Auditor's Annual Report for Islington London Borough Council

2022/23

March 2024

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.

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.

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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.

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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.

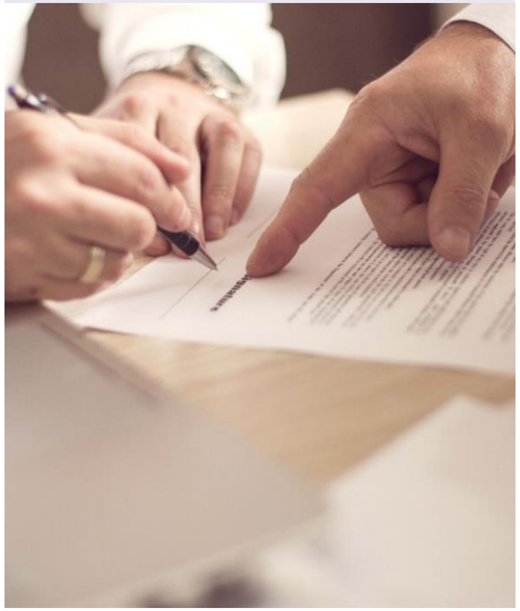
Improving economy, efficiency and effectiveness

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.



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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.

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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.

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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

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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

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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

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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.

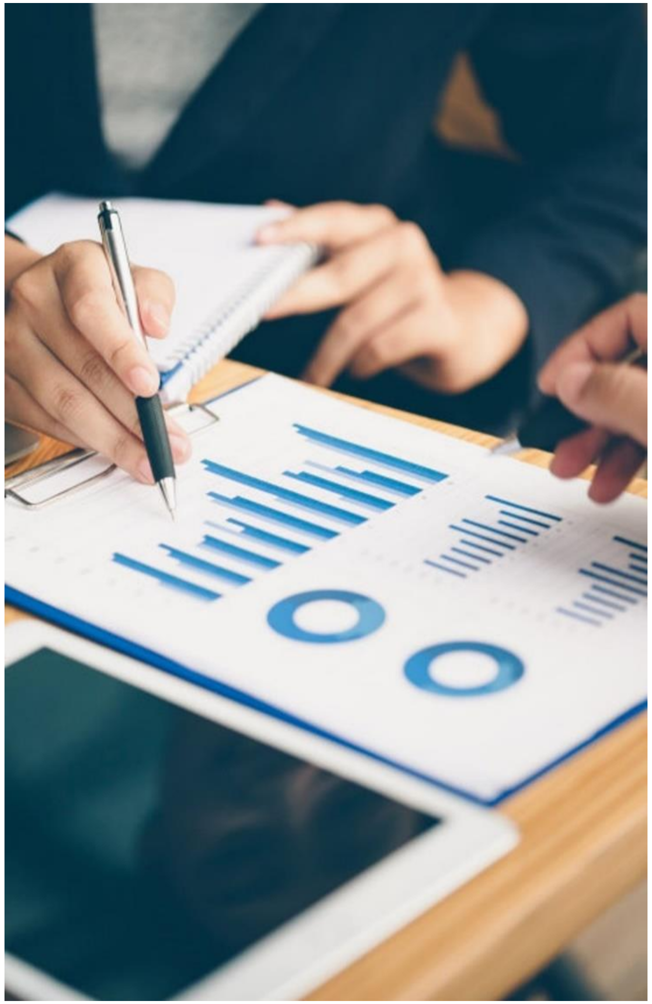
Performance is monitored by officers through Departmental Management Teams. Within every Directorate, Corporate Directorate Delivery Boards deliver performance and change and report into the central CMB and/ or the Programme Management Office(PMO) and/ or the Strategic Transformation Board (STB).

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.



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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.

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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

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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.

