required to report annually to the relevant scrutiny committee on delivery of services and priorities within their portfolio. The North Central London Joint Health Overview and Scrutiny Committee is formed of the Chairs and in some cases the Vice Chairs of the Health Scrutiny Committees of Barnet, Camden, Enfield, Haringey, and Islington Councils. Its role is to scrutinise strategic sector-wide issues through regular engagement with NHS North Central London. The Joint Committee works independently of both the Executive and health scrutiny committees of its parent authorities.

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	Accountability and effectiveness of other service providers is addressed through relevant partnership arrangements, including the Safer Islington Partnership, Children and Families Board and the Health and Wellbeing Board. **Financial Management** The council has a robust financial management framework in place to support both long-term achievement of outcomes and short-term financial and operational performance. The council sets and monitors an annual budget alongside a three-year MTFS. The MTFS seeks to identify required budget changes almost three years before any given budget report is agreed. This is a council-wide process involving all spending departments whereby estimates are worked up, challenged and refined as further information becomes known. It considers the most recently available budget monitoring information and the latest view on budget assumptions for the forthcoming financial year. Proposed savings are signed off as deliverable by key stakeholders across the organisation. The thoroughness of the overall budget setting process is considered by the Section 151 officer in their assessment of the overall robustness of the council's budget estimates. In March 2023 the council approved a balanced budget for 2023/24, which included £10.995m of revenue budget savings and an increase in Council Tax by the maximum of 2.99% plus the Adult Social Care precept of 2%. In 2022/23, the council operated a monthly budget monitoring system, whereby financial performance, and key risks against the approved budget were monitored and reported to the CMB, the Executive and the Policy and Performance Scrutiny Committee. When an under or overspend was reported, directorates took active steps to understand and report the underlying causes and address any forecast under or overspends. This has changed to a quarterly process in 2023/24.

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	The Narrative Report accompanying the Statement of Accounts explains how financial performance against budget, reported to the Executive throughout the year, is consistent with the financial performance reported in the Statement of Accounts. CIPFA's Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the FM Code authorities can demonstrate their financial resilience in meeting foreseen demands and unexpected financial shocks. Following the essential aspects of the FM Code shows they are meeting important legislative requirements. Islington Council undertook a self-assessment against the FM Code as part of its 2022/23 and 2023/24 budget setting process. The compliance analysis is re-visited at least annually as part of the budget setting process, with any actions or recommendations implemented on an ongoing basis.
Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability	Clear, honest, and open communication with staff and customers is one of the most essential ingredients in providing effective public service. The council's intranet includes details of best practice and training to help staff communicate effectively in an accessible way with colleagues and service users. This includes the Microsoft Office Digital Accessibility course, the Write First Time training course, corporate templates, and a writing style guide. Information published on the council's website, including in its Publication Scheme includes information on how money is spent, Members' allowances, how decisions are made and senior officer remuneration. The council is reviewing its compliance with the Transparency Code. This is noted in section 4 of the AGS. The Access to Information Policy sets out the council's commitment to Freedom of Information and Environmental Information Regulations. The council's commitment to compliance with Individual Rights, as set out in the UK General Data Protection Regulation, is demonstrated in the council's Individuals Rights Policy. The council publishes on its website datasets of information that are frequently requested under a Freedom of Information request. The council is

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	creating an Open Data Strategy to increase proactive publication. A restructure is underway (in April 2023) which will centralise the teams which deal with Freedom of Information and Subject Access Requests under the corporate Information Governance team. It is expected that this will improve response times. The following information is reported annually to Members and is available on the council's website: • Statement of Accounts and Narrative Report • Internal Audit Annual Plan • Internal Audit Annual Report • Annual External Audit Report • Annual Governance Statement The Statement of Accounts and accompanying performance information in the Narrative Report is prepared in line with CIPFA's Code of Practice requirements, allowing easy comparison with other local authorities. Recommendations made by external audit are acted upon, and this is reported to Members in external audit's subsequent reports. The council has a formal two-stage process for managing complaints. The process is set out on the council's website and copies are available from the Corporate Customer Service Team. The council's aim is to ensure that when things go wrong, it responds quickly to put things right. It tries to learn from and improve its performance in response to customer feedback. Departmental Complaints Officers record and report on all complaints, and the service response is monitored. Customers and residents who are dissatisfied with how the council has dealt with a complaint can contact

Core Principles of the CIPFA/SOLACE framework	Examples of the governance arrangements the council has in place
	the Local Government and Social Care Ombudsman or the Housing Ombudsman; independent, impartial, and free services. The Ombudsman has powers to independently investigate complaints about how the council has acted.

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

Executive summary

Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel
Financial sustainability	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendation made to further enhance reporting of savings to Members	A	No significant weaknesses in arrangements identified, but an improvement recommendation made	↔
Governance	No risks of significant weakness identified	G	We have not identified any significant weaknesses in the area and our work did not identify any areas where we considered that improvement recommendations were required	A	No significant weaknesses in arrangements identified, but an improvement recommendation made	↑
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G	We have not identified any significant weaknesses in the area and our work did not identify any areas where we considered that improvement recommendations were required	A	No significant weaknesses in arrangements identified, but an improvement recommendation made	↑

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)

Financial sustainability

We have noted throughout this report that significant inflationary and demand-led pressures made 2022/23 a challenging year for all authorities. The changing economic environment meant that budget projections made before the 2022/23 financial year were subject to significant uncertainty. We note that the 2022/23 savings plan included significant targets in Children's and Adult Social Care. Savings are difficult to achieve in both areas, especially in such an inflationary environment. The delivery of savings has been an area of focus for this year's reporting and we will continue to monitor the Council's performance against planned savings.

Through the use of earmarked reserves and balances, the Council managed to deliver a balance budget in 2022/23, but significant underlying budget pressures remain over the medium term. A balanced budget was set for 2023/24 and as reported to Policy and Performance Scrutiny Committee in January 2024, there was an overspend of £5.8m at the end of quarter 2.

In 2021/22 we made a recommendation for savings achievement to be presented more effectively to members to clearly show progress against agreed savings targets. It is our opinion that, although the Council does present some narrative around where there have been slippages against savings plans in the 2022/23 outturn report, there remains a lack of clarity over the exact quantum of savings undelivered at year-end and have made two further improvement recommendations to enhance promotion of efficiencies. See pages 9 to 16 for more detail.

Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Authority Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised.

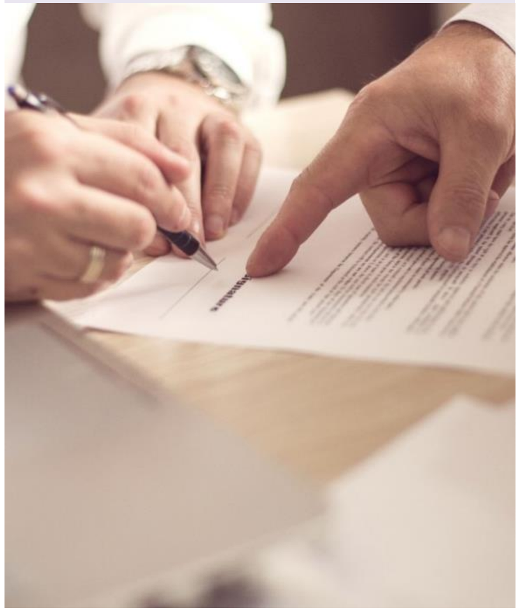
Improving economy, efficiency and effectiveness

Islington London Borough Council has in place a robust framework to ensure effective delivery of services and priorities. We found no evidence of significant weaknesses in the Council's arrangements for performance management, procurement and partnerships.

Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised.

Financial Statements opinion

Our audit of your financial statements is in progress. Our audit findings will be presented at the Audit and Risk Committee meeting in March 2024. Further findings are set out in further detail on pages 26 to 28.



Use of auditor's powers

We bring the following matters to your attention:

	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council 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 Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 24.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit and Risk Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)

Local context

The London Borough of Islington is a London borough council which forms part of Inner London. Islington has an estimated population of about 216,000. It was formed in 1965, under the London Government Act 1963, by the amalgamation of the metropolitan boroughs of Islington and Finsbury.

Islington is the second most densely populated borough in England and Wales after Tower Hamlets and the third smallest borough in London. 33% of the population are from black, Asian or minority ethnic backgrounds and the borough has the second largest Irish population in London. The borough is the 6th most deprived in London out of 32. The Council provides 25,400 homes and in total 35% of the housing stock in the area comprises of social housing,

Islington is divided into 17 wards, each electing three councillors. Following the most recent elections in May 2022, the Council is constituted of 48 Labour Party councillors and 3 Green Party councillors.

Services provided to the residents of Islington take in education, including for special educational needs, social care services both for children and adults, managing the collection of waste, providing and maintaining the roads network as well as housing, libraries, development and building control, consumer protection and public health. inter alia.

The corporate plan, Islington Together 2030, sets out the Council's vision for working together with its' diverse communities to create a more equal future for the borough by 2030 and sets out five key missions to achieve this.

- Child Friendly Islington
- Fairer together
- A safe place to call home
- Community wealth building
- Greener, heathier Islington

The plan also includes the Islington Promise. This sets out what local people can expect from the Council and also what the Council expects from this that live and work in the borough. The Council has undertaken to fight inequality, be innovative, invest in the local economy and provide the necessary help and support

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2022-23 Outturn

The 2022/23 outturn shows a total overspend of £22.9m in the General Fund. This is managed by use of contingencies, provisions and earmarked reserves to achieve a net nil variance to budget. The biggest overspends were £7.9million in Adult Social Care (ASC) and £2.6million in Children's Services. There was an additional overspend of £5.7million on corporate Items. These are areas where budgets were £146.8million, £336.1million and £30million respectively, and therefore we do not consider the overspends to be a significant risk from a financial sustainability perspective.

The Housing Revenue Account report a deficit for 2022/23 of £12.99 million. The key driver of this was £14.082million temporary use of Revenue Contribution to Capital Outlay (RCCO) towards the financing of new build and property acquisitions programmes, aligning with the Council's Treasury management strategy to delay external borrowing and as such the associated interest charges by utilising HRA reserves to finance HRA capital expenditure. As such thus represents a technical overspend and this should be reversed out in future years by increasing borrowing and reducing RCCO. This increased call on reserves has a neutral impact on the HRA's overall financial position and will be accommodated within the 30-year HRA business plan.

Short and medium term financial planning

The Council's 2022/23 budget includes a one-off transfer of £4million to earmarked reserves to provide financial resilience against the ongoing impact of the pandemic. This transfer aside, the 2022/23 budget and Medium-Term Financial Strategy (MTFS) did not make extensive reference to the pandemic as matters return to business as usual. This appears reasonable.

The financial year 2022/23 saw several macro-economic challenges which have caused significant inflationary pressures in service delivery across the local government sector and the Council has not been immune to these.

The 2022/23 budget setting process took place prior to the inflationary shocks, so the inflation input for discretionary fees and charges was set at 2%. The 2023/24 budget and MTFS uplifts all discretionary fees and charges by 10% from 1st January 2023, and this is the inflationary basis for the 2023/24 budget.

The budget proposals and MTFS states that 'the Council's Core Spending Power will increase by 6.57% in 2022/23, which represents a real-term increase in resources of 4%'. In reality, this statement did not prove to be accurate as inflation eroded budgets to a vastly greater degree than anticipated. The MTFS identifies a net funding gap of £38.997million during the period 2022/23 to 2024/25 although a balanced budget was set for 2022/23.

The Budget and Council Tax proposals for 2022/23 to 2024/25 noted several key variables that could impact the budget gap. These comprised:

- The expect long-term Comprehensive Spending Review and future local government finance settlements, and prospective funding distribution reforms, such as a reset of business rates retention growth and the fair funding review;
- Modifications in service requirements and demographic and financial pressures, against the degree to which these are covered by additional Central Government funding;
- Potential government reforms of the business rates and social care funding systems.
- Delivery of the savings programme

Financial sustainability (continued)

Short and medium term financial planning (cont'd)

The Budget and Council Tax proposals for 2022/23 to 2024/25 showed that key assumptions and contingency plans supporting the Net Revenue Budget for 2022/23 focused on:

- Non-pay inflation that cannot be managed within current budgets, including the effect on Adult Social Care contracts of national and local minimum wage rises.
- Increasing demand for council services, covering both volume and complexity, covering in adult and children social care and homelessness.
- Additional provision for the potential impact of rising energy costs.
- The 2021/22 budget assumed a pay freeze, therefore the 2022/23 budget makes a provision for 2021/22 and 2023/24 pay awards.
- 1.25% increase in National Insurance Contributions (NICs) from April 2022.
- The fair funding review was restarted after a pandemic induced pause in Spring 2022. This, and a business rates baseline reset, are seen by the Council as likely to be in consideration for implementation in 2023/24. This is deemed a significant uncertainty in the MTFS. Recognition that any failure to meet in-year savings on services will need to be funded from the corporate contingency budget.
- Ongoing need to improve resilience of reserves

We have considered the range of factors taken into consideration is reasonable. Furthermore, we have reviewed the assumptions supporting the Council Tax and Business Rates and have concluded these were reasonable. Ultimately the fair funding review and business rates reset did not occur and their timing remains uncertain

Some key financial metrics are listed in the table opposite.

	2022/23 £m	2021/22 £m
Actual revenue expenditure (Cost of Services)	£384.783	£265.896
Planned capital spend	£169.857	£163.326
Actual capital spend	£152.905	£128.359
Planned savings target	£6.776	£25
Actual savings delivered	£4.624	£ 21.98
Year-end cash position	£13.651	£ 14.713

Financial sustainability (continued)

We have noted throughout this report that significant inflationary and demand-led pressures made 2022/23 a challenging year for all local authorities. The changing environment meant that budget projections made before the 2022/23 financial year were subject to significant uncertainty. We note that the 2022/23 savings included significant plans for savings in Children's and Adult Social Care. Savings are difficult to achieve in both areas, especially in such an inflationary environment. The delivery of savings has been an area of focus for this year's reporting given this, as well as the fact that savings are key to maintaining a balanced budget. Historically, the Council has been prudent in their financial arrangements, and we have considered it to be well placed among comparable authorities to manage such pressures.

