

# Interim Auditor's Annual Report on the London Borough of Islington Council

2021/22

May 2022



# Contents



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.



Section	Page
Executive summary	03
Opinion on the financial statements and use of auditor's powers	05
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	06
Financial sustainability	07
Improvement recommendations	14
Governance	15
Improvement recommendations	19
Improving economy, efficiency and effectiveness	20
Improvement recommendations	24
Follow-up of previous recommendations	25
Opinion on the financial statements	28
<b>Appendices</b>	
Appendix A – Responsibilities of the Council	30
Appendix B – Risks of significant weaknesses, our procedures and findings	31
Appendix C – An explanatory note on recommendations	32
Appendix D – Sources of evidence	33
Appendix E – Key acronyms and abbreviations	34

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.










# Executive summary






## Value for money arrangements and improvement recommendations

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 2021/22 is the second 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. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but improvement recommendations made	 No significant weaknesses in arrangements identified, but improvement recommendation made	
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but improvement recommendations made	 No significant weaknesses in arrangements identified, but improvement recommendation made	
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but improvement recommendations made	 No significant weaknesses in arrangements identified, but improvement recommendation made	

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

# Executive summary



## Financial sustainability

Despite the ongoing uncertainty in Local Government funding, the Authority has maintained an improved financial position. Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses.



## 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.



## Improving economy, efficiency and effectiveness

Islington Council has in place a robust performance management framework to ensure effective delivery of services and priorities. 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 audit of your financial statements is in progress.



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

Our audit of your financial statements is in progress.

## 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 issue any statutory recommendation during 2021/22.

## 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 any Public Interest Report during 2021/22.

## 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 issue any application to the Court during 2021/22.

## 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 notice during 2021/22.

## 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 issue any judicial review during 2021/22.

# 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 7 to 24. Further detail on how we approached our work is included in Appendix B.

# 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.

## How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Generally we note that the Covid-19 pandemic has been the largest peace time emergency seen in this country since WWII. The knock-on effects on local government finance have meant shortfalls in income due to cessation of services and reduction in collection of both Council Tax and Business Rates. There has also been a loss of commercial income in such areas as commercial rents. While government grants have covered part of the general shortfall, councils have been dealing with increased financial uncertainty. During 2021/22 the public moved out of the cycle of lockdowns and other restrictions, the after effects of the pandemic continue to make finances tight for local authorities

The Council entered the Covid-19 pandemic in a strong financial position with a plan to deliver savings and build strength in its reserves position, it was able to achieve this in 2019/20. However, the effects of the pandemic impact on the economy has negatively affected revenue streams, so ability to deliver the savings required has been impeded at a time when there is increased demands for services.

The Budget and Council Tax proposals for 2021-22 to 2023-24 states "Based on the government's methodology, Islington's Core Spending Power (CSP) will increase by 3.7% in 2021/22, which represents a real term increase in resources but is less than the national average increase of 4.5%". The Medium Term Financial Strategy (MTFS) identifies a net funding gap of £34.2m during this period although a balanced budget was set for 2021/22.

The Budget and Council Tax proposals for 2021-22 to 2023-24 noted key variables that could impact on the Budget Gap comprised:

- Ongoing Covid-19 income losses (including council tax and business rates losses) and expenditure/demographic pressures, and the extent to which these are covered by central government funding;
- Delivery of the savings programme;
- The longer-term government Comprehensive Spending Review (CSR) and future local government finance settlements, and potential funding distribution reforms such as the reset of business rates retention growth and the fair funding review; and
- Government reforms of the business rates system and social care funding system.

The Budget and Council Tax proposals for 2021-22 to 2023-24 showed that key assumptions and contingency plans supporting the Net Revenue Budget for 2021-22 included (inter alia)

- Public sector pay freeze
- Increasing quantum and complexity of demand for council services, including in adult and children's social care and homelessness
- Detailed assessment of the expected Local Government Settlement for 2021-22, along with noting that Islington has lower-than-average-for-London ability to increase revenue from Council tax
- Expected Covid-19 support packages

# Financial sustainability

- High Risk that the Fair Funding Review in 2021-22 will divert money away from Inner London Boroughs. However, the Fair Funding Review was delayed in April 2020 in response to coronavirus crisis. Date for when the review will take place has still not been confirmed as at April 2023
- 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 feel the range of factors taken into consideration is reasonable. Also assumptions supporting the Council Tax level assessment are prudent. The ongoing pandemic and Covid budget pressures made this difficult to predict year and budgets were set during periods of great uncertainty and lockdown. We note that 2021-22 savings included significant plans for savings in Children's and Adult Social Care. Both areas are hard to achieve savings in but Islington argued that as they are relatively high spenders in these areas and it was reasonable to aim to be relatively high savers in these areas as well. We note that both these areas were overspent at provisional outturn even putting aside Covid pressures (Children's Services Budget £84.7m required savings 1.97m Adult Services Budget £63.5m Required savings £1.52m).

Local Government finance settlements have only been provided for one year for many years now and this makes the preparation of savings plans over the medium term problematic. We have seen no evidence of capital resources being used to relieve revenue pressures. Further Savings and Transformation Plans were presented to Council in September 2021 which included Use of Capital Financing Receipts for Alternative Purposes; In September 2021, a "Flexible Use of Capital Receipts Strategy" paper was submitted to Council for consideration. The paper proposed to use Capital Receipts to reduce Pension Fund deficits – arguing that this saved financing costs in the General Fund and HRA and therefore represented saving and Transformation.

The paper noted that the "Council (General Fund) is expecting £30m of capital receipts in 2021/22, which could be used to make a one-off contribution towards the balance of the Pension Fund deficit. A further £24m of capital receipts is expected by 2023/24, which could be applied for the same purpose. While this was discuss the decision was not to proceed with this course of action.

The long-term capital programme 2024-25 to 2030-31 includes significant unfunded elements and there is no clear plan for bridging the gap. However, these projects are indicative i.e. not yet approved therefore reasonable that detailed funding plans not yet in place.

