S U P P L E M E N T A R Y P A P E R S

A U D I T C O M M I T T E E

Wednesday 20 April 2022

at 6.30 pm Room 102, Hackney Town Hall, Mare Street, London E8 1EA

Mark Carroll
Chief Executive
www.hackney.gov.uk

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Audit Committee
Wednesday 20 April 2022
Agenda

Hackney

Statement of Accounts 2020/21

AUDIT COMMITTEE **MEETING DATE 2021/22** **20th April 2022**	**CLASSIFICATION:** **OPEN** **If exempt, the reason will be listed in the main body of this report.**
WARD(S) AFFECTED **ALL**	
GROUP DIRECTOR **Ian Williams, Finance & Corporate Resources**	

1. GROUP DIRECTOR'S INTRODUCTION

1.1. This report presents the Statement of Accounts for 2020/21 for approval by the Audit Committee subject to the finalisation of audit processes and subject to the resolution of a sector-wide issue in relation to infrastructure assets.

1.2. Members of the Committee will be aware that these statements are presented later than is usually the case and after the statutory deadline. This is because of delays in the preparation of the draft statements due to the additional work that was required following the cyber attack on the Council. The cyber attack affected key financial systems such as Academy for Revenues and Benefits, Universal Housing for the Housing Revenue Account and Mosaic in respect of social care payments resulting in the requirement for both additional estimates and extensive reconciliation work.

1.3. Mazar's, our external auditor, audit update report is included on the Audit Committee agenda and refers to some outstanding work in relation to the audit and a national issue on infrastructure assets which has emerged as part of the programme of audits for 2020/21. Work will need to be completed and issues resolved before an opinion can be given and therefore the Audit Committee are asked to approve that the Group Director of Finance and Corporate Resources be authorised to agree and approve the final Statements of Account for 2020/21.

2. RECOMMENDATION

The Audit Committee is recommended to:

2.1 **Approve the Council's 2020/21 Statement of Accounts subject to the finalisation of audit processes and resolution of the infrastructure asset issue referred to at paragraph 6.2.**

2.2 **Approve that the Group Director of Finance and Corporate Resources be authorised to agree and approve the final Statement of Accounts for 2020/21 subject to the finalisation of the external auditor's outstanding work as set out in their Audit Update Report (Council) and Initial Audit Completion Report (Pension Fund) and resolution of the issue in relation to infrastructure assets.**

2.2 **Consider and approve, in its own right, the Annual Governance Statement contained within the Statement of Accounts.**

3. REASONS FOR DECISION

3.1. The Audit Committee is responsible for the approval of the financial statements under the Council's Constitution as "those charged with governance". The Regulations state that the accounts must be approved by a Committee of the Council, but not the Executive, prior to the audit opinion being issued.

4. BACKGROUND

4.1 **Policy Context**

The production of the Statement of Accounts and its subsequent review and adoption by Members is integral to the good financial management of the Council. It sets out the final outturn position of the authority for the preceding financial year both in terms of revenue and capital expenditure and provides a position statement regarding its wider overall financial position, thus providing the required confirmation of assumptions used in setting budgets and strategy for the future financial plans.

4.2 **Equality Impact Assessment**

There are no equality impact issues arising from this report.

4.3 **Risk Assessment**

There are no risks arising directly from this report, although clearly the timely and accurate finalisation of the accounts closure process and production of the statement of accounts is vital to ensure that the overall financial position of the Council is fully understood in order to ensure that future plans in respect of service delivery options are deliverable within the financial constraints of the Council.

5 ACCOUNTS AND AUDIT REGULATIONS

5.1. In recent years, the Accounts and Audit Regulations have required that the unaudited accounts are produced on or before 31st May. For the 2019/20 and 2020/21 accounts, with the advent of Covid19, this deadline was pushed back to 31 August. Hackney's draft 2020/21 accounts were published on 6th December 2021. As set out above, the Council was not able to meet this deadline this year due to the impact of the cyber attack.