Identifying savings

The MTFS for 2022/23 presents a cumulative gross budget shortfall of £56 million over the three-year period to 2024/25. A delivery of savings already agreed and new savings identified are set out to bridge this gap, alongside assumed increases in council tax income. The net budget gap was therefore £28.47m over the medium term, with net deficits being forecasted in both 2023/24 and 2024/25 at the time the 2022/23 budget was set. Given the uncertainty of funding arrangements and the evolving economic landscape, detailed efficiency plans are only drawn up one year at a time. The Council is aware of the ongoing funding pressures it faces and monitors savings monthly. A summary of budget gaps is included below.

	2022/23 £m	**2023/24 £m**	**2024/25 £m**	**Total £m**
Pay and pension inflation	9.830	8.850	4.860	23.540
Non-pay/contract inflation	5.879	4.350	4.350	14.579
Demographic growth	3.057	3.038	5.000	11.095
Corporate Items/Base budget adjustments	0.071	1.525	5.776	7.372
Investment growth	2.000	0.000	0.000	2.000
Government funding	(9.299)	6.738	0.000	(2.561)
Gross Budget Gap	**11.538**	**24.501**	**19.986**	**56.025**
Previously agreed savings	(3.246)	(0.540)	0.000	(3.786)
New savings proposals	(3.530)	(0.459)	0.000	(3.989)
Retained business rates income	(1.509)	1.509	0.000	0.000
Council tax income	(3.253)	(3.000)	(3.000)	(9.253)
Net Budget Gap	**(0.000)**	**22.011**	**16.986**	**38.997**

The Council budgeted to deliver £6.776million of savings in 2022/23, of which £3.246million are a continuation of recurring savings and £3.5million are new savings. This is a significant decrease on 2021/22 where £25 million was required

.The Council has a reasonable track record of delivering its savings plans, for example, in 2021/22 £21.98m (88%) of savings were achieved. The budget pressures seen throughout the year meant that there has been a high degree of uncertainty on delivery of savings and at outturn for 2022/23 £4.626milliom (68%) of savings were delivered. In our view, the Council reporting on what savings were delivered at year end could be strengthened. In 2021/22, we have made an improvement recommendation for savings achievement to be presented more plainly to members to clearly show progress against agreed savings. It is our view that although the Council does present some narrative around where there have been slippages against savings plans in the 2022/23 outturn report, there remains a lack of clarity over the exact quantum of savings undelivered at year-end and have enhanced this improvement recommendation. See improvement recommendation 1 on page 15 for full detail.

A large proportion of the savings plans are drawn up within Children's and Adult Social Services and the savings in these areas are largely on track to be delivered. Given that these areas are susceptible to economic shocks, such as pay-inflation and energy costs, we note that spend in these areas is particularly high. We do not consider these to be areas where there are likely to be significant reductions in spend as demographics and increased demand continue to trend in a direction that necessitates the Council's involvement. Our understanding is that the Council has seen an acceleration in demand in these areas over recent years with complexity also increasing post Covid-19 and there is no indication of this trend reversing. As 40% of non housing non schools gross spend relates to social care, savings within social care are therefore an area for detailed consideration in future years given the profile of social care as a constituent part of the Council's service provision. Within the MTFS, the Council makes a provision for 'Demographic Growth', which demonstrates an awareness of the need to account for evolving demands on services. In the 2023/24 MTFS the allowance was £3.057million, increasing to £8.315million in 2024/25. While we note the challenges in these areas, given the proportion of spend on social care, the delivery of savings in Adult and Children's Social Care services are critical to the ongoing financial sustainability of the council **See improvement recommendation 2 on page 16 for full detail.**

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Financial sustainability (continued)

Financial planning and strategic priorities

We have found there to be appropriate financial planning which aligns to with the corporate objectives. There is extensive internal consultation to ensure the budget meets the needs of all service areas. In general, the Council is responsive to the needs of the different service areas whilst ensuring that the key services remain funded. We have found no evidence of the need to curtail services to support short term funding deficiencies and from review of corporate planning documents and savings proposals, no planned cuts to services noted. The Savings Proposals shows planned efficiencies and re-organisations but no specific reductions to services.

The Council's corporate plan 'Islington Together 2030' listed corporate priorities as:

- Child-friendly Islington
- Fairer together;
- A safe place to call home
- Homes; community wealth building; and
- Greener, healthier Islington.

These are reflected throughout the MTFS and Capital Plan.

The Council has the necessary resources for effective financial management, and it is our opinion the Council has a positive financial culture and an appropriate 'tone from the top' set by the former Chief Executive and senior management. The ongoing management of the Council's financial position over recent years is evidence of this. The Council has a number of key projects to deliver over the next few years, including flexible use of capital receipts, delivery of the climate action plan and a significant housebuilding programme and the recent reorganisation of the finance team should help to ensure that finance staff are not overstretched and provide such additional support as the Section 151 Officer requires.

The Council has a detailed financial plan covering three years. Given the uncertainties already noted, the plan has been drawn up on prudent assumptions on future income streams. The Council has considered long-term pressure on funding streams such as Council Tax, Business Rates and the Government funding settlement.

As per the MTFS, the net budget requirement for 2022/23 was £231.9million. A total amount of the revenue budget of £110.6million is funded by the Annual Funding Settlement from Central Government. £13.6million is funded by Business Growth/S31 grant, and £1million by the deficit on the collection fund. This has left a council tax requirement of £106.673million. Final outturn shows that £117m was funded from central government, £24m from business rate growth, £3.5m from non specific grants and £10m from a surplus on the collection fund leaving a council tax requirement of £113m.

Capital programme

The Council has a Capital Programme which spans 10 years from 2022/23 and is indicative from 2025/26. The 2022/23 budget report showed a planned capital programme of £613.811million over three years, analysed across corporate objectives. In addition to the detailed three-year Capital Programme, an "indicative programme" to spend a further £1.1billion is in place for the period 2025-26 to 2031-32. This is also analysed by corporate objectives. Within the £480.843million planned spend on affordable housing over three years, the capital programme shows that £305.272million of this amount relates to new build properties for sale or rent. The remainder relates to enhancements of existing buildings. These include, in the three-year period, some £145milliom planned spend on "major works and improvements", with a further £358million to be spent on improvements of existing homes over the following seven years.

The Capital Strategy shows that £366.63million of the capital programme is unfunded, and this will be managed over three years by borrowing from the General Fund and the Housing Revenue Account (HRA). The Capital Strategy,

Minimum Revenue Provision Policy Statement, Treasury Management Statement and Investment Strategy statement are all consistent with this approach. They show that planned investment of £613.812million relies on, amongst other sources of finance:

- General Fund Borrowing: £158.313million
- HRA Borrowing: £114.569million
- HRA reserves: £94.748million

We note that the underlying requirement to borrow/draw from the reserves has gone from £156.463million in 2021/22 to £366.63million requirement in 2022/23. This is an increase of over £200million and over 100% of the 2021/22 requirement. This is a reflection that Council has a greatly expanded capital programme in 2022/23, these schemes are subject to formal review and the borrowing requirement does not represent committed spend. This will need to be monitored by future auditors, but we have concluded that this is not a significant risk to financial sustainability in 2022/23.

Financial sustainability (continued)

Capital programme (Cont'd)

The medium-term investment also relies on General Fund capital receipts of £32.270million over three years and HRA capital receipts of £143million over three years. The Capital Strategy acknowledges reliance on the assumed sale of new build houses. All projected capital receipts are from the open market sales of housing and are intrinsically linked with the housing new build capital programme. Timing differences can be sufficiently managed with the existing HRA reserves so we do not consider this a weakness in arrangements. The Council has also considered a Flexible Use of Capital Receipts in recent years and an approach to this was considered by Cabinet in September 2023 with further consideration to be given by full Council during 2023/24..

We have not noted any significant indications of significant slippage in 2022/23 in the capital programme. The outturn for 2022/23 indicates capital expenditure of £152.905million has been delivered against the revised 2022/23 budget of £169.857m, representing 90% spend against budget (note that this is an improvement on 2021/22 where spend was 78% of budget). Additionally, there has been no evidence of capital programmes being cancelled or postponed without sound rationale.

Managing risks to financial resilience

The assumptions underpinning the Revenue Budget and Council tax proposals for 2022-23 were generally prudent, although savings plans were ambitious. The Section 151 officer statement on assumptions and estimates fully recognized the risks around financial sustainability.

There has been a conscious effort in the past to build the resilience of the General Fund reserve (in response to previous Grant Thornton audit findings) and there are significant balances in the earmarked reserves which could be used to fund budget shortfalls in the medium term. Where reserves are being used, the process is managed and monitored. The aspiration of the Council is to increase General Fund and earmarked reserves over the medium term and 2021-22 saw increase in value of reserves and this is also the case for 2022/23. However, we note that whilst the net value of reserves has increased, the total of usable reserves has decreased by £55million in 2022/23. The majority of this reduction is due to a movement of £23.8 million in the collection fund of largely carried over Covid funding and £26.7 million in Housing Revenue Account reserves to cover deficit and capital expenditure. Projected balances on the General Fund and earmarked reserves are prudent and do not allow for funding not yet received – the reserve projections indicate that balances will remain stable. This is considered reasonable.

The 2022/23 budget includes an ongoing corporate contingency budget of £5million per annum, unchanged from the 2021/22 budget. The contingency budget is available as a last resort for in-year contingency pressures that cannot be funded from compensating underspends elsewhere and subject to approval in line with the Council's Financial Regulations. We note that the contingency reserve was used in full during 2022/23. We note that a £5million inflation, energy and demand contingency is assumed within the MTFS from 2023/24. This provides an additional layer of financial resilience in the face of macro-economic trends going forward.

Financial governance

Annual budget setting

The annual budget setting process has been considered during our assessment of the Value for Money arrangements at the Council.

As previously noted, the budget process involves engagement with a wide range of stakeholders. The Council undertakes formal budget consultation with business rate payers, inviting views and communicating these through social channels and bulletins.

The budget process is undertaken with analysis around scenario planning and sensitivities to budgets. This analysis will be fully presented to Members from 2024/25 budget setting. We note amendments to Budget proposals in 2023/24 and MTFS were presented to full Council in March 2023 which provide evidence of the variation of proposals and impact on budget being reported to members.

We have focussed on the capital strategy. There is a general acknowledgement at the Council that the capital programming is ambitious, and the forward-looking years are subject to change, although theoretically these are locked in up to the third year of the medium-term strategy. In reality some level of slippage should be expected given the war in Ukraine, Brexit, and other supply side pressures, procurement and supply chains are known to be weak. The Council is aware of this and makes an effort to account for optimism bias in its budgeting, and we do not consider this to be a significant weakness from a Value for Money perspective. We note that a review of the new build programme was ongoing at the time of this review to ensure the viability of schemes in place give changes in interest rates and inflation.

Budgetary control

The Council is clear that the budgets (and associated expenditure) are the responsibility of the budget managers. Any variances are their responsibility to report and to control. Finance will support this process as well as challenge management as appropriate.

The relevant Finance Business Partners meet with managers regularly, based on risk of budget area. Support and challenge is provided there.

Managers have access to CP, the tool for monitoring budgets. The budgets are not profiled, instead the Council uses the projected outturn approach where they forecast year end outturn. rather than compare current spend against a profiled budget.

We note that at the Executive meeting on 22nd June 2023, the Budget Monitoring 2022/23 Provisional Outturn was presented to the committee. This includes sections on Treasury Management, Investments and Borrowings, showing year end balances and prior year comparators. We note also that a mid-year treasury management review was presented to the Executive in November 2022 which shows mid-year positions as set out above.

Appendix 1 of the 2022/23 budget monitoring report clearly set out variances to budgets brought about by the year-end outturn. Similarly, mid-year positions are presented to the executive within the Monthly budget monitoring reports at month 6.

We are satisfied that the budget remains sufficiently controlled and monitored throughout the year.

Cost of Living Crisis

The rising costs of fuel, food and other essentials are combining with existing disadvantage and vulnerability and putting many households at greater risk of both immediate hardship and reduced opportunity and wellbeing.

Councils and local partners continue to do what they can to protect people against higher costs, targeting help at those facing the most complex challenges.

Councils' range of 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.

The dramatic increase in inflation alongside increases to the National Living Wage, have added £2.4 billion in extra costs onto the budgets of Councils in 2022/23. In 2023/24 Councils are facing a funding gap of 3.4 billion, with a funding gap of £4.5 billion the following year.

To support its most vulnerable residents through the cost-of-living crisis, Councils face additional cost-pressures which will need to be addressed to avoid further cuts to vital frontline services.