Section 7 of the Budget Report for 2021-22 includes the s151 officer's assessment of the estimates and proposed financial reserves contained within the Budget Proposals. The s151 Officer draws attention to a number of key areas of risk:

"In setting an ambitious General Fund balance target for the Council to work towards over the medium and longer term, consideration has been given to the total level of budgets pressures that the council has been exposed to during the pandemic (highlighting the inherent quantum of budget risk going forward) and the comments of the council's External Auditor on the council's reserves and GF balance.

The multi-year CSR, the planned reforms to the local government finance system around business rates retention and 'fair funding', and the long overdue reform of social care funding have been further delayed. As such, it is very difficult at this stage to estimate with any accuracy the external funding available to the council from 2022/23 onwards.

The s151 officer's assessment is reasonable and shows that the Council is monitoring and managing its situation as closely as it can. The underlying shortfall of £1.4M in the HB administration budget is noted every year as an area where the Council is funding the HB regime – this is a managed risk.

Reserves have improved, previous years underspends were used to bolster General Fund reserve resilience (in line with previous Grant Thornton audit recommendations).

2020-21 saw the creation of a Care Experience reserve of £16M which was earmarked for consultation costs and scheme to pay support to people who may have suffered child abuse. A Support Payments Scheme was agreed by Cabinet in October 2021 to support persons who suffered emotional, physical, and sexual abuse whilst resident in the council's children's homes from 1966 to 1995.



# Financial sustainability

The future financing of local government is still unclear. A planned government long term spending review was postponed from 2020 due to the pandemic and the current local government settlement only covers the 2022/23 year. The date of the long-term review, whilst announced in the October 2021 budget statement, is yet to be confirmed.

The Council has a detailed financial plan covering three years. Given the uncertainty of the financial regime, its plan has been drawn up on prudent assumptions on future income streams. The Council has considered long term pressures on funding streams such as Council Tax, Business Rates and the Government funding settlement.

Lack of information on future funding is a national issue but we have seen that the Council has a sensible approach to financial planning and budget management.

## How the body plans to bridge its funding gaps and identifies achievable savings

As previously mentioned, the Council has set up a medium-term financial strategy. The cumulative budget shortfall over the three-year Medium Term Financial Strategy (MTFS) at April 2022 was £39m after compensating measures. A delivery of savings already identified and identification of further savings was being envisaged to bridge this gap. Given the uncertainty of funding, detailed efficiency plans are only drawn up for one year at a time. The Council is aware of the ongoing funding pressures it faces and monitors its savings monthly.

There is a medium-term finance gap but a balanced budget was set for 2021/22 and 2022/23 and the Council has identified some savings it plans to achieve over the MTFS. More medium terms savings plans would be advisable but this is difficult given the uncertainty of future funding. The largest pressures on the budget are faced in delivering services in adults and children's social care, services to children with special educational needs and disability and the ongoing impact of Covid-19. The Council is confident that it has been prudent in relation to both the budget for this year and the medium-term financial strategy (MTFS).

The 2021/22 budget included a 1.99% increase in Council Tax, plus a 3% increase in the Adult Social Care precept. For 2021/22 and 2022/23, the Council has a base budget contingency of £5m.

An ambitious £25m savings target was required to balance budget in 2021-22. While the Councils track record shows slippage in savings plans for 2020-21 it must be remembered the upheaval caused in this year by the pandemic which meant that "business as usual" was suspended. In 2021/22, it is noted that the effects of the pandemic again made delivery of savings hard to achieve. However, budget reports to Members do not make delivery of savings progress clear as a whole over 2021/22.

## How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We found a robust financial planning process which ties in with corporate objectives. There is extensive internal consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Council has the necessary resources for financial management and we feel the Council has a positive financial culture and an appropriate 'tone from the top' set by the Chief Executive. The ongoing management of the Council's financial position over recent years is evidence of this. In challenging times, its vitally important that a strong financial culture is maintained. Council has a number of key projects to deliver over the next few years and the recent reorganization of the Finance department will help to ensure that finance staff are not overstretched and provide such additional support as the s151 officer requires.

Managers in individual services are responsible for managing their budgets and providing forecasts. Business partners will support them with this as needed and provide challenge where appropriate.

The Council has a detailed financial plan covering three years. Given the uncertainty of the financial regime, its plan has been drawn up on prudent assumptions on future income streams. The Council has considered long term pressures on funding streams such as Council Tax, Business Rates and the Government funding settlement.

# Financial sustainability

The Council has a Capital Programme and has adopted a Capital Strategy and Capital Planning process which are regularly reviewed to reflect changing circumstances. At April 2021 the capital programme of £539m over the period to 2023/24 covering areas like affordable housing, delivery of net zero commitments, infrastructure, property and ICT. The programme is clearly linked to corporate priorities

In addition to the detailed three-year Capital Programme, an “indicative Programme” to spend a further £1.1BN is in place for the period 2024-25 to 2030-31. This is also analysed by corporate objective. Within the £437.985M planned spend on affordable housing over three years, the capital programme shows that some £300M of this amount relates to new builds. The remainder relates to enhancements of existing buildings. These include, in the three-year period, some £19M planned spend on “energy efficiency” – with a further £168M to be spent on energy efficiency of existing homes over the following seven years. Within the Greener and Cleaner capital plan, although there are no energy efficiency spends planned in the initial three-year period, it can be seen that the longer-term programme includes £19M planned spending on the “Islington Heat Network”.

The Capital Strategy shows that the £156.5M where funding is not yet identified will be met over three years by borrowing from the General Fund and the HRA Account. 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 £539M relies on, amongst other sources of finance:

- General Fund Borrowing £86.327M
- Housing revenue Account (HRA) Borrowing £70.136M
- HRA reserves £143.5M

The Capital Strategy shows that the planned investment of £539M over three years also relies on GF capital receipts of £54.4M over three years and HRA capital receipts of £148.613M over three years. The Capital Strategy acknowledges reliance on assumed sale of new build houses,

The capital programme is overseen by members, while projects are subject to an appraisal, monitoring and approval process. Each year the Council reviews its capital expenditure plans and priorities for the next three years in order to agree a capital programme and pipeline. This is undertaken alongside the revenue budgeting process in order that the impact of both is considered.