5.2. Prior to their submission to the auditors the Council's responsible financial officer (the Group Director of Finance & Corporate Resources) must, no later than 31st August immediately following the end of 2020/21, sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year.

5.3. Subsequent to the above, the accounts are audited by the Council's external auditors, Mazars. Normally this would need to be finalised by 31 July but, again because of Covid19, the audit deadline has been extended for the 2019/20 and 2020/21 accounts to 30 November, by which time:

(a) either by way of a committee or by the members meeting as a whole, the statement of accounts must be considered;
(b)following that consideration, the committee must approve the statement of accounts;

(c)following approval, the statement of accounts must be signed and dated by the person presiding at the committee at which that approval was given;
(d)publish (which must include publication on the body's website), the statement of accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 (general report) of the 1998 Act; and
(e) The Group Director of Finance & Corporate Resources must also re-certify the presentation of the statement of accounts before the relevant body approves it.

5.4. The draft Statement of Accounts was published on the Council's website, subject to audit, following its certification by the Group Director of Finance & Corporate Resources on 6th December 2021, thus ensuring that it was available to any resident or other person entitled to formally inspect the accounts during the audit period.

6. **2020/21 STATEMENT OF ACCOUNTS**

6.1. At the time of writing this report, the audit of the 2020/21 Statement of Accounts is progressing towards its final stages and it is anticipated that an unqualified audit opinion will be issued by the auditor.

6.2. The Statement of Accounts attached at **APPENDIX 1** is the statement including adjustments agreed with the auditors. It is however, subject to the completion of final checks by the auditors that agreed amendments have been properly reflected and subject to further amendments required as a result of the completion of the final audit tasks set out in the Audit Update Report. It should be noted that changes identified during the audit to date have had no impact on the Council's General Fund balance, HRA balance or other usable reserves. Committee Members attention to a national issue which has arisen in respect of the accounting treatment of highways infrastructure assets. In short, there is a risk that the majority of councils with highways assets have been overstating the gross cost and accumulated depreciation by material sums for several years. The issue is currently being discussed by CIPFA, the NAO and technical representatives of audit firms. Until this matter is resolved Mazars, like all other firms auditing councils, are pausing issuing any audit opinions on council accounts with material highways assets.

6.3. The Statement of Accounts comprises the following accounting statements:

- Movement in Reserves Statement – this shows the movement in the year on the different reserves, both usable and unusable, held by the Authority.

- Comprehensive Income and Expenditure Statement – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

- Balance Sheet – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority.

- Cash Flow Statement – this shows the changes in cash and cash equivalents of the Authority during the financial year.

- Housing Revenue Account Income and Expenditure Statement – this shows separately the net cost of delivering those services provided as a landlord for domestic properties. It should be noted that these costs are also included in the Comprehensive Income and Expenditure Statement detailed above.

- Statement of Movement on the Housing Revenue Account – this shows all income and expenditure related to the HRA and its impact on the overall balance held within the HRA.

- Collection Fund Revenue Account – this shows all income and expenditure related to local taxation, including Council Tax, Non-Domestic Rates and payments to the Council's General Fund, Central Government and the local preceptor, the Greater London Authority.

- Pension Fund Accounts – these show all receipts to the Pension Fund during the year together with benefits paid, other associated costs and movements in investments, including the financial position of the Fund at the end of the financial year.

In addition, the Statement of Accounts includes:

- Narrative Statement – a statement from the Group Director of Finance & Corporate Resources, providing some context to the statements and an overview of the main issues contained therein.

- Annual Governance Statement – this sets out how the Council has complied with its adopted Code of Governance and provides details of any significant governance issues that arose during the year. This statement is subject to approval of the Committee in its own right.

- Notes to the Accounts – these provide additional disclosures and detail regarding the figures included in the main accounting statements in order to provide a greater understanding of the financial affairs of the Authority during the year. They include the accounting policies adopted in the preparation of the accounts and are reviewed regularly to ensure that we remain in full compliance with the most recent and applicable accounting standards.