Improvement recommendations

Improvement Recommendation 1	There should be enhanced reporting on savings delivery to Members to show progress on the delivery of savings plans including figures for expected savings and actual savings achieved to date.
Improvement opportunity identified	The Council should improve the clarity of the reports on savings delivery to clearly state what level of savings have been achieved at outturn. Without this, Members may not have clear sight over how expected savings are progressing.
Summary findings	Last year we recommended that delivery on savings should be reported to Members and this has been commenced during 2022/23. However, it is our opinion that this reporting can be further enhanced. A total savings target of £6.8million was set for 2022/23 and the reporting suggests that 68% of this target (£4.6million) were on track to be delivered, the remainder being reprofiled or not achieved. The budget reports to Members do not make clear the actual delivery of individual savings items at outturn. Just a general indication or rating as to whether delivery is on track.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed – Improvements had been made to provide information on savings delivery within our regular financial monitoring. These have been enhanced in Quarter 3, 2023/24 to further improve transparency of delivery.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2	The Council should continue to make every effort to not use general fund balances to balance the budget and continue to focus on the identification of efficiencies with Children and Adult Social Care
Improvement opportunity identified	The delivery of savings in Adult and Children's Social Care services are central to the ongoing financial sustainability of the Council
Summary findings	A large proportion of the savings plans are drawn up within Children's and Adult Social Services and the savings in these areas are largely on track to be delivered. Given that these areas are susceptible to economic shocks, such as pay-inflation and energy costs, we note that spend in these areas is particularly high. We do not consider these to be areas where there are likely to be significant reductions in spend as demographics and increased demand continue to trend in a direction that necessitates the Council's involvement. Our understanding is that the Council has seen an acceleration in demand in these areas over recent years with complexity also increasing post Covid-19 and there is no indication of this trend reversing. As 30% of non housing council spend relates to social care, savings within social care is therefore an area for detailed consideration in future years given the profile of social care as a constituent part of the Council's service provision.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed – We welcome the recognition that making savings within Adults and Childrens services is both difficult and required in the wider financial context. The Council intends to continue to balance its annual recurrent income and expenditure to avoid the use of reserves. This strategy includes the continued identification of efficiencies within Adults and Childrens services.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit and Risk Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

The Principal Risk Report is an annual report to the Audit and Risk Committee presenting the principal risks facing the Council. The latest Principal Risk Report was presented in July 2023 and showed:

- Key Risk Themes (Inflation and financial resilience);
- Principal Risk Map – heatmap diagram indicating the positioning of Principal Risks, detailing the likelihood and impact scores for each risk and explaining the risk scoring mechanism;
- Risk Universe – an overview of the risks by category, demonstrating the balance of risk;
- How areas of risk link to Council objectives– mapping the links between risks and 'Building a Fairer Islington 2018/22' Themes;
- Executive Summary of the Principal Risks – detailing the current as well as target risk score for each risk, defining the corporate sponsor and forward trend information;
- Principal Risk detailed information and action plans (risk on a page) - detailing the risk information and update alongside the action plan for each risk to achieve the target risk score. The Report was written in consultation with risk sponsors, risk leaders, Departmental Management Teams (DMTs) and the Corporate Management Board (CMB). It covers all core aspects of risk management typically presented to Audit Committee and those charged with governance.

This shows a comprehensive approach to reporting risk.

The 2022/23 Annual Governance Statement reported to Audit and Risk Committee in July 2023 shows that the Risk Report is used by the Corporate Management Board to monitor and manage risk and by Internal Audit to inform its' programmes of work: The Risk Strategy and Framework (last updated in June 2022) sets out how the risk management process works, defines roles and responsibilities. The Draft Annual Governance Statement for 2022-23 also shows that:

- The Council's Internal Audit annual plan sets out a programme of work designed to provide assurance to the Section 151 Officer, management and Members that, in relation to areas included in the audit plan, the Council complies with relevant laws, regulations, internal policies and procedures and has taken action to mitigate principal risks. The internal audit plan consisted of 750 audit days and the service delivered 33 audit during the year. These arrangements are felt to be adequate.
- Internal Audit reports progress and outcomes of delivery of the audit plan to Audit and Risk Committee bi-annually;
- Internal Audit updates are also included as a standing item at each Audit and Risk Committee meeting;
- The Audit and Risk Committee also received an update report on principal risks in January 2023.

Governance (continued)

Risk management and internal controls (cont'd)

The Principal Risk report outlines 28 risks facing the Council. In terms of effective scrutiny, the Council have the following measures in place:

- Interim risk updates discussed at the Corporate Management Board and the Audit and Risk Committee focus on risks with the highest scores and/or with an increasing forward trend;
- Risk deep dives presented to the Audit and Risk Committee outside of the annual principal risk report also focus only on risks with the highest scores and/or with an increasing risk trend. We see this as good practice as it helps ensure key risks are being appropriately managed. A deep dive in September 2023 looked at the volatility of the energy market and a deep dive in January 2023 focussed on Health and Social Care Integration and Social Market Stability . These report provided members with significant details of the factors affecting the current situation in each area and asks members to note the mitigations put in place by the council to manage associated risks.

As at July 2023 13 risk were rated as Red. The risks within the risk register are similar to risks we have seen at other authorities and reporting indicates adequate mitigating actions are being taken.

The Council consider that they have effective oversight of principal risks, and have measures in place to focus attention on the highest scoring risks. This seems reasonable and no further recommendation is raised.

The Council operate a Shared Internal Audit Service with the London Borough of Camden. There is an Audit Charter in place that was approved by both Councils Audit Committees and is compliant with the Public Sector Internal Audit Standards (PSIAS).

From discussions with the Head of Internal Audit, we note that Islington Internal Audit employs 4.1 FTE posts and has a framework agreement with PwC for provision of top up and specialist internal audit services. 2022-23 saw some turnover of staff in the Internal Audit team and periods of vacancies within the team. Where necessary, additional capacity can also be drawn from the Camden team. There was sufficient resource to deliver the internal audit plan.

The Head of Internal Audit annual report for 2022/23 was presented to Audit and Risk Committee in September 2023 with a half yearly update in January 2023. These reports outlines progress of audit work and outcomes. The Annual report provided a "moderate" assurance around the Council's controls. This is a positive rating and consistent with the previous year. The annual report states no critical risk findings were identified during 2022/23.

Internal audit issued two reports in 2022/23 which had "No Assurance opinions" (lift maintenance and a school), a fall from four reviews in 2021/22 and four attracted limited assurance opinion (Procurement Cards / Insurance Settlements / Playdell Tenant Management Organisation(TMO) and a further schools) again an improvement on the five limited assurance reports issued in 2021/22. ,

Counter fraud services are also provided by Internal Audit along with separate Housing and Parking Investigations teams. Their work is collated into an Annual Fraud Report which goes to Audit and Risk Committee. The latest report was made in September 2023. The Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation.. We were informed where relevant, the outcomes from fraud work have also been used to inform your annual internal audit opinion and future audit plans.

Counter fraud operations are underpinned by Member and Staff codes of conduct (both updated in July 2023). The Council has an Anti-Fraud and Corruption Strategy and Framework last updated in July 2023. This includes the Anti Bribery Policy and the Anti Money Laundering Policy. The Whistleblowing Policy is a separate document updated in June 2022.

We received a whistleblowing complaint in June 2023 relating to the procurement of external legal advice. A similar complaint had been received by the Council in May 2021 and an investigation, reported to Audit and Risk Committee in October 2021, concluded that the allegation was unsubstantiated. Whilst we have no concerns about the original investigation , the subsequent internal audit review on the wider use of barristers could have been scoped more broadly and extended over a wider sample population.

Governance (continued)

Informed decision making including the Audit and Risk Committee

Arrangements in relation to decision making are the same as previous years. Within every Directorate, Corporate Directorates Delivery Boards deliver performance and change and report into the central Corporate Management Board (CMB) and/ or the Programme Management Office.

All reports to Executive Committee are cleared by CMB first. The Constitution shows that the Executive Committee is the primary decision-making Committee.

Review of a sample of committee papers indicate that they are comprehensive and provide members with sufficient information to make informed decisions. All papers include financial, legal, environmental and equalities implication of the matter in hand.

No evidence was seen of unlawful decision making from discussions with officers and review of committee papers.

The Audit and Risk Committee consists of six members – made up of four councillors; two independent members and four named substitute members. Quorum is three. In 2022/23, the Committee had five meetings. all members attended each meeting. Chair of the Audit and Risk Committee has been in post for whole of 2022-23 and the membership of the Audit and Risk Committee has remained stable

Audit and Risk Committee Terms of Reference are set out in the Council's Constitution. This includes membership and frequency of meetings The nature of items appearing on agenda are all in line with expectations for a Local Authority.

Review of minutes and our attendance at Audit and Risk Committee provide evidence of challenge of officers.

We note during 2023/24 the Chief Executive (CE) left the Council. A new Chief Executive has been appointed took up her position in January 2024. During the interim, one of the Corporate Directors, acted up as Head of Paid Service. He has now returned to his former role following the appointment of the CE.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	No significant governance issues identified NB Revised format of the AGS	No significant governance issues identified
Head of Internal Audit opinion	Moderate Assurance	Moderate Assurance
Ofsted inspection rating	Outstanding	Outstanding

The Council's performance against key governance metrics is set out in the table above.

Governance (continued)

Standards and behaviours

The Draft Annual Governance Statement for 2022-23 states compliance with policies and legislation is managed through a range of corporate written rules and procedures which define how decisions are taken and the processes and controls required to manage risk and act in the public interest. These include the Constitution, Financial Regulations, Procurement Rules and Codes of Conduct. A Monitoring Officer is in place and was in place throughout 2022/23.

Our review indicated compliance with statute, local procedures, professional standards and guidance. This was from a review of Executive and Audit and Risk Committee Papers or in the draft Annual Governance Statement. The Monitoring Officer confirmed this to be the case.

The Council reported one data breach to the Information Commissioner's Office (ICO) in 2022/23 as required by law. This incident was closed with no further action as the ICO was satisfied with the mitigating actions taken by the Council.

The latest available Annual Review from the Local Government and Social Care Ombudsman (LGSCO) covering the period 2022/23, shows the LGSCO upheld 71% of complaints against the Council (compared to a sector average of 77%), and were satisfied the Council had successfully implemented its recommendations in all cases. The Council provided a satisfactory remedy before the complaint reached the Ombudsman in 17% of upheld cases (compared to an average of 15% in similar councils).

The Housing Ombudsman (HO) resolves disputes involving the tenants and leaseholders of social landlords and is the final stage for complaints that have already been responded to as part of the Council's internal complaints process. The latest available report on the HO website shows that in 2022/23, 14 cases were determined by the HO (a fall from 22 the previous year), though none were cases of severe maladministration.

From the work we have undertaken we have seen adequate arrangements to address the risks of illegal decision making, non-compliance with the Council constitution, significant data breaches or breaches of codes of conduct.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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Use of financial and performance information

Corporate Performance Indicators measure performance across key services and priorities. There is internal monitoring and challenge on performance and delivery through Departmental Management Teams and CMB. Public reporting and scrutiny is undertaken through quarterly reports to scrutiny committees, including more in-depth scrutiny of specific topics; and overall monitoring of corporate performance through the Policy and Performance Scrutiny Committee.

Performance reports are submitted to the Council's five scrutiny committees on a quarterly basis. The reports are published in the papers for the relevant meetings on the Council's website. Performance indicators track progress against the five missions in the Council's new Corporate Plan and associated service plans.

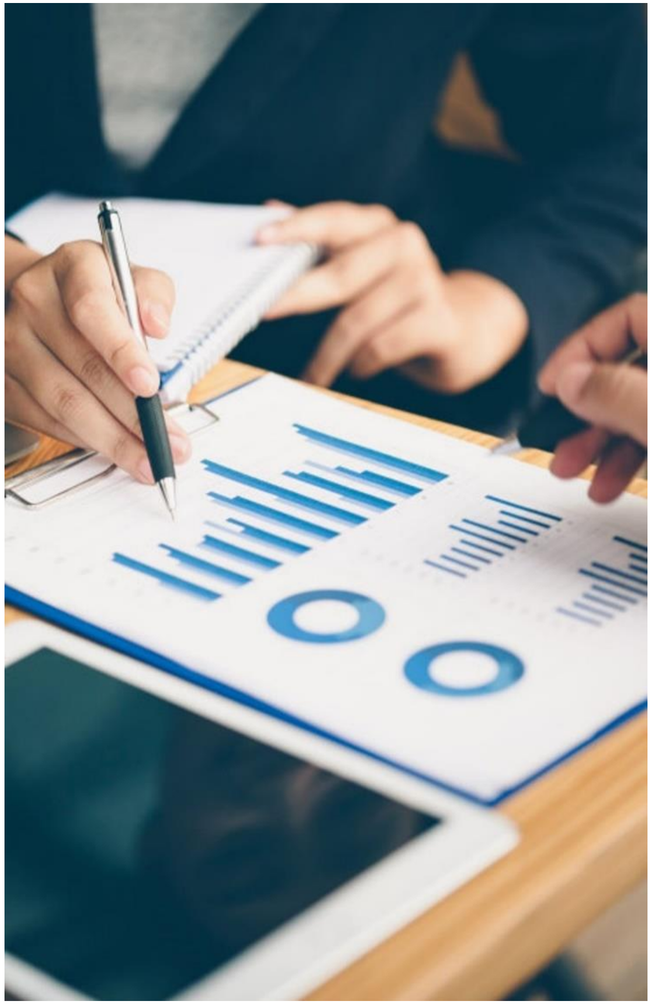
Performance is monitored by officers through Departmental Management Teams. Within every Directorate, Corporate Directorate Delivery Boards deliver performance and change and report into the central CMB and/ or the Programme Management Office(PMO) and/ or the Strategic Transformation Board (STB).

The Annual Governance Statement for 2022/23 shows how delivery and performance – including change – is managed within individual directorates reporting to the CMB. It also shows that more than one Scrutiny Committee is involved.

We note all reports to Committees have financial implications written by the Finance Department. Services can draft the reports, but Finance have to approve them. All Executive reports also have to go to CMB first for approval before being submitted to the Executive.

Each performance lead across the Council co-ordinates the timely entry of data, which is provided by a larger network of data owners. Each data owner is responsible for the grip on accuracy, overseen by the performance lead, and will raise data quality issues as they arise as part of the quarterly narrative. There is eight weeks from end of the quarter to reporting which that gives sufficient time to collect the data.

There is no data quality policy or strategy in place, but this is in preparation and is due to be approved by March 2024.



Improving economy, efficiency and effectiveness (continued)

Children's Social Care

Benchmarking work we have undertaken of cost per head of population shows particularly high costs services include Asylum Seekers, Children Centres and Safety Services.