The budget has been designed to be integrated with the core strategic priorities of the Council. These are set out in the Capital Strategy as

- Decent and Genuinely Affordable Homes for All
- Jobs and Opportunities
- A Safer Borough for All
- A Greener and Cleaner Islington

From review of Corporate Plan 2018-22 and Strategic Priorities 2021 and Savings Proposals 2021-22, no planned cuts to services were noted. The Savings Proposals shows planned efficiencies and re-organisations but no specific cut to services.

Understanding of drivers of risk in the Council budget are strong and variances from budget are understood. However, there remain fluctuations in variances to budget which may indicate further work is required, either to arrive at more accurate assumptions / a better understanding of cost pressures in the budget, or to ensure budgetary adherence is improved by budget holders. Some variance is inevitable as some services are demand led and is difficult to predict.

# Financial sustainability

However, in emerging from the pandemic, a return to the norms of budgetary monitoring and financial discipline are required to ensure financial success. It will be equally critical to ensure that budget holders, and the Council as a whole, on signing up to future budgets, are held to account for any future failure to deliver the budgets agreed to. The Council will also need to be cognisant, early on, of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken. It is equally critical there are effective monitoring and assessment arrangements in place to understand whether future budgetary overspends are the result of unavoidable / unforeseeable cost pressures, or deficiencies in budgetary and financial discipline within directorates. Previous experience has indicated to us that the Council has tools to assist with this role and is well equipped to deal with the challenges ahead as long a strong financial culture is maintained.

[How the body ensures that 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.](#)

We found a robust financial planning process which ties in with corporate objectives. There is evidence of staff working collaboratively across the Council as opposed to silo working. Service provision is aligned to the funding envelope. Council takes a prudent approach to budgeting.

Services have collaborated and appear to understand the wider position of the Council as a whole, and not just their own departments. The budget has been balanced over recent years, which would point to departments not spending their own budgets just to utilise them. We understand that underspent budgets are redeployed, which would suggest services do not spend their budgets simply to protect future allocations but identify savings.

The budget is aligned to wider plans, namely the corporate objectives but also a set of core planning assumptions which set out likely changes to the environment. These considerations are the starting point of the budget development process.

The Corporate Plan for 2018-22 states under the heading “Well Run Council” that the Council will develop a People Strategy. This has been produced and mirrors the corporate plan and ends in 2022. This document is however aimed at how Islington makes itself the best employer and not how about how it provides staff in sufficient numbers and of sufficient skill to provide Council services going forward.

The council incorporates Workforce Planning into broader departmental and localised ‘People Plans’. A current corporate workforce plan was not in place during 2021/22. A Strategic Resources Lead has been appointed subsequently to develop this. The process utilises local people plans, which are currently in place, and collates the local people plans into a corporate people plan and refreshed Workforce Strategy. This process involves staff engagement. The end result will be a people plan as it will not only focus on having a fit for purpose workforce but also look at equality, diversity and well-being considerations. Work was delayed on the Workforce Strategy to fit in with the new Corporate Plan which was being developed. As at April 2023, the Corporate Plan and Workforce Strategy had been drafted and work is progressing to have the Corporate People Plan in place in Spring 2023.

Given size and complexity of the Council’s activity in some areas (for example in-house new home building; technologically challenging energy programs; high number of individual savings and Greener/ Cleaner initiatives) and the size and challenge of savings plans, the Council may benefit from a formal approach to workforce planning.

As a sector, local government is facing a recruitment and retention challenge. The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is clear. We will monitor this process to ensure the workforce plan is delivered.

The Equality Impacts Assessment for 2021-22 states that “the vast majority of staff savings and efficiencies (in the Budget) will come from deleting / not recruiting to vacant posts, so there will be no direct impact on most staff or specific protected characteristics. There are a number of proposals (in the Budget) relating to reconfiguring or consolidating teams, bringing common functions together to achieve staff efficiencies. However, the number of anticipated redundancies from these proposals is low (maximum of 6 staff).”

Workforce Strategy and Data was reported to Policy & Performance Scrutiny Committee (P&PSC) in July 2021 this shows: Workforce profile (slightly older than average for London); and Staff Initiatives (some stalled during Covid). This, however, does not include a granular assessment of future needs.

# Financial sustainability

The Capital Strategy shows that capital expenditure for 2021-22 was budgeted to be £187m, compared to the £126M forecast for the year before. The Strategy noted that the budget of £187M included capital expenditure of £8m expected to be reprofiled from 2020-21. There is a history of reprofiling within the organization – although largely due to Covid in the recent past. The Draft Outturn report for 2021-22 indicates Capital expenditure of £128.359m (£26m less than forecast at Month 10) has been delivered against the revised 2021/22 budget of £163.326m, representing a 78% spend against budget. Of the £34m outturn variance, £15m of this was due to non-Covid delays. The following table explains larger variances in summary form making up over £12m of the aforementioned £15m. :

Scheme	£m	Reason for delay
Compliance and Modernisation (non-housing)	-0.483	Procurement issues.
Bunhill Energy Centre Phase 2	-0.578	Costs expected to be incurred in 2022/23.
Corporate CCTV Upgrade	-1.154	Contractual issues.
People Friendly Streets - Low Traffic Neighbourhoods	-0.485	Due to additional consultation with residents.
Traffic & Safety - Safety	-0.762	Resourcing issues.
Schools Condition Works	-1.066	Procurement issues.
HRA Property Acquisitions	-8.024	Purchases not completed.
	<u>-12.552</u>	

## How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

2021/22 has continued the challenges for financial management of dealing with a pandemic from 2020/21 including the changing ongoing profile of demands on services.