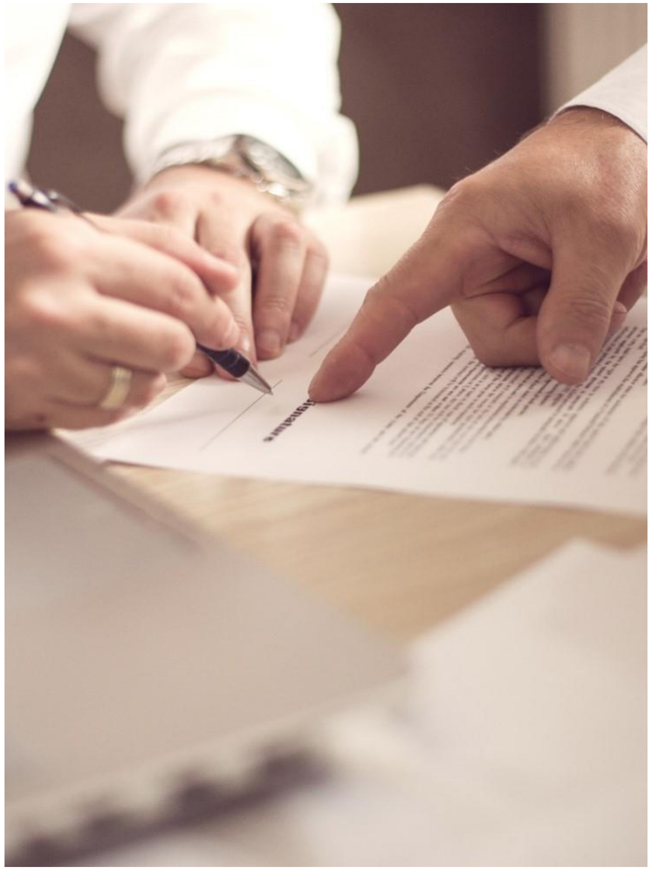
The procurement operating model work remains in development, as the Council prepares for a new Chief Executive and the new procurement legislation.

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 .



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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

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.

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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.

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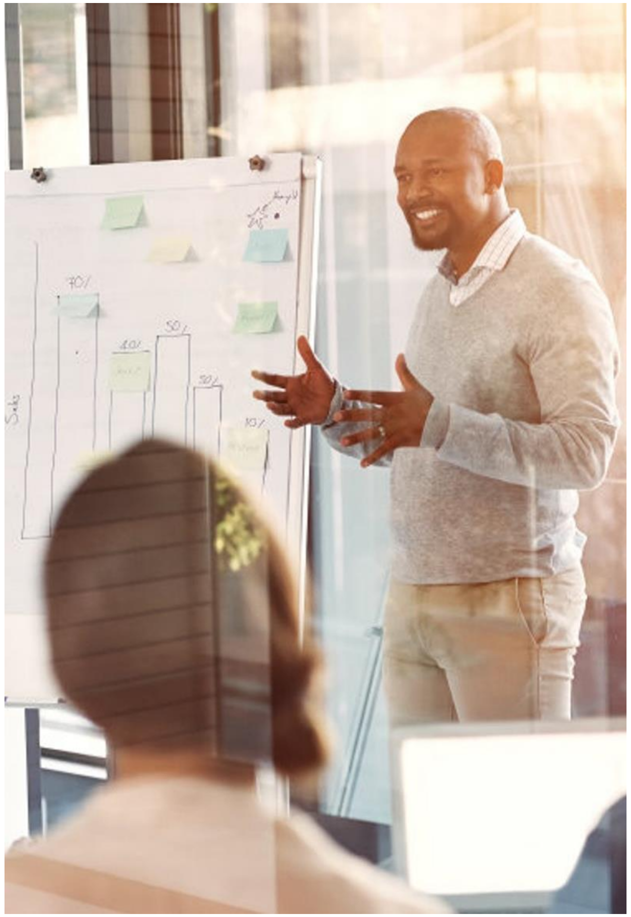
Other reporting requirements



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.

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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.

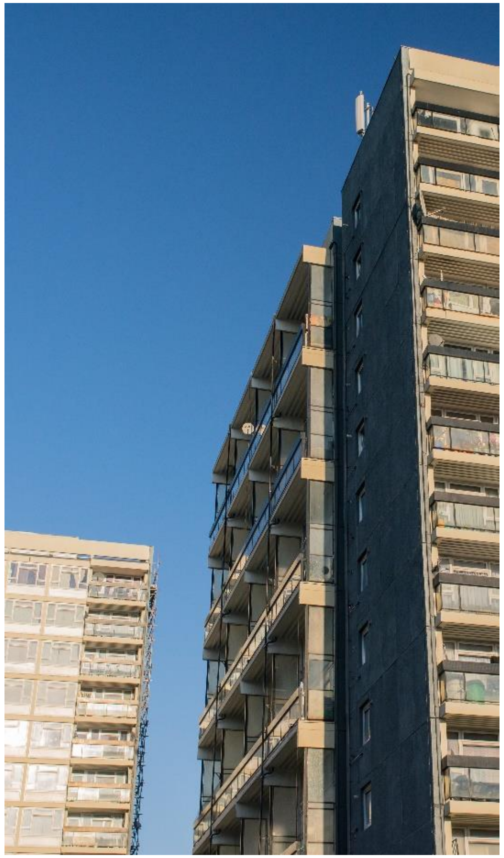
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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.



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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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