In the last general inspection in March 2020 by Ofsted, Islington's Children's Social Care services was rated as "outstanding" and this is a factor that is reflected in the cost of services. The Director of Children and Young People accepts services are high cost but high quality, and work has been undertaken to reduce cost without reducing services or reducing quality. Some service provision (especially non statutory services) is based on political priorities.

The reasons for this high-cost, high quality service are historic. Between 2015 and 2017 the Council received funding from central government to innovate in children's services and develop "gold star" services and it has decided to retain this level of service. This is led by a strong prevention model. A further consequence of this is the Council believe it makes the Council a good place to work and so the Council state they do not have the turnover of social work staff that others have in and close to London. The Director also stated that per capita benchmarking does not reflect the large number of unaccompanied asylum seekers and looked after children cared for in the borough.

The large cohort of looked after children subsequently leads to high costs in leaving care services due to the number of looked after children who need to transition to adult services. The leaving care service was reviewed in October 2022. One factor identified is that the Council is a high-cost housing area and it is hard to find one bed or studio flats in or close to Islington as these are high cost and in high demand due to Islington's close proximity to central London and its good transport links. This means finding accommodation for care leavers is problematic. Independent fostering is also expensive in London due to the generally high cost of living.

Expenditure on Early Help, Bright Star (Islington's under 5s offer) and childcare are political decisions to maintain services. The decision to provide universal school meals was taken at the Council before the national decision to do so. The pressures felt by the Council are not unique and management are aware of the budgetary challenges. The Council will need to seriously consider its priorities on the level of service provided in the context of the overall financial sustainability of the Council.

Adult Social Care

Adult Social Care Benchmarking we have undertaken indicates high costs services include commissioning, learning disability (LD) support and mental health support. Discussions with the Director of Adult Services indicate the Council is aware of the pressures. Improvements have been made in commissioning, provider services, and early intervention with a view to reducing expensive placements. The service are currently reviewing costs of LD support. We note older people's services are seen as low cost. The service has put in place a budget and demand strategy to better manage costs.

A Local Government Association (LGA) peer review was undertaken in 2023 to help the service prepare for a forthcoming Care Quality Commission (CQC) inspection. We were told that the informal feedback from the peer review were positive. But the formal report was still awaited

The Council established a new brokerage function in 2023 which uses cost comparisons across north central London to review costs and manage the care market. The service has a savings target of £5.8m in 2023/24 and to date 40% has been identified for delivery in year. The service has managed to stabilise the number of service users which will help to manage costs on expensive placements.

We understand the Director of Adult Social Care is to provide training for members on issues around LD, physical disabilities and mental health. The Director of Adult Social Care feels there is a good service for LD but the cost are recognised as high due there being a high cohort compared to adjacent councils. The service is trying to leverage more funding from health partners to help pay for some health-based services.

Transitions from children to adult services for LD service users is being reviewed as the Council sense this is an area for improvement. While care is adequate for this class of users, the Director believes Is the service can help provide more fulfilling lives.

Management are aware of the issues and are taking steps to address the cost of services in a difficult economic environment.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

There is no evidence of failure to reach minimum service standards in relation to front line services to residents and other stakeholders. However, since the pandemic, the Council has seen a significant increase in the number of complaints made to the Council, and response times have risen to a point where the Council now has a significant backlog of complaints to process. Measures already taken by the Council to try and address this are highlighted in the Annual Governance Statement. In August 2022, the Council received notification from the LGSCO of their intention to investigate the delay in response times under section 26D of the Local Government Act 1974. The Council is in contact with LGSCO about the matter, to highlight the actions the Council has already taken and are proposing to take to address this issue. After receiving the Council's response to their investigation in June 2023, the LGSCO wrote to the Council in July 2023 to report satisfaction with the actions taken to improve the resident experience and to advise they had closed their investigation.

In December 2022, the Housing Ombudsman (HO) informed the Council of its decision to launch a Section 49 investigation into Islington's handling of damp and mould complaints. In January 2023, the HO enquired about the stage 2 investigation backlog and the Council's plans to resolve this. The Council has implemented a plan to address the backlog of complaints and is proposing further improvements to the arrangements in 2023/24. Proposed actions include external review of processes, enhanced oversight and allocation of further resources.

We note the last OFSTED report in 20210 for children's social care, the last inspection, ranked the service as "Outstanding".

Partnership working

The Council has relatively few formal partnership working arrangements, in part due to political decisions to retain services in house. Housing (including new homes housebuilding programme) is also managed in-house, therefore we considered instead as an example of Council working with "partners" without that being through a jointly owned legal entity.

The Council considers the NHS a key partner, and there are many areas of joint working including the Council's role in the construction of assets used as health centres on sites leased to the Council by the NHS. There are specific pooled revenue budgets with the NHS and shared financing of joint placements for complex child and social care cases:

As previously mentioned, Internal Audit services are provided in partnership with the London Borough of Camden

Improving economy, efficiency and effectiveness (continued)

Partnership working (continued)

The majority of the capital programme relates to housing including new homes and improvements to the existing housing stock. It was confirmed that for New Homes projects, there were no key partners with the Council manages developments itself from end to end – with "Gateways" needing to be passed at each stage for release of funds. Most work is on land the Council already owns, although sometimes there are purchases from other public sector partners.

Improvement works on existing housing works contracts are managed internally, not via a consultancy – around 20 or 25 different contracts to manage plus some internal staff.

Insourcing instead of outsourcing is important politically. There is a project underway to strengthen commercial expertise within the Council and upskill finance business partners. Islington new house building works include many small infill projects, which lend well to internal management.

Commissioning and procurement

The Council's procurement standing orders set out the requirement to seek at least three quotes over £25k to Public Contract Regulation thresholds and five tenders over this threshold and to consider the most economically advantageous tender. This takes price into account, alongside quality and social value considerations, but does not require the tender to be awarded to the lowest priced bidder. Review of committee papers outlining decisions to go to market on a number of key capital schemes and large provider contracts indicate that alternative options are considered.

Indexation, inflation and uplifts are built into Procurement Rules (contract standing orders). The Procurement Rules themselves have had updates as needed and a major review has commenced to update these.to address recent procurement legislation which will come into force in October 2024.

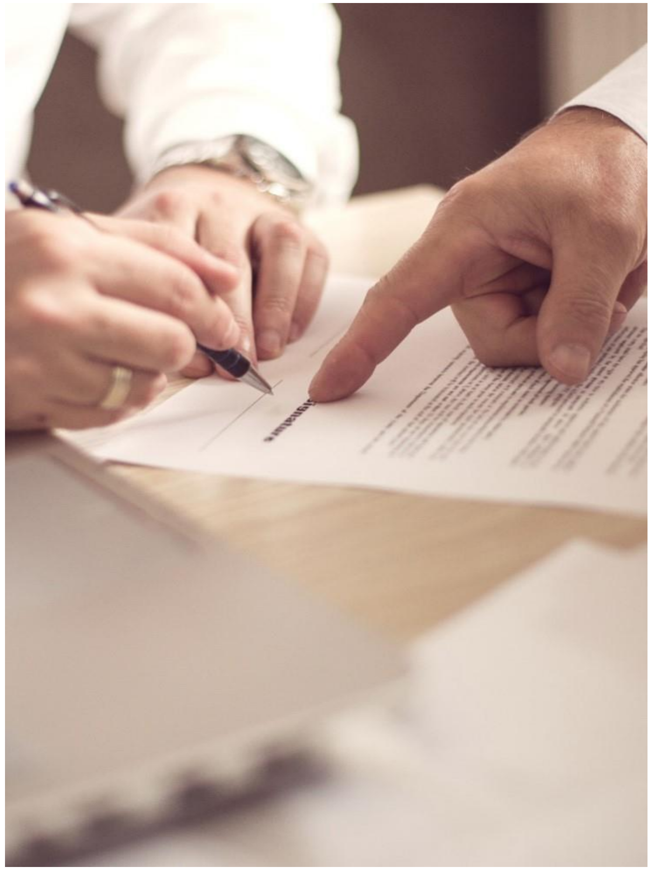
The procurement operating model work remains in development, as the Council prepares for a new Chief Executive and the new procurement legislation.

Supply Assurance is an approach to managing supplier risk. Supply Assurance has been integrated more closely into Category Management. Supply Assurance will help collate progress against the Council 7-year Progressive Procurement Strategy 2020/27 and its associated action plan.

The procurement team have appointed a new Supply Assurance Manager starting in November 2023 to help embed Supply Assurance

A Head of Strategic Category Management is on the working group for the new finance system which is intended to include "procure-to-pay" functionality .

The new Contracts Register has been purchased and although access to the live site was granted in October 2023 this was still subject to testing prior to loading real data at the time of our review .



Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	There should be enhanced reporting on savings delivery to Members to show progress on delivery of savings plans	Improvement	May 2023	This recommendation was implemented during 2022/23 but during this review we have identified further grounds for improvement	Partially	A further improvement recommendation has been raised in this report
2	Consideration should be given to the following improvements to the risk management process Rationalise the number of risks in the corporate risk report . Develop a training module for all staff (possible to be delivered as part of staff induction) to raise awareness of risk across the organisation.	Improvement	May 2023	The recommendation was only partially accepted by management as they felt the number of risks in the risk register was appropriate for the organisation. The risk management training has been developed.	Yes	No
3	The Council should develop a Data Quality Strategy	Improvement	May 2023	This is in development to be adopted by March 2024.	Yes	No

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Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

Our audit of the Council's financial statements including the Pension Fund is in progress. We anticipate issuing our opinion shortly after the March 2024 Audit and Risk Committee meeting.

Opinion on the financial statements

Findings from the audit of the financial statements

Our audit work is being finalised during January and February 2024. Our findings will be set out in the Audit Findings Report..

Our work is substantially complete. There are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements.

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

Our anticipated audit report opinion will be unqualified subject to satisfactory completion of the closing outstanding matters set out in the Audit Findings Report.

More detailed findings will be set out in our Audit Findings Report, which will be presented to the Council's Audit and Risk Committee in March 2024. Requests for this Audit Findings Report should be directed to the Council.

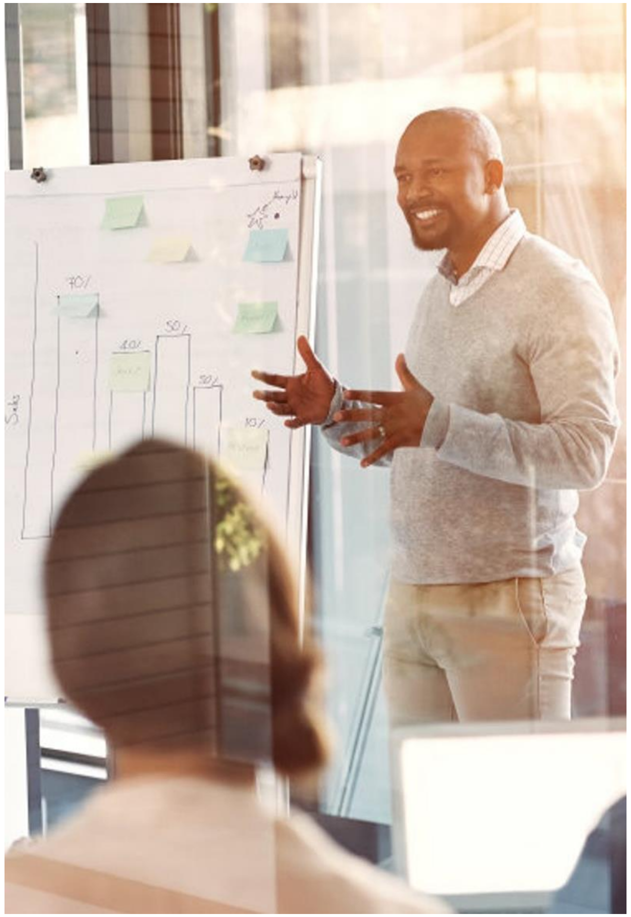
Other reporting requirements

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Risk Committee in March2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. The Council's spend is below the threshold and no detailed review will the required. The Assurance Statement will be completed at the conclusion of the audit.



Appendices

Appendix A:
Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

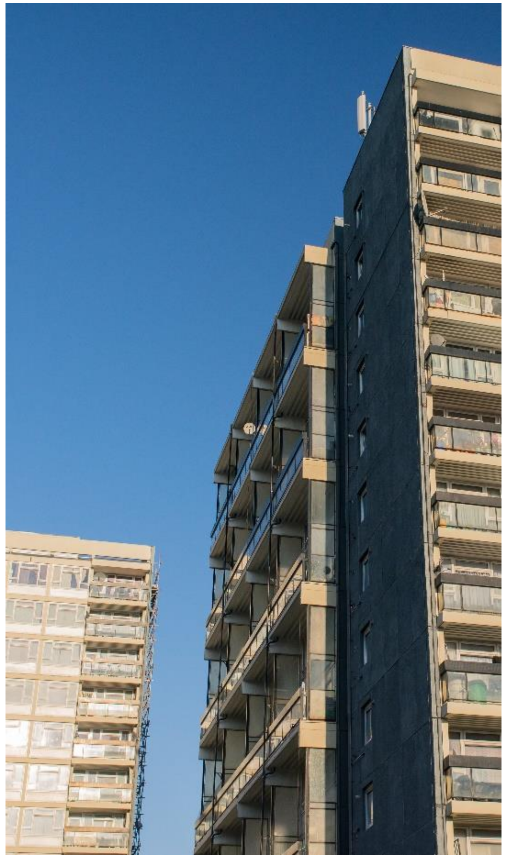
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure 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.



Appendix B:
An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	14

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Finance

222 Upper Street

London N1 1XR

Report of: Corporate Director of Resources

Meeting of: Audit and Risk Committee

Date: 18 March 2024

Wards: All

Subject: Draft 2024/25 Internal Audit plan

1. Synopsis

1.1. The provision of a continuous Internal Audit service provides independent and objective assurance on the control environment that supports the delivery of the council's objectives.