Within the corporate risk register, the Council has identified financial stability and resilience as a risk. It is noted that the latest Strategic Risk Register indicated the current risk score is “red”. Budget reports are monitored on a regular basis and finance reports are subject to scrutiny and challenge at Executive meetings. A list of key risks is included in MTFS papers was presented to Members as part of setting the Council’s budget.

The revenue budget that has been set is balanced, with identified savings of c£25m. There are also earmarked reserves of £144m at 31/3/22. The Council has been prudent in its assumptions. Overall, the Council has a relative amount of capacity to manage variances over the short to medium term. The MTFS includes upside and downside scenarios. Assumptions are regularly updated to reflect prudent changes in assumptions, and local and national impacts. Directorates will consider risk and volatility in costing and most likely pressures to include in the MTFS. The Council has a contingency of £5m for Business as usual and had a one off Covid contingency of £5.5m for 2021/22. Potential volatility is considered in the drafting of the budget.

Where reserves are being used, the process is managed and monitored. The aspiration is to increase General Fund and earmarked reserves over the medium term and 2020-21 and 2021-22 saw increase in value of reserves, 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. In reality, we have been informed that the aim will be to increase the balances if future funding settlements allow it. Budget and Council Tax Proposals for 2020-21 noted in February 2021 that the target balance for the General Fund over the medium term would be £40M. Covid and the related government support funding have made 20/21 and 21/22 difficult to use for comparison purposes.

# Financial sustainability

As the Council emerges from the pandemic, and the 'new normal' begins to be established – crucially, a normal which once again comes with financial constraints – the organisation should assess what Covid working patterns and arrangements should continue in the post pandemic world. Our work indicates the Council will face significant financial challenges in future years and we will monitor this response in those years.

We found no evidence or indication of significant risks to your financial sustainability



# Improvement recommendation



## Financial sustainability

### Recommendation 1

There should be enhanced reporting on savings delivery to Members to show progress on delivery of savings plans

### Why/impact

Without clear reporting of savings delivery as a whole, Members may not have a clear sight of how expected savings are progressing.

### Auditor judgement

Providing a clear picture of saving delivery will help members make better financial decisions

### Summary findings

An ambitious £25m savings target was required to balance the budget in 2021-22. The Councils track record shows slippage in savings plans for 2020-21 where of £9m savings planned, £5m were reprofiled or not achieved. It is noted that the effects of the pandemic did make delivery of savings hard to achieve. Budget reports to Members do not make it clear delivery of savings progress as a whole over 2021/22

### Management Comments

The Council implemented this recommendation as part of its budget monitoring in 2022/23.



The range of recommendations that external auditors can make is explained in Appendix C

# 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. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line, ethics, risk management, compliance, internal control and best practice are all element of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth. Robust risk management, along with good governance and strong financial management form cornerstones of effective internal control.

As part of Islington's risk management processes the Principal Risk Report is an annual report to the Audit Committee presenting the principal risks facing Islington Council. The latest Principal Risk Report was presented in May 2022 and showed:

- Key Risk Themes (Inflation, financial resilience and recruitment);
- 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 - 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.

The 2021/22 Annual Governance Statement 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 sets out how the risk management process works, defines roles and responsibilities and describes the councils risk appetite. The risk management framework has been reviewed in 2022.

The Strategic Risk Register contains 28 risks which we feel is at the upper level of what would be appropriate to allow for all risks to be provided with appropriate focus. Risks are scored and provided with a target risk score. The risk register contains three "red" risks.

# Governance

We have identified one area for improvement around risk management. The Council could strengthen its risk management framework further by developing a full training programme for all levels of staff, providing greater clarity of the relationship between all the risk registers used across the Council, including strategic, operational, project and partnership risk. These should align to ensure that there is a clear golden thread of risks that runs up and down the organisation.

There is an effective internal audit function in place. The Internal Audit is provided through a shared service with the London Borough of Camden. From review of reports and audit committee papers, there looks to be an adequate and effective internal audit that challenges management and provided appropriate recommendations for improvement. The Audit Committee receives regular updates on progress and key findings. Internal Audit issued four “No Assurance” reports on Asbestos Management, Use of Contingent Workers and two schools reports and five limited assurance reports in 21/22. An external peer review of internal audit services is required by the Public Sector Internal Audit Standards every five years. A peer review was undertaken against the PSIAS n 2021/22 and an annual self-assessment is undertaken. Internal audit have a rolling plan of approximately 750 days. This is felt to be adequate.

The Head of Internal Audit Opinion, reported in September 2022 concluded that “The HIA is satisfied that work undertaken during 2021-22 has enabled an opinion of Moderate Assurance to be formed”. The annual report to the Audit Committee sets out the work done, and key issues arising and actions taken to address and identified control weaknesses. Review of the Annual Internal Audit Opinion and Audit Committee papers indicates a wide breadth of work during the year covering financial and operational processes and including a flexible approach which allowed adjustments to the plan in year.

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 Committee. The latest report was made in September 2022. 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 (dated 2021 and 2017 respectively), The Council has an Anti-Fraud and Corruption Strategy and Framework last updated in 2021. This includes the Anti Bribery Policy and the Anti Money Laundering Policy. The Whistleblowing Policy is a separate document.

The annual work plans for internal audit are currently approved and overseen by the Audit Committee. From our attendance at this Committee, we consider it to satisfactorily review the work of internal audit, providing appropriate challenge.

## How the body approaches and carries out its annual budget setting process

The Government financial landscape has made this a second unique year for financial planning. The Council has a robust approach to financial planning and assumptions made appear reasonable. While future funding is unclear, a medium-term financial plan has been produced based on prudent assumptions about future income streams. Our previous knowledge of the Council informs us that arrangements are in place with the Council to model the uncertainties in the system notwithstanding the factors that are outside the Council’s control. We understand that the model medium term financial strategy is a living document, constantly updated following discussions across the Council.

As the funding settlement has only been on an annual basis recently, one of the key risks is that the downward trend in funding is continued. This is a key aspect in the budget commentary. We are content during the budget setting process that the budget is subject to sufficient challenge.

The budget process starts in March as soon as the previous year budget is set and go through to approval and the setting of the Council tax the following March. The process involves informal liaison with various boards and scrutiny committees as well as consultation with Executive.

The process starts with a high-level update of the budget gap and the MTFS. The spring is also the time when savings plans for the future year are formed. Over the summer, budget pressures and growth items will be identified. By September, the first draft budget will be available.



# Governance

This will subsequently be discussed with Executive with a final draft being discussed in December and a final budget going to Executive for approval in February and then Full Council in March.

The Capital Programme is developed in parallel. All schemes must be approved by the relevant Corporate Director before inclusion and subject to review by Finance. The Governance Structures for Capital Scheme Approval are currently being revised and all schemes over £20m are due to go to a new group called the Capital Assets Development Board.

Islington undertake formal budget consultation with business rate payers. They invite views and communicate this through social channels and business bulletins. Islington also undertook a significant resident engagement process called 'Lets Talk Islington' where they discussed matters that were important to residents including services provided. Service specific consultations are undertaken where the Council propose to change services, significantly alter charges or where an equalities impact assessment shows a significant impact. The Council publicly publish and draw attention to the budget which then leads to interest in formal meetings. Additionally, the budget goes through public scrutiny and executive meetings where members of the public, opposition or press can ask questions. We feel these arrangements are reasonable

Investments and borrowings were included within the financial plan, but the effects were minimal given the low interest rates prevailing during 2021/22.

[How the body ensures effective processes and systems are in place to ensure budgetary control.](#)

Managers in individual services are responsible for managing their budgets and providing forecasts. Business partners support them with this as needed and provide challenge where appropriate. The 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 Islington use the projected outturn approach where they look towards the figures at year end rather than compare current spend against a profiled budget.

Financial Monitoring reports are submitted to both Executive and the Policy and Performance Scrutiny Committee (PPSC) and the PPSC also receives Performance Monitoring data. Although budget monitoring reports do not include performance data, the two do have a route for being considered together.

Review of Executive papers indicates close monitoring of budgets and full disclosure of variances and comprehensive explanations. No evidence of weakness in budgetary controls processes have been identified. The monthly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments, where relevant, in response to such variances are set out. All budget variances are accompanied by detailed explanations. We are content with these arrangements.

Finance team is headed by the Director of Finance and Deputy s151 officer. He has been in post since November 2020. The s151 officer is now Corporate Director for Resources and the Director of Finance reports to him. The s151 Officer sits on the Corporate Management Board. The finance team has been reorganized. There is now a reformed team and the Director of Finance is supported by a number of suitably qualified and experienced managers

It is clear that financial delivery is a key objective from the top down. 2021/22 has been a tough year financially for Islington and without a concerted effort across the Council the year end position could have been troubling for financial sustainability.

[How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.](#)

From review of papers and discussions with staff, we believe the Council's decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made.

It is evident from our review of papers that sufficient information is provided to Members and they challenge and hold senior management to account appropriately. The Council is engaged and provides appropriate levels of scrutiny to external and internal audit.

# Governance

The Council is well established with a Labour majority. We have no concerns in relation to risks related to high turnover of Council members which can lead to inadequate understanding of the organisation leading to poor decision making. The importance of maintaining a strong financial culture is vital in the context.

All Executive reports and decisions are subject to s151 officer and Monitoring Officer sign-off and all Executive decisions are subject to scrutiny. The revenue budget is subject to ongoing scrutiny and detailed reports are provided to Executive and Council prior to approval.

The Audit Committee consists of six members – made up of four councillors and two independent members and two named substitutes. In 2021/22, the Committee had six meetings. Audit Committee Terms of Reference are set out in the Council's Constitution and are all in line with expectations for a Local Authority. The Chair of the Audit Committee has been in post for whole of 2021-22. We feel the committee works well and are well led by the Chair

Financial and operational activity appears well planned with no need for reactive actions and short-term remedies. Even during the height of the effects of the pandemic response have been deliberate and thought out.

**How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)**

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements.

Our work has not uncovered any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. No data breaches were revealed to us that were significant enough to report to the Officer of the Information Commissioner.

Officer and Member codes of conduct are in place and Members interests are published on the Council website. There is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and Senior officers for their completion. A register of officer interests is maintained by Human Resources (HR) and a declaration of interest procedure is in place. Communication is sent out quarterly to all employees reminding them to complete a Declaration of Interest form if their circumstances have changed and a potential conflict of interest has therefore arisen. HR also send an annual reminder directly to employees whose posts are in scope to complete an annual Declaration of Interest form. Managers have a responsibility to ensure that all team members complete the form annually. We found no evidence of adverse outcomes of interests, gifts or hospitality not being declared.

**We found no evidence or indication of significant risks to your governance arrangements.**

# Improvement recommendation



## Governance

### Recommendation 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.

### Why/impact

Further development of risk management techniques will help embed management of risk in the organisation leading to better decision making

### Auditor judgement

While robust risk management processes are in place, some small enhancements are possible to reflect best practice.

### Summary findings

The Strategic Risk Register contains 28 risks which we feel is at the upper level of what would be appropriate to allow for all risks to be provided with appropriate focus. Risks are scored and provided with a target risk score. The risk register contains three “red” risks. The Council could strengthen its risk management framework further by developing a full training programme for all levels of staff, providing greater clarity of the relationship between all the risk registers used across the Council, including strategic, operational, project and partnership risk. These should align to ensure that there is a clear golden thread of risks that runs up and down the organisation.

### Management Comments

Partially agreed  
Given the breadth of council 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. We follow the risk framework in terms of deciding if a risk fulfils criteria for corporate level. The Council did close 6 principal risks 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 range of recommendations that external auditors can make is explained in Appendix C.