1.2. The report outlines the proposed 2024/25 Internal Audit plan for the council. It also includes the Internal Audit Strategy and an assurance map which maps audit activity to each of the council's principal risks.

2. Recommendations

2.1. To approve the 2024/25 Internal Audit plan.

3. Background

3.1. The council has a statutory duty to maintain an adequate and effective Internal Audit function. The Internal Audit, Investigations and Risk Management service provides this function.

3.2. Our primary objective is to provide the council, via the Audit and Risk Committee, with independent assurance that risk management, governance and internal control processes are operating effectively. Internal Audit also seek to provide advice on risk and control issues within individual processes. We aim to achieve this through a planned programme of work based on an annual assessment of the principal risks facing the council.

3.3. The Internal Audit Strategy, attached at **Appendix 1**, details the role and objective of Internal Audit within the organisation and the overall strategic approach to meeting this objective.

3.4. The draft plan attached at **Appendix 2** details the work to be undertaken by the Internal Audit in 2024/25 to deliver this objective.

3.5. **Appendix 3** includes an assurance map which maps recent and planned audit activity to each of the council's principal risks.

3.6. Internal Audit aims to retain flexibility in its approach in order to provide coverage of emerging risks, and to meet the changing needs of the organisation. To this end, while Internal Audit will deliver a risk based annual plan, we will also remain responsive to the needs of auditees and wider stakeholders and will continue to provide ad hoc control advice and support where required.

4. Internal Audit plan – preparation and consultation

4.1. The council has a statutory duty to maintain an adequate and effective Internal Audit function. The Internal Audit, Investigations and Risk Management service provides this function.

4.2. The 2024/25 plan was drafted from a number of sources including the council's principal risk report, an Internal Audit risk assessment, audit plans of other local authorities, intelligence from previous audits/fraud investigations, and CIPFA good governance guidelines. The Internal Audit risk assessment to arrive at the plan was as follows:

- The council's principal risks were evaluated to assess the extent of assurance activity against them in the last three years and any planned follow up activity (see **Appendix 3**);
- Any gaps in assurance were identified and audit or advisory activity was proposed to ensure Internal Audit coverage;
- Plans for each directorate have been discussed and approved at Directorate Management Teams (DMTs) in January and February 2024;
- The wider plan and assurance map have been noted at DMTs in January and February 2024 and the Corporate Management Team (CMT) in February 2024.

4.3. Based on the evaluation of risks and the work carried out over the three years between 2021/22 and 2023/24 and in line with good practice, the 2024/25 plan includes some extended follow up activity to provide continued assurance on principal risks.

5. Internal Audit plan – delivery

5.1. The annual plan has been drawn up to address the statutory requirements and key risks for the council, taking into account the available resources within the Internal Audit service. Changes to the annual plan may be necessary during the year to reflect changing risks.

5.2. Based on the risk assessment exercise outlined in section 2.1 above, the proposed 2024/25 audit plan includes:

- New audits relating to principal risks (198 days);
- New audits relating to key financial systems (45 days);
- New audits requested by management (32 days);
- Extended follow ups to provide additional assurance relating to key 2023/24 audits (10 days);
- Follow up activity to provide continued assurance relating to principal risks and key financial systems (143 days);
- New establishment reviews related to schools, tenant management organisations and voluntary sector organisations (139 days);
- Grant claim certification (30 days); and
- Risk management, investigations, legal support, audit planning and follow up coordination activity through Controls Board (80 days).

5.3. The 2024/25 Internal Audit plan will deliver c.785 audit days, including a contingency of c.105 days to cover urgent and unplanned reviews arising during the year and to ensure that the impact of current Internal Audit team vacancies can be absorbed in the event that the posts cannot be filled quickly. A portion of the plan (up to c.180 days) will be delivered by our co-sourced partner.

6. Follow up audits

6.1. A Controls Board is in place to facilitate an ongoing dialogue between Internal Audit and Directorate Management Teams around the progress of the Internal Audit plan, emerging assurance themes, monitoring of audit actions arising from internal and external audit work, proactive advisory work and escalation of areas of concern. The Director of Finance chairs the Controls Board and its members include Internal Audit and representatives from all directorates.

6.2. Internal Audit follow up those recommendations which present the highest risk to the council. We will follow up all critical and high priority recommendations, and medium priority recommendations in areas where the inherent risk of fraud or reputational damage is high. All other recommendations are tracked at a directorate level and implementation status is reported to Controls Board. Responsibility for following up all recommendations from establishment reviews (schools, tenant management organisations and voluntary sector organisations) sits within the relevant directorates except where critical priority findings are identified.

6.3. Only extended follow up audits are reported on using memoranda. All other recommendations are followed up in the quarter after they fall due. Outcomes of follow up activity and rationales to support outcome assessments are held within a tracker. A summary of implementation rates for critical and high priority recommendations is reported to Audit and Risk Committee twice a year within the Internal Audit Annual Report and the Interim Internal Audit Annual Report.

7. Implications

7.1. **Financial Implications**

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

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

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

7.2. **Legal Implications**

7.2.1. 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.

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

7.3.1. There are no environmental implications which arise directly from the recommendations in this report. There are some minor environmental implications relating to the operation of the Internal Audit service (primarily heat, electricity, and transport) which will be reported and mitigated via the Finance service plan. In many cases, the principal risks which drive the audit plan have substantive environmental implications. Where these fall within the scope of audits, any issues identified will be reported on and addressed through agreed audit actions.

7.4. **Equalities Impact Assessment**

7.4.1. 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.

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

Appendices:

- Appendix 1 – Internal Audit Strategy
- Appendix 2 – Internal Audit Plan
- Appendix 3 – Assurance Map

Final report clearance:

As agreed by: Corporate Director of Resources

Date: 20 February 2024

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APPENDIX 1 – INTERNAL AUDIT STRATEGY

1. Introduction

1.1 This document sets out the overall strategic approach of the council's Internal Audit function in providing assurance over the key risks faced by the council. The council operates a Shared Internal Audit Service with Camden, with a shared Head of Internal Audit supported by dedicated Audit Managers and Principal Auditors at each borough.

2. Purpose of Internal Audit

2.1 The overall strategy of Internal Audit primarily entails delivering a risk-based audit plan aligned with the council's principal risk profile.

2.2 As noted in the Internal Audit Charter, it is the responsibility of management to maintain appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit is not responsible for designing and implementing control systems and managing risks.

2.3 The purpose of the Internal Audit Service is to provide independent, objective assurance and consulting services (via the Audit Committee) in order to add value and improve operations.

2.4 The mission of the Shared Internal Audit Service is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

2.5 The Chief Finance Officer has a statutory duty under the Local Government Act 1972 to ensure an effective Internal Audit function is maintained.

3. Ethical standards

3.1 Internal Audit maintains independence and objectivity within the organisation and follows the Public Sector Internal Audit Standards in the course of its work.

4. Roles and responsibilities

4.1 The Service is led by the Head of Internal Audit, whose roles and responsibilities are detailed in the Camden and Islington Shared Internal Audit Service Charter.

4.2 The Head of Internal Audit is supported in achieving these responsibilities by the Audit Manager and a team of Principal Auditors.

4.3 Some reviews (determined on an annual basis) are delivered by a co-sourced partner. These reviews are normally those where Internal Audit identify that the reviews would benefit from particular technical expertise outside the service, or where this would support the independence of the service.

4.4 The service works and liaises with a number of stakeholders outside of the service including:

- The Audit Committee;
- Officers within the council;
- The council's Risk Manager;
- A co-sourced partner;
- External partners, including other councils and CIPFA.

5. Risk assessment and audit plan development

5.1 An annual Internal Audit risk assessment is conducted based on the council's Principal Risk Report and other sources of information as appropriate.

5.2 An Internal Audit plan is produced based on this risk assessment. As part of this process, Internal Audit also considers risk areas which, whilst not requiring immediate attention, could be supported by review and includes these reviews on a reserve list for consideration on future plans.

5.3 Internal Audit consults on the Audit Plan as appropriate, including with DMTs and the Corporate Management Board.

5.4 The plan is presented to the Audit Committee for approval.

5.5 Changes in the plan can be made in year if required in response to changing risks.

6. Risk-based reviews

6.1 To deliver the annual Internal Audit plan, risk-based reviews are undertaken in accordance with the Shared Service Internal Audit Methodology.

6.2 A Terms of Reference is prepared for each planned review which sets out the key risks and objectives of the audit and is agreed with the auditee.

6.3 Audit fieldwork is completed in line with the agreed Terms of Reference, and may include the following procedures to provide assurance:

- Interviews with control owners, and obtaining an understanding of controls to assess the extent to which they mitigate the risks as per the Terms of Reference;
- Walkthroughs where performance of controls is observed;
- Inspection of relevant documentation and detailed testing to confirm performance of controls.

6.4 At the conclusion of an audit, a closing meeting is held and an audit report is written, that sets out the audit findings which are rated as critical, high, medium or low. Where applicable, the report is given an overall assurance rating to indicate the overall effectiveness of the control environment.

6.5 The report also includes recommendations as to how findings may be addressed. Actions are agreed with the auditee in respect of these recommendations, accompanied with target dates and action owners.

7. Follow-ups

7.1 Completion of agreed actions is tracked through follow up work, whereby the auditee provides evidence confirming the completion of actions. Internal Audit reviews evidence to confirm the completion of actions.

7.2 In some cases, Internal Audit conducts an extended follow-up review. This is typically for high risk areas and may entail a repeat of some of the procedures in 6.3 above to assess the control environment following the completion of agreed audit actions.

7.3 Completion of actions is reported to the Audit Committee.

8. Monitoring plan delivery

8.1 Internal Audit tracks the delivery of the Audit Plan on an ongoing basis to confirm plan delivery against target.

8.2 The Audit Committee has overall responsibility for governance-level oversight of the plan, and receives bi-annual reports on delivery. The annual report includes an overall annual assurance opinion for the council.

Appendix ends

APPENDIX 2 – 2024/25 DRAFT INTERNAL AUDIT PLAN

An * next to the audit title indicates that the proposed activity relates to a principal risk (see assurance mapping at **Appendix 3**).

Ref	Audit title	Indicative scope	Planned quarter	Planned days
A. CORPORATE / CROSS-CUTTING				
CC24-1	Risk management – assurance mapping	Internal Audit input into assurance mapping for principal risks.	Q3	10
CC24-2	Serious fraudulent activity *	Internal Audit input into reactive investigations to be undertaken in-year.	All	20
CC24-3	Audit plan production	Preparation of the council's annual audit plan.	Q3/4	10
CC24-4	Controls Board	Internal Audit input into Controls Board workplan and support for directorate representatives.	All	30
CC24-5	Good Governance Group	Internal Audit input into Good Governance Group workplan	All	10
CC24-6	Emergency preparedness and business continuity *	Review of arrangements in place to strengthen organisational resilience in the event of a critical incident. To look at the Islington Resilience Board and directorate-level ownership of resilience planning.	Q2/3	17
CC24-7	Review of grant claims	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.	Q4	24
FWU24-1	Cross-cutting follow up activity	Follow up activity relating to the following audits: • Business transformation • Landlord duty of care – lifts	All	20

		• PMO • Modern day slavery • Supporting Families 2023/24		
FWU24-9	2024/25 in-year follow up activity	Audit recommendations for some 2024/25 planned audits will need to be followed up in year, and this time has been allocated based on actual time spent on in-year follow ups in prior years.	Q3/4	20
			Total Cross-Cutting days	**161**

Ref	Audit title	Indicative scope	Planned Quarter	Planned days
B. RESOURCES				
R24-1	Transparency code compliance *	Review of the council's arrangements to ensure compliance with the Local Government Transparency Code, focused on publication of contract, asset and spend information	Q2	16
R24-2	Pre-employment checks and retention of key employment documentation *	Review of pre-employment checks, including DBS and right to work checks, along with confirmation of retention of key employment documentation including contracts.	Q4	17
R24-3	Legal review	Internal Audit input into an area as requested by Legal Services. The scope will be agreed in-year.	All	17
R24-4	Key IT application review – Taranto *	A review of a key IT application in use within the council. The audit will look at access controls and rights, as well as wider business continuity considerations.	Q4	16
R24-5-1	Review of key financial system – accounts payable	Review of key financial systems in line with a rolling plan.	Q3	15

R24-5-2	Review of key financial system – treasury		Q3	15
R24-5-3	Review of key financial system – sundry suppliers		Q3	15
R24-6	Controls advice	Internal audit advisory input into systems change within finance systems.	All	15
FWU24-8	Resources follow up activity	Follow up activity relating to the following audits: • Access controls and rights • Capital programme • Insurance settlements • Key financial system (KFS) - accounts receivable • KFS - bank and system reconciliations • KFS – council tax and business rates • KFS – interfaces with core finance system • KFS – pensions • KFS – staff expenses • Key IT application review - LiquidLogic • Key IT application review – NEC housing platform • Payroll • Purchase cards • Savings delivery programme – Adults and Children • Use of contingent workers	All	45
			Total Resources days	**171**

Ref	Audit title	Indicative scope	Planned quarter	Planned days
C. ADULT SOCIAL CARE				
ASC24-1	Savings delivery programme – Adult Social Care *	A review of the operating effectiveness of monitoring and reporting arrangements for delivery of agreed MTFS savings, based on the control design assessment carried out in 2023/24.	Q1/2	17
FWU24-2	Adult Social Care follow up activity	Follow up activity relating to the following audit: • Mental health safeguarding processes • Non-recent child abuse support payment scheme • Social care market stability	All	10
			Total Adult Social Care days	**27**