# 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.

## How financial and performance information has been used to assess performance to identify areas for improvement

This year has been another challenging one for public services as a whole and the Islington Council was no different. Local Government will face yet more challenge as it moves from the Covid response stage to the task of supporting long-term economic and social recovery along with the cost-of-living crisis and significant levels of inflation. The Council will also face increased pressures from increase demand for children's and adult social care.

Performance indicators track progress against seven outcome areas in the Council's Corporate Plan. Performance is monitored by officers through Departmental Management Teams. Within every directorate, Corporate Directorate Delivery Boards deliver performance & change and report into the central Corporate Management Board (CMB) and/ or the Programme Management Office (PMO) and/ or the Strategic Transformation Board (STB).

Performance is monitored by Members through the Scrutiny Committees. For example, the Policy & Performance Scrutiny Committee is responsible for monitoring and challenging performance for the Well Run Council outcome area. The Children's Services Scrutiny Committee considers matters relating to the performance of the Council's partners in respect of the functions of the Children's Services department.

The AGS shows how delivery and performance – including change – is managed within individual directorates reporting to the Corporate Management Board rather than centrally. It also shows that more than one Scrutiny Committee is involved. The Constitution includes a clear Structure Chart of the Committees overseeing Performance.

Directorates will set their own KPIs but they are currently very operations focus and the aim is to get them more focused on how they help achieve corporate objectives. We have not been made aware of there being a data quality policy. Information passed to corporate performance team will be signed off as accurate by the relevant director and they will take this at face value. There is therefore nothing in place which outlines how data will be verified as accurate, complete and timely. Without a data quality policy, guidance or a formal process related to data quality, there is an increased risk that poor quality data will be reported to decision makers leading to poor decisions.

Performance reports will add a narrative of how things are going, try and pick out key issues and focus on issues that are more corporate e.g. staffing is an issue across several departments. Also it looks at next steps. The focus is on improving services to residents. Residents sit at the centre of everything Islington does.

The reporting path is to department management teams followed by corporate management board then to relevant scrutiny committees before reporting to policy and performance scrutiny and Executive.

Tools such as LG Inform are used to benchmark and comparisons are made to other London Boroughs. The Council is looking to develop this. Networks are used to ensure best practice is shared across organisations. For example, the Corporate Director of Resources attends the Society of London Treasurers and the Director of HR attends the equivalent London forum for HR

# Improving economy, efficiency and effectiveness

How the body evaluates the services it provides to assess performance and identify areas for improvement

Members play a regular role in performance management, and are expected to provide challenge to officers.

The corporate objectives of Islington Council as published in the corporate plan 2017 to 2022 are :

- Homes
- Jobs
- Safety
- Children and Youth
- Place and Environment
- Health and Independence
- Well Run Council

Service Directorates were restructured in April 2021 and the Islington Strategic Plan for 2021, published September 2021, listed new “Strategic Priorities” as:

- Challenging Inequality
- Fairer Together
- Community Wealth Building
- Homes and Neighbourhoods
- Cleaner, Greener, Healthier
- Team Islington.

The 2021-22 Budget and Council tax proposals were supported by an ambitious Savings Plan (£25M in 2021-22) and Capital Programme, to achieve “transformation”. Transformation has been a long-held objective of the Council and Management Boards include a Strategic Transformation Board (STB). The STB consists of CMB members plus the transformation lead. It therefore has CMB powers rather than being a separate management team.

Although the Savings Plan and Capital Programme analysed activities along lines set out in the Corporate Plan 2018-22, the STB has no direct oversight over performance on either Savings or Capital projects.

Internal Audit reported in January 2021 on a number of control gaps in the Management structure and specifically on processes for managing change and transformation – reflecting that governance is fragmented across the service directorates/ not uniform/ difficult to therefore be effective.

On 27th July 2021, the Audit Committee received a paper from the Corporate Director of Resources – “Strategy and Change Progress Report”. Following recommendations from Internal Audit, the PMO Centre of Excellence is going to be rebranded/ relaunched to upgrade project management skills for transformation within the Council.

We found no evidence of failure to meet minimum service standards or consider appropriate service delivery options. The organisation has a focus on long term development and not short-term expediency.

The current transformation programme is evidence that the Council challenges the way it provides services and ensure that services remain cost effective. The use of national benchmarking, on-going performance monitoring and the transformation programme are evidence that the Council is always alive to more cost-effective ways to deliver services.

From benchmarking data across services with comparable councils children’s and adults social care cost come out higher than other councils. However the quality of service is known to be high with an outstanding Ofsted rating for children’s services and high customer satisfaction rates in adult services. It is acknowledged that reducing costs may have a knock on effect on quality.

The average % of borrowing over assets is 17%, Islington is below average at 5% and is at end of the scale compared to its nearest neighbour authorities

We note from benchmarking of pensions management costs Islington perform well on management fees. Against a average cost per member for management costs of £378.76, Islington achieves a unit cost of £145.74 or 38.4% of the average cost.

Reserve levels are adequate with Islington placed 11<sup>th</sup> of 24 comparable London Boroughs with 62% of net revenue spend held in General fund and non-schools earmarked general fund reserves. This is generally comparable with the group average of 74%.

# Improving economy, efficiency and effectiveness

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The Council engage in little formal partnership working where partners co-operate in a combined new legal entity although Covid-19 responses required close joined-up planning and liaison with the health sector. The Council refers to the NHS as a key partner and there are indeed many areas of joint working. Joint working can be seen through

- projects where the Council builds buildings then used as health centres – but there is no profit or ownership share – the NHS leases the sites built by the Council just as any retail outlet might lease them from the Council
- specific pooled revenue budgets
- shared financing of joint placements for complex child and social care cases .

However, this is not partnership working in the sense of shared risks and rewards/ long term contractual obligations/ new legal entities and joint ventures/ balance sheet accounting impacts. There have been recent changes in NHS organisation and the leader of the council attends meeting of the new Integrated Care Board (ICB)

There is a political decision to retain blue collar services in house so there are no significant commercial partnerships. Housing (including new homes housebuilding programme) and Bunhill are examples of Council working with “partners” without that being through a jointly owned legal entity.