Ref	Audit title	Indicative scope	Planned quarter	Planned days
D. CHILDREN AND YOUNG PEOPLE				
CS24-1	Youth safety – alternative provision *	A review of the effectiveness of alternative provision for young people who offend (or who are at risk of offending), focusing on the potential correlation between exclusions, suspensions and youth crime.	Q1	17
CS24-2	Schools establishment reviews	Risk based review of seven schools or children's centres. The programme assesses the effectiveness of governance mechanisms and financial practices.	All	91

CS24-3	Supporting Families	A review of compliance with the terms of the Supporting Families grant received by the council from the Department for Levelling Up, Housing and Communities.	Q4	6
			Total Children and Young People days	**114**

Ref	Audit title	Indicative scope	Planned quarter	Planned days
E. COMMUNITY ENGAGEMENT AND WELLBEING				
CEW24-1	Change programme delivery *	A review relating to the principal risk *Change Programme Delivery – corporate governance arrangements may not be fully embedded*. Scope of audit to be agreed by the CE&W leadership team after the principal risk is revisited in Q1 2024/25.	Q3	16
CEW24-2	Voluntary sector organisation monitoring review	A review of processes in place for monitoring voluntary sector organisations in receipt of council funding to ensure value for money, and for monitoring overall expenditure in this area.	Q2	16
FWU24-3	Community Engagement and Wellbeing follow up activity	Follow up activity relating to the following audit: • Voluntary sector organisation – Eritrean Community in the UK	All	5
			Total Community Engagement and Wellbeing days	**37**

Ref	Audit title	Indicative scope	Planned quarter	Planned days
F. COMMUNITY WEALTH BUILDING				

CWB24-1	New build programme *	A risk-based review of the council's new build programme, with a focus on governance.	Q2/3	16
FWU23-4	Community Wealth Building follow up activity	Follow up activity relating to the following audits: • Decline in local business resilience • Health and safety – asbestos governance, management and monitoring • Contract management – inflation governance	All	15
			Total Community Wealth Building days	**31**

Ref	Audit title	Indicative scope	Planned quarter	Planned days
G. ENVIRONMENT AND CLIMATE CHANGE				
E24-1	Capital programme – highways *	A review of the highways capital programme, focusing on governance and project management.	Q3	16
FWU23-6	Environment and Climate Change follow up activity	Follow up activity relating to the following audits: • Parking services • Cemetery service	All	5
			Total Environment and Climate Change days	**21**

Ref	Audit title	Indicative scope	Planned quarter	Planned days
H. HOMES AND NEIGHBOURHOODS				
HN24-1	Landlord duty of care - fire safety *	A review of the council's arrangements for fire safety, including its responses to complaints and requests for repairs	Q2	17

		relating to fire safety risks. This will include arrangements relating to TMO-managed stock.		
HN24-2	Use of temporary accommodation *	A review of the council's processes for monitoring the duration, quality and cost of its temporary accommodation arrangements.	Q3	16
HN24-3	Community safety, security and resilience	A review of an element of the work carried out by the council's new Community Safety, Security and Resilience team.	Q3	17
HN24-4	Tenant Management Organisation (TMO) establishment reviews	Review of up to two TMOs nominated by the council's TMO Team. The programme assesses the effectiveness of governance mechanisms and financial practices. In 2024/25, it is likely that the TMOs reviewed will be Brooke Park Co-op and Newbery House Co-op, based on the length of time since their last audits.	Q3	32
FWU24-6	Homes and Neighbourhoods follow up activity	Follow up activity relating to the following audits: • Housing allocations – medical assessments • Housing Revenue Account (HRA) • Tenant Management Organisation (TMO) monitoring arrangements • CCTV	All	20
FWU24-10	Extended follow up - tenant management organisation monitoring arrangements	• Extended follow up of Tenant management organisation monitoring arrangements (HN22-3).	Q1	10
			Total Homes and Neighbourhoods days	**112**

Ref	Audit title	Indicative scope	Planned Quarter	Planned days
I. PUBLIC HEALTH				
FWU23-8	Public Health follow up activity	Follow up activity relating to the following audit: • Public health partnership working arrangements	All	3
			Total Public Health days	**3**

Appendix ends

APPENDIX 3 – 2024/25 ASSURANCE MAP

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
1. New Build programme delivery - affordability challenges slow progress in delivering new council homes	**2021/22** • Homebuild follow up activity • S106 follow up activity **2022/23** None, based on moderate assurance rating in 2020/21 and good follow up outcomes in 2021/22. **2023/24** • New homes supplier failure (HN23-2)	Resource has been included in the Community Wealth Building element of the 2024/25 audit plan for audit plan for assurance in this area: • New build programme (CWB24-1) Resource has been included in the Homes and Neighbourhoods element of the 2024/25 audit plan for follow up work relating to the following audit: • New homes supplier failure
2. Financial resilience of residents – failing to appropriately support residents	**New risk in 2021/22** **2022/23** • Financial resilience of residents – test and trace support payments (CWB22-1) **2023/24** • Housing allocations – medical assessments (CC22-7) • Financial resilience of residents – test and trace support payments follow up activity • Housing allocations – medical assessments follow up activity	Resource has been included in the Homes and Neighbourhoods element of the 2024/25 audit plan for follow up work relating to the following audit: • Housing allocations – medical assessments
3. Cost of energy	**New risk in 2022/23**	None – there has been ongoing scrutiny in this area and

<table>
<tr><th>Risk title</th><th>Internal audit coverage (from 2021/22 to 2023/24)</th><th>2024/25 planned internal audit coverage</th></tr>
<tr><td></td><td>2023/24
None, based on extensive scrutiny in this area to respond to the emerging risk.</td><td>extensive mitigations have been put in place, including a clear purchasing strategy covering all of 2024/25. As such, additional assurance work in this area is not considered necessary in 2024/25.</td></tr>
<tr><td>4. Financial stability and resilience</td><td>2021/22
Financial strategy – Adult Social Care (CC20-3)
Blue badges follow up activity
Commercial waste recovery plan follow up activity
Housing Revenue Account follow up activity
Parking services follow up activity
Rent income and recovery follow up activity
Grant certification activity
2022/23
Commercial waste recovery plan follow up activity
Financial strategy – Adult Social Care follow up activity
Housing Revenue Account follow up activity
Parking services follow up activity
Grant certification activity</td><td>Resource has been included in the Adult Social Care element of the 2024/25 audit plan for audit plan for assurance in this area:
Savings delivery programme – Adult Social Care (ASC24-1)
Resource has been included in the Environment and Climate Change element of the 2024/25 audit plan for follow up work relating to the following audit:
Parking services
Resource has been included in the Resources element of the 2024/25 audit plan for follow up work relating to the following audits:
Housing Revenue Account
Insurance settlements
Purchase cards
Savings delivery programme – Adults and Children</td></tr>
</table>

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
	2023/24 • Insurance settlements (CC22-7) • Purchase cards (AD22-2) • Savings delivery programme – Adults and Children (R23-3) • Financial strategy – Adult Social Care follow up activity • Housing Revenue Account follow up activity • Parking services follow up activity	
5. Cyber and data security breach	**2021/22** • Cyber security follow up activity **2022/23** • Access controls and rights (FR21-2) • Cyber security follow up activity **2023/24** • Access controls and rights follow up activity • Cyber security follow up activity	Resource has been included in the Resources element of the 2024/25 audit plan for follow up work relating to the following audit: • Access controls and rights
6. Capital programme	**2021/22** • Capital programme (CC20-4)	Resource has been included in the Environment and Climate Change element of the 2024/25

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
slippage and/or delivery failure	• Capital expenditure follow up activity • Capital programme follow up activity **2022/23** • Capital programme follow up activity • Capital expenditure follow up activity **2023/24** • Capital programme follow up activity • Capital expenditure follow up activity	audit plan for assurance in this area: • Capital programme – Environment and Climate Change (ECC24-1) Resource has been included in the Resources element of the 2024/25 audit plan for follow up work relating to the following audit: • Capital programme
7. Youth crime and serious youth violence - risk of increased incidents	**2021/22** • Youth crime follow up activity **2022/23** None, based on moderate assurance rating in 2020/21 and good follow up outcomes in 2021/22. **2023/24** None – a planned review in this area was deferred to 2024/25 due to reduced Internal Audit team capacity.	Resource has been included in the Children and Young People element of the 2024/25 audit plan for assurance in this area: • Youth safety (CYP24-1) Resource has been included in the Homes and Neighbourhoods element of the 2024/25 audit plan for assurance in this area: Community safety, security and resilience (HN24-3)
8. Failure to challenge and address social inequalities	**2021/22** None – the planned review in this area was delivered in 2022/23 due to reduced Internal Audit team capacity.	No assurance activity is planned for 2024/25, based on moderate assurance rating in 2022/23 and good follow up outcomes in 2023/24.

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
	2022/23 • Challenging Inequality programme (FR21-5) • Challenging Inequality programme follow up activity **2023/24** • Challenging Inequality programme follow up activity	
9. Social care market instability cause provider failure or withdrawal	**2021/22** • Contract management (CC20-6) • Adult social care provider failure follow up activity • Contract management follow up activity **2022/23** • Contract management follow up activity **2023/24** • Social care market instability (ASC23-1) • Contract management follow up activity	Resource has been included in the Adult Social Care element of the 2024/25 audit plan for follow up work relating to the following audit: • Social care market instability
10. Safeguarding adults – failure to identify or respond to preventable harm	**2021/22** • Safeguarding adults (PS20-2) • Direct payments follow up activity	Resource has been included in the cross-cutting element of the 2024/25 audit plan for follow up work relating to the following audit: • Modern day slavery

<table>
<tr><th>Risk title</th><th>Internal audit coverage (from 2021/22 to 2023/24)</th><th>2024/25 planned internal audit coverage</th></tr>
<tr><td></td><td>Mental health safeguarding follow up activity
Safeguarding adults follow up activity
2022/23
Safeguarding adults follow up activity
Mental health safeguarding follow up activity
2023/24
Modern day slavery (ASC23-2)</td><td>Resource has been included in the Adult Social Care element of the 2024/25 audit plan for follow up work relating to the following audit:
Mental health safeguarding follow up activity</td></tr>
<tr><td>11. Climate change resilience and adaptation</td><td>2021/22
Capital programme (CC20-4)
People friendly streets (AD20-2)
Capital programme follow up activity
People friendly streets follow up activity
2022/23
Capital programme follow up activity
People friendly streets follow up activity
2023/24
Net Zero Carbon programme (E22-1)</td><td>Resource has been included in the Environment and Climate Change element of the 2024/25 audit plan for follow up work relating to the following audit:
Net Zero Carbon programme
Resource has been included in the Resources element of the 2024/25 audit plan for follow up work relating to the following audit:
Capital programme</td></tr>
</table>

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
	• Capital programme follow up activity • Net Zero Carbon programme follow up activity	
12. Commissioning, procurement and contract management operating model fails to maximise value for money and social value outcomes	**2021/22** • Contract management (CC20-6) • Contract management follow up activity **2022/23** • Contract management follow up activity **2023/24** • Contract management – inflation governance (CWB23-1)	Resource has been included in the Community Wealth Building element of the 2024/25 audit plan for follow up work relating to the following audit: • Contract management – inflation governance
13. Health and social care integration - insufficient capacity and resource to meet need	**2021/22** • Public health partnership working arrangements follow up activity **2022/23** • Health and social care integration (PH21-1) • Public health partnership working arrangements follow up activity **2023/24**	Resource has been included in the Public Health element of the 2024/25 audit plan for follow up work relating to the following audits: • Public health partnership working arrangements

<table>
<thead>
<tr><th>Risk title</th><th>Internal audit coverage (from 2021/22 to 2023/24)</th><th>2024/25 planned internal audit coverage</th></tr>
</thead>
<tbody>
<tr><td></td><td>Public health partnership working arrangements follow up activity</td><td></td></tr>
<tr><td>14. Serious Health and Safety incident (occupational)</td><td>2021/22
Health and safety – asbestos (HOU20-5)
Health and safety – asbestos follow up activity
2022/23
Health and safety – asbestos follow up activity
2023/24
Landlord duty of care - lifts (AD22-7)
Health and safety – asbestos follow up activity
Landlord duty of care – lifts follow up activity</td><td>Resource has been included in the Community Wealth Building element of the 2024/25 audit plan for follow up work relating to the following audit:
Health and safety - asbestos
Resource has been included in the Homes and Neighbourhoods element of the 2024/25 audit plan for follow up work relating to the following audit:
Landlord duty of care – lifts</td></tr>
<tr><td>15. Response and recovery - failure to effectively respond and recover from critical incident (organisational preparedness, resilience and business continuity)</td><td>2021/22
Emergency planning follow up activity
2022/23 and 2023/24
No assurance activity took place in 2022/23 or 2023/24 based on moderate assurance in 2019-20 and ongoing testing of business continuity arrangements due to Covid-19.</td><td>Resource has been included in the cross-cutting element of the 2024/25 audit plan for assurance in this area:
Emergency preparedness and business continuity (CC24-7)</td></tr>
</tbody>
</table>

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
16. Serious Health and Safety incident in housing (including fire safety)	**2021/22** • Landlord duty of care - fire risk assessments follow up activity **2022/23** • Landlord duty of care - housing safety project assurance (HN22-2) • Landlord duty of care - fire risk assessments follow up activity **2023/24** • Landlord duty of care - lifts (AD22-7) • TMO monitoring arrangements (HN22-3) • Landlord duty of care - housing safety project assurance follow up activity • Landlord duty of care – lifts follow up activity	Resource has been included in the Homes and Neighbourhoods element of the 2024/25 audit plan for assurance in this area: • Landlord duty of care – fire safety (HN24-1) Resource has been included in the Homes and Neighbourhoods element of the 2024/25 audit plan for follow up work relating to the following audits: • Landlord duty of care – lifts • TMO monitoring arrangements
17. Safeguarding children – safeguarding practice and provision for children and young people are ineffective	**2021/22** • SEN transport follow up activity • Placement commissioning 16-17 year olds follow up activity **2022/23** • High needs/SEN children's placements (PS21-1) • High needs/SEN children's placements follow up activity	Resource has been included in the Children and Young People element of the 2024/25 audit plan for follow up work relating to the following audit: • High needs/SEN children's placements

<table>
<tr><th>Risk title</th><th>Internal audit coverage (from 2021/22 to 2023/24)</th><th>2024/25 planned internal audit coverage</th></tr>
<tr><td></td><td>SEN transport follow up activity
Placement commissioning 16-17 year olds follow up activity
2023/24
High needs/SEN children’s placements follow up activity
SEN transport follow up activity</td><td></td></tr>
<tr><td>18. Diversity and inclusion – failure to attract and retain diverse talent</td><td>2021/22
Challenging inequality programme fieldwork
2022/23
Challenging inequality programme (FR21-5)
Challenging inequality programme follow up activity
2023/24
Challenging inequality programme follow up activity</td><td>No assurance activity is planned for 2024/25, based on moderate assurance rating in 2022/23 and good follow up outcomes in 2023/24.</td></tr>
<tr><td>19. Serious information breach or non-compliance with legislation</td><td>2021/22
Information governance - records management follow up activity
2022/23
Information governance - records management follow up activity</td><td>Resource has been included in the Resources element of the 2024/25 audit plan for assurance in this area:
Transparency code compliance (R24-1)</td></tr>
</table>

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
	2023/24 No assurance activity took place in 2023/24 based on a revised risk assessment in-year.	
20. Domestic violence abuse – failure to provide effective practice and provision for victims	**2021/22** • Domestic violence (PS20-7) • Domestic violence follow up activity **2022/23** • Domestic violence follow up activity **2023/24** • Domestic violence follow up activity	No assurance activity is planned for 2024/25 based on based on moderate assurance rating in 2021/22 and good follow up outcomes in 2022/23 and 2023/24.
21. Well managed workforce to deliver corporate priorities	**2021/22** • Use of contingent workers (FR20-2) • Use of contingent workers follow up activity • Gifts, hospitality and declarations of interest follow up activity • Right to work vetting arrangements follow up activity • Use of contingent workers follow up activity **2022/23**	Resource has been included in the Resources element of the 2024/25 audit plan for assurance in this area: • Pre-employment checks and retention of key employment documentation (R24-2) Resource has been included in the Resources element of the 2024/25 audit plan for follow up work relating to the following audit: • Use of contingent workers

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
	• Gifts, hospitality and declarations of interest follow up activity • Use of contingent workers follow up activity **2022/23** • Use of contingent workers follow up activity	
22. Pupil attainment gap - Systemic failure to promote attendance and quality provision and interventions	**2021/22** • No assurance activity took place in 2021/22. The effectiveness of school governance mechanisms was verified as part of schools establishment reviews (PS21-2) in this area. **2022/23** • No assurance activity took place in 2022/23. The effectiveness of school governance mechanisms was verified as part of schools establishment reviews (CS22-2) in this area. **2023/24** • No assurance activity took place in 2023/24. The effectiveness of school governance mechanisms was verified as part of schools	No assurance activity is planned for 2024/25. The effectiveness of school governance mechanisms will be verified as part of schools establishment reviews (CYP24-3).

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
	establishment reviews (CS23-1) in this area.	
23. 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	**2021/22** • No assurance activity took place in 2021/22. Schools' financial viability was assessed as part of schools establishment reviews (PS21-2) in this area. **2022/23** • No assurance activity took place in 2022/23. Schools' financial viability was assessed as part of schools establishment reviews (CS22-2) in this area. **2023/24** • No assurance activity took place in 2023/24. Schools' financial viability was assessed as part of schools establishment reviews (CS23-1) in this area.	No assurance activity is planned for 2024/25. Risk management advice is being provided in this area.
24. Change Programme Delivery – corporate governance arrangements may not be fully embedded	**2021/22** • PMO follow up activity **2022/23** • PMO follow up activity **2024/25** • PMO follow up activity	Resource has been included in the Community Engagement and Wellbeing element of the 2024/25 audit plan for assurance in this area: • Change programme delivery (CEW24-1)

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
		Resource has been included in the Community Engagement and Wellbeing elements of the 2024/25 audit plan for follow up work relating to the following audit: • PMO
25. Effective IT Transformation and Resilience	**2021/22** • CivicaPay (FR20-2) • CivicaPay follow up activity • Symology follow up activity • Technology debt management follow up activity **2022/23** • Business transformation (FR21-3) • Business transformation follow up activity **2023/24** • Key IT application review - NEC Housing (R22-2) • Key IT application review - LiquidLogic (R23-2) • Key IT application review - NEC Housing follow up activity	Resource has been included in the Resources element of the 2024/25 audit plan for assurance in this area: • Key IT application review – application TBC (R24-3) Resource has been included in the Resources element of the 2024/25 audit plan for follow up work relating to the following audits: • Business transformation • Key IT application review - NEC Housing • Key IT application review - LiquidLogic
26. Serious fraudulent activity	Fraud risks identified through Internal Audits are addressed through audit recommendations. Additionally, Internal Audit offered input into	The audit plan is designed to address and identify fraud risks. Delivery of the audit plan will ensure that where risks are

Risk title	Internal audit coverage (from 2021/22 to 2023/24)	2024/25 planned internal audit coverage
	reactive fraud investigations undertaken in 2021/22, 2022/23 and 2023/24.	identified in the course of audits, recommendations are made to mitigate them. Internal Audit will offer input into reactive investigations to be undertaken in-year (CC24-2).
27. Non-recent child abuse – failure to deliver support payment scheme	New risk in 2022/23. **2023/24** • Non-recent child abuse support payment scheme (ASC23-2)	Resource has been included in the Adult Social Care element of the 2024/25 audit plan for follow up work relating to the following audits: • Non-recent child abuse support payment scheme
28. Increasing homelessness pressures cause burden on council's budget and hardship for affected residents	New risk in 2023/24.	Resource has been included in the Homes and Neighbourhoods element of the 2024/25 audit plan for follow up work relating to the following audits: • Use of temporary accommodation (HN24-2)

Appendix ends

Paper ends

ISLINGTON
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Finance

222 Upper Street

London N1 1XR

Report of: Corporate Director of Resources

Meeting of: Audit and Risk Committee

Date: 18 March 2024

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 July 2023 to 31 January 2024

1. Synopsis

Background

1.1. This report seeks to provide assurance that whistleblowing arrangements are in place and operating effectively. 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. Whistleblowing information is located within the Human Resources policies and procedures section of the Council's intranet.

1.3. The Council's Audit and Risk Committee receives bi-annual whistleblowing monitoring reports. The last update, covering the period from 1 February 2023 to 30 June 2023, was presented to the Audit and Risk Committee in September 2023. This report provides details of new referrals made between 1 July 2023 and 31 January 2024. The report also provides an update on referrals that were open at the time of the last report to the Committee in September 2023.

Summary update

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

1.5. During the period 1 July 2023 to 31 January 2024, a total of 13 referrals were assessed as having met the criteria for whistleblowing. This report provides an update on those referrals as well as four referrals that were previously reported to the Committee as open in September 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
2023-24 (year to date 1 April 2023 to 31 January 2024)	15 (2 referrals received from 1/4/23 to 30/6/23 and 13 referrals received from 1/7/23 to 31/1/24)

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

New referrals since the last report to the Audit and Risk Committee as at 31 January 2024

a) Thirteen new referrals were assessed as meeting the criteria for whistleblowing in the period 1 July 2023 to 31 January 2024. The status of these referrals is as follows

Referral status	**Council**	**Schools**	**Total**
Open	5	1	6
Closed – allegations not substantiated/unable to pursue	4	2	6
Closed – allegations substantiated/partially substantiated	0	1	1
Total	**9**	**4**	**13**

Open referrals as reported to the Audit and Risk Committee as at 30 June 2023

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

Referral status	**Council**	**Schools**	**Total**
Open	1	0	1
Closed – allegations not substantiated/ unable to pursue	1	1	2
Closed – allegations substantiated/partially substantiated	0	1	1
Total	**2**	**2**	**4**

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 some minor environmental implications arising from the investigation of whistleblowing instances, primarily from vehicles use and the energy costs of supporting the service (heat and electricity). There are potentially more substantial environmental implications associated with individual whistleblowing allegations, however in this reporting period no substantive implications have been identified.

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: 20 February 2024

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ISLINGTON
For a more equal future

Legal Services, Law & Governance
222 Upper Street, London, N1 1XR

Report of: Director of Law and Governance

Meeting of: Audit & Risk Committee

Date: 18 March 2024

Ward(s): All

The appendices to this report are exempt from publication.

Subject: Constitution Review

1. Synopsis

1.1. In mid-2022, the council commissioned a comprehensive review of the Council's governance arrangements. One of the recommendations arising from the review was that the Council 'must review its Constitution as a whole to ensure it is fully compliant, roles and functions are clearer, to remove duplication and present it in a format that is readily accessible'.

1.2. On 13 July 2023, following a legal compliance health check to ensure that the Constitution is legally compliant and fit for purpose, the Council approved required changes to the Constitution to ensure that it was compliant with current legislation. The changes included clarifying the purpose and terms of reference of a number of committees, an update to the Code of Conduct for Members and amendments to ensure that the Constitution is legally compliant.

1.3. Further work, identified in the report to Audit Committee on 13 March 2023 as 'phase two', including reviewing Schemes of Delegation, the Contract Procedure Rules, and the Financial Regulations is underway.

1.4. We are seeking agreement to combine this work with a full review of the Constitution, to also address the duplication and accessibility issues identified in the 2022 governance review.

2. Recommendations

2.1. To approve a full review of the Constitution’s structure and content.

2.2. To approve the appointment of an expert external advisor to support the wider work to improve the Constitution.

2.3. To note that the work to update and improve the Contract Procedure Rules, and the Financial Regulations is ongoing.

2.4. To note that the Scrutiny Review is ongoing.

3. Background

3.1. The 2022 review of the Council’s governance arrangements recommended that the Council ‘must review its Constitution as a whole to ensure it is fully compliant, roles and functions are clearer, to remove duplication and present it in format that is readily accessible’. The objectives outlined were to:

3.1.1. Ensure the council’s governance arrangements are agile, flexible and responsive, and support achievement of its ambitions.

3.1.2. Ensure that those arrangements are compliant, and reflect best practice and guidance.

3.1.3. Enable the council to understand its readiness and appetite for change, and improvement in its governance arrangements.

3.2. The purpose of this review is to provide clarity on roles and responsibilities and provide for effective decision making at the right level for the benefit of the organisation.

3.3. The importance of good governance cannot be underestimated, and this review will benefit the organisation’s commitment to effective governance to provide clear robust timelines, meaningful engagement and collaboration with officers and Members to future proof the organisation’s decision-making requirements.

3.4. The first phase of this work was completed, with a number of changes to the Constitution agreed at Full Council on 13 July 2023. The main changes were as follows:

3.5. **Phase One (complete):**

3.5.1. Simplification of the Audit Committee structure and update to the terms of reference.

3.5.2. Employment and Appointments Committee and Pensions Committee became sovereign committees of the Council and their roles were clarified.

3.5.3. The arrangements for Pensions Board were updated.

3.5.4. The role of Standards Committee was strengthened and clarified.

3.5.5. A number of changes were made throughout the Constitution to ensure it is compliant with current regulations.

3.6. Phase Two of the review is ongoing and includes:

Phase Two:

Schemes of Authorisation, Financial Regulations and the Procurement Rules
Work is ongoing on the Schemes of Authorisation, the Financial Regulations, and the Procurement Rules, with an update to follow at a later date.

Scrutiny Review:
Work is ongoing. The project plan was agreed by the Policy and Performance Scrutiny Committee on 21 September 2023. CMB and Leadership were consulted on possible new committee structures in December and a member project board is meeting regularly to steer and oversee the work.

3.7. It is proposed that Phase Two is expanded to include the wider review of the Constitution as recommended by the 2022 governance review. It is proposed that a wider review of the Constitution is undertaken to simplify the document, reduce duplication and make it more accessible to colleagues, councillors and members of the public.

3.8. **Wider review objectives:**

3.8.1. A shorter, logically structured, more accessible document.

3.8.2. Reduce duplication and multiple references and incorporating the content of appendices into the main document, so all relevant information is in one place.

3.8.3. Remove references to information by paragraph number, so it is no longer necessary to review and compare paragraphs and to stop paragraph reference numbers becoming incorrect when sections are amended.

3.8.4. Ensuring the language is clear and unambiguous to reduce instances when two different interpretations could be equally correct.

3.8.5. Remove archaic, repealed and irrelevant legislation and hold this in a separate reference document.

Proposed methodology and timetable

3.9. A number of external advisors have been approached for their proposals and fee quotes. These include two law firms through the LBLA and EM Lawshare frameworks which afford favourable rates to local authorities with certain reputable law firms. Other specialist organisations approached are SOLACE, the Centre for Governance and Scrutiny and the Association of Democratic Services Officers (ADSO).

3.10. The successful advisor will be selected based on best value in terms of costs, their expertise in advising (London) local authorities on Constitutions, and any input from supporting advisors.

3.11. Officers have reviewed the proposals received from external advisors, summarised in the assessment table in exempt **Appendix A**. The proposals from all external advisors are attached in exempt **Appendices B -E**. Based on this assessment, it is recommended that Anthony Collins be appointed as the successful advisor.

3.12. The timeline envisaged for this project is approximately six months, which will entail the following:

3.13. A member project board will be established comprising of a small group of volunteer members including committee Chairs and an opposition member, so that members can be engaged in the process.

3.14. Stakeholders will be engaged in their relevant areas and each theme will be brought to CMT for review.

3.15. By the end of March 2024, officers in Legal Services and Democratic Services will take the preparatory steps of highlighting themes and issues with the Constitution for the external advisor's immediate attention, as well as looking at best practice in other local authorities.