The majority of the capital programme surrounds housing. There are no “key partners” as such. Islington 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. Islington manage in-house: Design/ Planning and planning permission/ Appointing building contractors/ Financing/ hand over to operations. All appointments are in line with a Procurement Strategy and from the contractor framework agreement. Two different project boards oversee New Build projects both are Chaired by the Director of Housing but also include representatives from Legal, Finance and Housing. The boards monitor gateway developments and performance. Higher value mixed use developments where libraries, health centres or leisure centres are being built alongside housing, are overseen by the Major Projects Board. There is also a Local Estates Forum which monitors strategic direction of the buildings programme.

There are three strategic partnership boards which are formally constituted. These are the Islington Growth Board, the Strategic Health and Wellbeing Board and a new Greener Futures Board. These align to the priority objectives. A fourth Board, to align to the Empowering Communities target, is in the process of being constituted. These boards contain a mixture of members and representatives from across Islington, including business leaders, university representatives and health partners. The Leader of the Council chairs each of these boards, and as such, the Council has an insight into the work being delivered by the Council in partnership with other bodies. Whilst there is not a formalised reporting schedule from these Boards, there is ongoing reporting to select committees on request.

In addition, the Council works with some 600 Voluntary Community & Faith Sector (VCFS) bodies. As well as commissioning these bodies to work with residents and other bodies, the Council also provides funding to support the VCFS infrastructure locally. We have identified an opportunity to further support officers working with the VCFS on this.

In June 2019, the Council declared an Environment and Climate Emergency, which commits Islington to becoming carbon neutral by 2030. The related programme, Vision 2030, shows a very strong example of good governance. This is the Council’s ongoing plan to achieve Net Zero by 2030. This went to public consultation in March 2020 and was approved by the Executive Committee in November 2020. The programme will involve £20m to £30m spend per annum. Delivery of the strategy will be the responsibility by a Net Zero Programme Board chaired by the Corporate Director of Environment.

The programme will be delivered in eight workstreams, which are largely aligned with the five priorities. Each workstream will be overseen by a member of the council’s Senior Leadership Team appointed by Corporate Management Board. The workstream owners will be members of Net Zero Programme Board and be accountable for the delivery of their workstream and ensuring it remains aligned with the council’s business priorities and the strategy. Each workstream will have defined targets for carbon reduction against which the deliverables will be measured. An annual programme plan will be established to ensure the workstreams are kept updated. The programme will be overseen by a new Net Zero Carbon Board. The Vision 2030 Document includes strong governance structure diagrams, with detailed Governance Chart which shows how the workstreams are managed and how they feed into the Executive Committee and CMB and the Fairer Together Partnership Board.

# Improving economy, efficiency and effectiveness

Known as Green SCIES (Smart Community Integrated Energy Systems)– is a project to reclaim heat from the environment. Using low carbon heat pumps, the project aims to share waste heat from buildings and other sources with other buildings in need of heat, while energy generated in one building could power another building depending on local demand. No projects are currently active as discussion are ongoing as to what direction to take and identify funding. New project are likely to go on site during 2023/24.

Other work undertaken in 2021/22 included the People Friendly Streets Programme introducing low traffic neighbourhoods and cycleways, installed electric vehicle charging points and solar panels and replacement of street lighting with LED alternatives

The Capital Programme for 2024-25 to 2030-31 onwards includes £19M on “Islington Heat Networks”. This is intended to be Phase III and Phase IV of heat network investment. The project is not yet approved (none of the indicative capital programme is approved) and will be in a different geographical area of Islington and will not be drawing on London Underground heat (therefore will be less technologically complex).

Long-term aim to run 15 heat networks in Islington. Phase I and, if they go ahead, Phases III and IV, not as technologically complicated as Bunhill II. Bunhill II was the first ever project in the UK to take underground heat and re-use it. Perhaps inevitable that the project overran – scale of technology not previously seen in this country. Better known technology e.g. biomass and boiler being used for other Phases in future.

The Council is transparent about its dealing with significant partners except where commercial sensitivity precludes this.

[Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.](#)

Procurement support services across the organisation delivering front line and back-office services. The Procurement Strategy for 2020-27 outlines the Council’s strategic aims to use procurement as a tool for:

- Active leadership;
- Progressive supply partnerships; and
- Delivering community benefits

This is underpinned by more detailed Procurement Rules – most recent version being issued in May 2021, for which updates were presented to Council in September 2021 with a view to reflecting changes to the Constitution and to the Strategic Council Plan. The detailed rules cover all aspects of procurement we would normally expect to see.

The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. This is defined as considering the optimum combination of whole life cost and the quality necessary to meet the customer’s requirements

The Community Municipal Investment (CMI) was launched by the end of October 2021, creating £1M of new loan finance. The scheme was developed and is run by Abundance Investments Ltd, who have worked with other councils on similar schemes. A paper went to Executive Committee on 14th October 2021 recommending approval of the scheme and noting:

- A CMI is a bond or loan instrument issued by local authorities directly to the public through an internet crowdfunding platform at a rate that is attractive to the Council and investors.
- Officers have held a series of meetings with Abundance Investment who are registered by the Financial Conduct Authority and have launched all of the UK CMIs to date.
- The intention was to launch a CMI at the festival, titled “Islington Together: Let’s talk about a greener future” (18 to 29 October 2021) and before the UN Climate Change Conference COP26 (31 October to 12 November 2021).

Risks could include:

- Poor take up of scheme;
- Abundance reputational failure (they also work e.g. with Northern gas Networks)
- Abundance regulatory or financial failure
- Financial stress within the Council means it defaults on interest payments
- Green projects may not perform well – people may not want to re-invest in future roll-outs

The scheme is administered by a commercial partner so Islington has no visibility on who has invested. They do know that only 40% of take up was from within the borough but as they do not know who the investors are so are unaware of how many may have links to the borough

We found no evidence that appropriate procurement processes were not followed during 2021/22.