3.16. A further update will be provided to the Audit and Risk Committee as soon as practicable.

3.17. The external advisor will attend Working Group/ project board meetings with officers and members.

3.18. The updated and improved Constitution will be presented to Full Council as soon as practicable.

3.19. After the Constitution is successfully updated, a training programme for officers and all members will be undertaken across the council.

4. Implications

4.1. **Financial Implications**

4.1.1 There are a range of proposals in the exempt appendices from external advisors to support the proposed work to improve the Constitution. The proposals are summarised in exempt Appendix A. The proposed costs vary considerably depending on the specific proposals from each firm of advisors, therefore value for money needs to be a key consideration. Where quotes involve day rates careful contract management will be required to minimise cost and maximise value. We will seek to manage costs within existing budgets in the first instance, however if there is insufficient scope to meet the full cost in this way any balance will be met from reserves.

4.2. **Legal Implications**

4.2.1. A local authority is under a duty to prepare and keep up to date its constitution under section 9P Local Government Act 2000 as amended. The Constitution must contain:

a. The Council's standing orders/ procedure rules.
b. The Members' Code of Conduct
c. Such information as the Secretary of State may direct.
d. Such other information (if any) as the authority considers appropriate.

4.2.2. A Constitution Direction was issued by the Secretary of State in December 2000 that required around 80 matters to be included within constitutions, covering members' allowances schemes, details of procedures for meetings, details of joint arrangements with other local authorities and a description of the rights of inhabitants of the area, amongst other things. Whilst issued under Part II Local Government Act 2000, the Direction survives the re-enactment into Part 1A (section 9B et seq.) of the 2000 Act by the Localism Act 2011 (under section 17 Interpretation Act 1978).

4.2.3. Constitutions must be available for inspection at all reasonable hours by members of the public and supplied to anyone who asks for a copy on payment of a reasonable fee.

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

4.3.1. There are no environmental implications.

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.

5. Conclusion and reasons for recommendations

5.1. To note and approve the work being undertaken to review the Constitution and to approve the appointment of an external advisor to support the review.

Appendices (exempt):

- Appendix A – Advisor Assessment Table
- Appendix B – Anthony Collins proposal
- Appendix C – Geldards proposal
- Appendix D – Solace proposal
- Appendix E – Weightmans proposal

Background papers: None

Final report clearance:

Authorised by:

Alison Stuart, Director of Law & Governance and Monitoring Officer

Date: 8 March 2024

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Report of: Director of Adult Social Care

Meeting of: Audit Committee

Date: 18 March 2024

Ward(s): All

Subject: Risk Deep-Dive: Social Care Market Instability

1. Synopsis

1.1. In accordance with its Terms of Reference, the Audit Committee (the Committee) is required to consider the Council's arrangements for corporate governance and risk management.

1.2. The Committee has agreed to conduct regular deep-dives on individual Principal Risks. The purpose of the deep-dive is for the Committee to obtain a deeper understanding of the chosen risk area, develop insight into risk controls and the action plan, and to get the opportunity to discuss the risk directly with the risk lead.

1.3. This risk sits on the corporate risk register and the local registers and is monitored regularly as a result. It is also monitored through the ASC Integrated Provider Quality Oversight Board for a borough wide view, and individually through contract monitoring.

2. Recommendations

2.1. The Committee is asked to note the risk management strategy for this Principal Risk.

3. Background

3.1 This report provides an update to Audit Committee following the report provided in January 2023.

3.2 Under the Care Act, Local Authorities have a statutory responsibility to provide a viable and sustainable social care market to meet the needs of the local population who meet Care Act eligibility. This includes a range of services including residential care, home care, support with connecting to the local community and employment support, for people with a range of needs and disabilities such as learning disability, mental health and physical health conditions.

Risks

3.3 Social care market instability continues to be a risk nationally and locally. The risks can be set out within four categories:

3.3.1 **Financial** – Rising cost due to inflation, increased energy costs, the rise in London Living Wage all impact the social care market, whilst the continued reduction of and pressure on Council budgets impact on the Council's ability to effectively support the market financially. As a result of this Adult Social Care are seeing a significant increase in the number of requests from providers for uplifts to fees for packages of care that are beyond the financial envelope available.

3.3.2 **Rising demand and complexity** – the Council is seeing a rise in the complexity of needs of people requiring support from Adult Social Care. This can be challenging for providers to support, requiring a more specialist workforce and increased staffing, again giving rise to significant additional costs.

3.3.3 **Workforce** – it can be challenging for providers to recruit and retain skilled staff. This is particularly challenging with inflation running at a high level and the cost of living crisis affecting adult social care workers, who are often paid less favourably than people working at similar levels in other sectors.

3.3.4 **Quality of provision** – as the financial pressure on the market increases this can impact on quality of care because of the recruitment challenge as well as the lack of investment in infrastructure.

3.4 Islington Council is currently relying on a number of 'spot' purchased homecare providers. These are individually commissioned contracts, as opposed to a 'block' contractual arrangement where the Council purchases a number of placements together from one provider. The Homecare Provider market is more volatile than other parts of the market both nationally and locally and relying on spot contracts presents a risk in terms of stability.

3.5 In addition the Government's continued failure to agree a long-term solution for Adult Social Care (ASC) funding, means identifying long term solutions with Providers is challenging. The announcement in early April 2023 that previously promised funding had been significantly reduced, particularly the funding supporting the workforce, will provide even further challenge.

3.6 Despite these concerns there have been no provider failures locally in the last year and no providers have handed back their contracts.

Mitigations

3.7 ASC has a range of mitigations in place to address the issues and risks we face in the provider market that are set out here.

3.7.1 **Financial** – Financial checks are carried out of providers through the procurement process. A robust uplifts process has been put in place, with lessons learned from this year being used to further develop the process. The Commissioning and Procurement Board have oversight of this process and this provides assurance outside of ASC. We continue to work closely with the boroughs across North Central

London (NCL – Barnet, Camden, Enfield, Haringey and Islington) benchmarking to ensure we are in line with our neighbouring boroughs. NCL has commissioned Care Analytics, who are experts in care markets and the cost of care, to carry out a robust analysis of current care costs across NCL. This helps us develop a shared approach to commissioning care where appropriate. We also share intelligence where a borough has concerns about financial risk in relation to specific providers so that we are able to address it in a timely way. We monitor financial risk through our Integrated Provider Quality Oversight Board. We maintain strong relationships with a range of providers so that should an insolvency event occur we are able to mobilise support at pace and we have experience of managing this process safely. The council has a business interruption reserve that can support this process financially as a last resort.

3.7.2 **Rising demand and complexity** – Our daily Integrated Quality Assurance Meeting provides an opportunity to look at complex packages of care with social workers and oversee how these packages are commissioned. ASC Senior Leadership chair these meetings. The use of a tool called CareCubed is being rolled out across the service, this uses an evidence-based approach to giving a clear benchmark for care costs and forms part of our negotiations with care providers to ensure we are paying a fair rate. A care cost negotiator is now in post and is leading on negotiating individual packages of care to ensure value for money for the Council. We are developing a Housing and Accommodation Strategy to support us to develop innovative ways supporting the accommodation market in the future and the new homecare contracts are based on maximising people's independence to reduce the need for support which should help manage demand.

3.7.3 **Workforce** – The Council continues to commit to paying London Living Wage for all new contracts. We harness social value in all our contracts and encourage providers to put forward social value that enhances employment for local people and has strong links with iWork. Our homecare contracts, due to start in April, will ensure new providers are working towards the Ethical Care Charter which supports workers to have good terms and conditions including encouraging providers to pay occupational sick pay (nearly 80% will be doing so), paying for travel time and offering paid training and supervision. Providers have access to safeguarding training, 'lunch and learn' sessions and training at provider forums in order to support the workforce to be well trained.

3.7.4 **Quality of provision –** We have robust contract management arrangements. Through building strong relationships with providers we feel able to support and challenge where there are quality issues. We regularly audit contracted providers and providers who we spot purchase significant care from, or where we have concerns. We have a robust, multi-disciplinary, providers oversight process, to address any issues. Colleagues from across the health and social care system meet monthly to resolve and monitor providers where there are quality or financial concerns. This reports into ASC Senior Leadership Team and the Islington Safeguarding Adults Board, who have stated that they feel very assured by the robust quality monitoring processes and associated reporting mechanisms. We have Provider Forums and Provider Bulletins where we share good practice and keep providers updated.

3.8 We have completed the procurement for our new homecare contracts and are starting the mobilisation from January 2024. This will reduce our reliance on spot purchased providers, giving us more control and enabling us to monitor and support homecare providers more effectively.

3.9 Equality Impact Assessments are carried out for each contract so that we can understand the impact on residents if they do not receive these services and these help us develop plans and understand the level of risk for each contract.

3.10 Our ASC market position statement sets out our commissioning intentions for the market so that the market is able to plan with us. A new ASC Housing and Accommodation Strategy will form part of the Strategic Asset Management Plan and sit alongside our market position statement, so that the market understand our intentions and can work with us. This is a whole council approach and has been developed in partnership. These documents set out our plans to manage the market in the longer time, looking to more innovative solutions to address the challenges we face.

3.11 ASC are developing a provider failure policy in partnership with Children's and Public Health and will be talking to colleagues across the council to draw on good practice.

3.12 The risk over the next 12 months is likely to continue at the current level, given that the financial climate is unlikely to alter, and providers will continue to find this challenging. There is not likely to be a funding settlement for ASC from central government to address this. Senior leadership will continue to work closely with the sector to support it and mitigate the risks as outlined here.

4. Implications

4.1. **Financial Implications**

4.1.1. There are no financial implications arising from this report. The programme of work has been met from within the existing risk management budget.

4.1.2. The financial implications of individual risks will be met by local management actions, or they will create a budgetary pressure.

4.2. **Legal Implications**

4.2.1 The Care Act 2014 sets out the law around market development in Adult Social Care. It enshrines in legislation duties and responsibilities for market-related issues for the Department of Health, CQC and for local authorities.

4.2.1. Section 5 of the Act sets out duties incumbent upon local authorities to facilitate a diverse, sustainable high-quality market for their whole local population, including those who pay for their own care, and to promote efficient and effective operation of the adult care and support market as a whole.

4.2.2. Sections 48 to 56 ensure that no one goes without care if their provider's business fails and their services cease. It covers:

- CQC market oversight
- Local authority duties for ensuring continuity of care in the event of provider failure and service cessation.

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 this report. The environmental implications of mitigation measures and any changes to service procured will be considered separately by project and programme teams.

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 recommendation being sought does not have direct impacts on residents.

5. Conclusion and reasons for recommendations

5.1. The Committee is asked to note the risk management strategy for this Principal Risk.

Appendices:

- Appendix 1 – Risk on a Page: **Social Care Market Instability**

Final report clearance:

Signed by:

John Everson
Director of Adult Social Care

Date: 26 February 2024

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Appendix 1: Risk on a page – Social Care Market Instability (Extract from Principal Report)

Risk Information **Risk Title – 9. Social Care Market Instability**	**Risk Scores**	**Existing Controls**
Risk - Significant provider failure/ withdrawal of providers **Cause -** Financial strains causing providers to withdraw from the market **Consequence -** Safeguarding risks to individuals, Financial. **Risk Update** – Increase cost of energy, LLW and inflation continues to have a significant impact on the cost of care, provider instability and costs to the Council. There is some risk that Providers will ask for uplifts to services that are beyond the financial envelope the Council has been able to account for. Rising demand and complexity further impacts on delivery. Workforce issues remain with providers carrying some vacancies, although Islington Providers appear to be sustaining adequate workforce levels currently this is a significant issue elsewhere, including in neighbouring boroughs. Furthermore, the Council is currently relying on a number of spot purchased homecare providers following provider failure of two block contract providers during the Pandemic. The Homecare Provider market is more volatile than other parts of the market. The government continues to fail to agree a long-term settlement for ASC funding which means identifying long term solutions with Providers is more challenging and the announcement in early April 2023 that funding previously promised has been significantly reduced, particularly the funding supporting the workforce, will provide even further challenge.	**Current Score:** L:3 I:4 **Target Score:** L:2 I:3 **Gap to target:** L:1 I:1	1. We continue to work with the provider market to ensure as wide a range of providers as possible to reduce the risk of adverse impact if providers withdraw from the market 2. We continue to work across NCL to secure additional care home capacity at times of increasing pressure (winter and surges). 3. We have regular provider forums, a provider bulletin, Care Home forums and Commissioners continue to maintain strong relationships with Providers. 4. We have a robust uplifts process, aligned with NCL where we can and are implementing the use of Care Cubed even further to calculate the cost of care. 5. We have contingency plans in place to manage either provider failure or provider withdrawal from the market. 6. We have now developed our new model of Homecare in partnership with operational colleagues, residents and Providers and will be going out to tender early this financial year. 7. There are a number of workforce initiatives underway across Islington and North Central London to promote social care careers and workforce development. 8. We continue to pay for London Living Wage 9. Regular contract monitoring that now includes monitoring of spot contracts where we have high volumes of residents drawing down care and support from them or where there are risks and helps alert us of risks early.

Action	Expected impact	Resources required	Owner	Due Date	Status
Monitoring of the local and national provider market	Reduce Likelihood	Staff	J. Everson	Ongoing	In progress
Collaboration across North Central London with local authority and NHS colleagues to support the social care market and workforce.	Reduce Impact	Staff	J. Everson	Ongoing	In progress
Completing the Homecare procurement	Reduce Impact	Staff	J. Everson		In progress
Further implementation of Care Cubed	Reduce Impact	Staff	J. Everson	Ongoing	In progress
Robust uplifts process	Reduce Impact	Staff	J. Everson		In progress
Recruit to specialist negotiator role	Reduce Impact	Staff	J. Everson		In progress