**We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements**

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 3

The Council should develop a Data Quality Strategy

## Why/impact

Without a data quality strategy, officers may not be clear on how to collate, analyse and report data.

## Auditor judgement

We believe that having an formal agreed data strategy enables organisations to deliver a better understanding of that organisation and business environment, allowing it to increase value for money, improve service delivery and minimise inefficiencies.

## Summary findings

Directorates will set their own KPIs but they are currently very operations focus and the aim is to get them more focused on how they help achieve corporate objectives. We have not been made aware of there being a data quality policy. Information passed to corporate performance team will be signed off as accurate by the relevant director and they will take this at face value. There is therefore nothing in place which outlines how data will be verified as accurate, complete and timely.

## Management Comments

The Council will seek to develop a Data Quality Strategy



The range of recommendations that external auditors can make is explained in Appendix C.



# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
1	If savings plan are needed to close a budget gap for 2022-23, those plans should be supported by a historic look back at equivalent savings performance over the previous three to five years and by risk analysis. This would help manage expectations around the delivery of savings and prioritisation of where to spend.	Improvement	January 2022	The 2022-23 budget plans were prepared with a view to having more robust saving proposals. The savings are at a more granular level which gives more certainty of delivery and allows better monitoring of progress	Yes	No
2	Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.	Improvement	January 2022	Recommendation not accepted	N/A	N/A
3	Consideration should be given to using sensitivity analysis and scenario testing to support Revenue Budget Setting for 2022-23.	Improvement	June 2021	To be built into our plans for the 2023/24 budget process	Not yet due	Yes as part of 23/24 budget setting
4	Consideration should be given to widening the use of the Principal Risk Register.	Improvement	June 2021	Consideration was given to this recommendation but it was consider unnecessary to widen the circulation of the Principal Risk Register as alternative arrangements were felt to be in place	N/A	N/A

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
5	Consideration should be given to including Mid-Year and Year-End Treasury Outturn Reports within information presented to Executive and Policy and Performance Scrutiny Committee.	Improvement	January 2022	The annual 2021 and mid term report to Sept22 were presented to relevant committees	Yes	No
6	Consideration should be given to including an overview of senior officer groups within the Constitution or other staff guidance. An example at workstream level that could be considered is the Vision 2030 Governance Map.	Improvement	January 2022	Recommendation not accepted	N/A	N/A
7	Consideration should be given to shortening the cycle over which the Pension Fund is included within the Internal Audit Programme of Work.	Improvement	January 2022	Pension related work has been included in the 2022/23 internal audit plan. A three year cycle of audits is undertaken in the pensions service	Yes	No

# Follow-up of previous recommendations

8	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8	As Bunhill Phase II moves out of the defects period and into full operation, it will be important to conduct an early cost benefit review to support decision-making around future heat projects. It will be important from the outset to focus on the scope of future heat network projects and on establishing effective change and cost control mechanisms, including reporting on change and cost control to Members in advance of decision-making.	Improvement	January 2022	As the project was undertaken for environmental reasons rather than financial reasons, the recommendation to undertake a cost benefit analysis was rejected. A lessons learned session has been undertaken within the department.	Yes	No

# Opinion on the financial statements



## Audit opinion on the financial statements

Our audit of the Council's financial statements including the Pension Fund is in progress. We anticipate completing our field work by end of January 2023.

## Other opinion

At the conclusion of the audit, we will issue a separate opinion on the Pension Fund.

After the conclusion of the audit, we will review and issue an opinion on the Pension Fund Annual report.

## Audit Findings Report

More detailed findings can be found in our AFR, which will be presented to the Council's Audit Committee and Audit Committee (Advisory) in the future

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

## Preparation of the accounts

The Council provided draft accounts on 30 September 2022 two months after the statutory deadline. A significant proportion of the supporting working papers were provided a few days later. The audit of the financial statements commenced in October with the focus in the first couple of weeks processing evidence outstanding on planning and completing planning steps that can only be completed after the year end.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



# 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) 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 – Risks of significant weaknesses, our procedures and findings

---

As part of our planning and assessment 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 that we needed to perform further procedures on. We identified no such risks

# Appendix C – 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
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 their 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	Pages 14,19 & 25



# Appendix D – Sources of evidence



## Staff involved

- Linzi Roberts-Egan Chief Executive ,
- David Hodgkinson – Corporate Director Resources
- Paul Clarke – Director of Finance (s151 officer)
- Julie Foy – Director of HR.
- Matthew Hopman – Deputy Director of Finance
- Joana Marfoh – Head of Pensions and Treasury
- Nasreen Khan – Head of Internal Audit, Investigation & Risk Management
- Peter Horlock - Head of Procurement
- Jerry Dillon – Interim Head of Capital Projects
- Joanna Dawes – Corporate Performance Manager
- Owen Draycott – Finance Manager
- Lucy Crabb – Deputy Finance Manager



## Documents Reviewed

- Corporate Plan
- Medium Term Financial Plan
- Executive papers
- Policy and Performance Scrutiny Committee Papers
- Audit Committee Papers
- Capital Programme
- Principal Risk Report
- Workforce Strategy 2019 to 2022
- Treasury Management Strategy
- Risk Management Strategy & Framework
- Annual Internal Audit opinion
- Internal Audit Plan
- Member Code of Conduct
- Officer Code of Conduct
- Fraud Strategy
- Relevant Internal Audit reports
- Progressive Procurement Strategy

---

# Appendix E - Key acronyms and abbreviations

---

The following acronyms and abbreviations have been used within this report

**AGS** – Annual Governance Statement

**CMB** – Corporate Management Board

**CMI** – Community Municipal Investment

**DMT** – Departmental Management Team

**HRA** – Housing Revenue Account

**ICT** – Information & Communications Technology

**MTFS** – Medium term Financial Strategy

**PPSC** – Policy & Performance Scrutiny Committee

**SCIES** – Smart Community Integrated Energy System

**SEND** - Special Educational Needs & Disability

**VCFS** – Voluntary Community & Faith Sector