- Group Accounts section - three of our five wholly owned subsidiaries have been consolidated with LB Hackney's main accounts. The two that were not consolidated were not financially material, and hence there was not a requirement for grouping. This is explained fully in the Group Accounts section, which sits just before the Pension Fund accounts.

7. **MOVEMENT IN RESERVES STATEMENT**

7.1. The Movement in Reserves Statement shows that the general balance on the General Fund was maintained at £15 million whilst the HRA general balance was increased from £11.2 million to £12.3 million. Locally managed funds held by schools increased by £3.569 millions to £16.765 million. General Fund reserves increased by £22m compared to 2019/20, this was mainly due to funding provided by Central Government for Retail, Hospitality and Leisure NNDR reliefs which were announced after budgets were set for 2020/21. This funding was set aside to meet the deficit accruing to the Council in respect of these reliefs which was applied to the 2021/22 budget. This is explained more fully under the Collection Fund section below.

7.2. Full details of the movements in earmarked reserves are provided in note 8 to the accounts, along with brief descriptions of the purpose of each. As set out in the Group Director of Finance & Corporate Resources comments in this report, the reserves are set aside for known/potential liabilities that will arise in future financial years and have been taken into account in the Authority's Medium Term Financial Planning.

7.3. As set out above, many of the reserves are to be used in 2021/22 to finance the deficit caused by the RHL reliefs and future years to finance approved capital schemes. Others are specifically identified to help manage service pressures and costs arising from specific projects requiring one-off resource not covered by the Council's ongoing revenue budget.

8. **COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

8.1. This statement shows the accounting cost of the provision of services by the authority. It needs to be read in conjunction with both the Movement in Reserves Statement and note 7 to the Accounts in order to derive the net cost of services borne by the local taxpayer in line with regulations and in order to gain a full understanding of the financial performance of the Council.

8.2. The account shows that the Authority spent a gross amount of £1.351 billion providing services to residents and visitors to Hackney. The Council earned total investment income of only £1.577 million due mainly to the continued low interest rates available during the period of account.

8.3. The General Fund position continues to be challenged by the ongoing impact of Covid-19, as well as the cyber attack in 2020/21 and beyond. We implemented and delivered the savings necessary for the 2020/21 financial year at the earliest opportunity, in order to assist with the ongoing challenge presented by funding reductions and rising cost pressures in areas such as temporary accommodation, adult social care and special education needs.

9. **THE BALANCE SHEET**

9.1. The Balance Sheet sets out the overall financial position of the Council at 31 March 2021. It shows that at 31 March 2021 the Council had total net assets (worth) of £3.321 billion. It shows that the Council owns buildings, land and other property valued at £4.363 billion.

9.2. The Provisions item represents amounts set aside to cover known and measurable liabilities arising from past events and further details of these are shown in notes to the Balance Sheet.

9.3. Details of contingent assets and liabilities are set out in notes 45 and 46 to the main accounts. These represent instances where the Council may have to pay (or may receive) as a result of past events but which are dependent on some future event such as the outcome of a legal case. Contingent assets and liabilities are less likely to arise than provisions and may be impossible to quantify. Unlike actual assets and provisions, they are not provided for in the Accounts. If they become payable they have to be funded from the current or future years' budgets. They therefore represent an area of budgetary risk from 2020/21 onwards.

9.4. While Covid-19 and the impact of the cyber attack has not been presented as a contingent liability, there is no doubt its impact on next year's accounts will continue to be significant. The opening narrative report to the accounts provides further detail on this including how these risks are being managed and reflected in budget setting for 2021/22 and beyond.

9.5. Finally, set out within the Balance Sheet are details in relation to the reserves and balances that finance the net assets. Explanations of each of these are provided in the relevant notes to the accounts. The Major Repairs Reserve is detailed in the notes to the Housing Revenue Account. The General Fund Balance consists of two key elements, those being the General Fund balance and the Schools balances. Schools Balances cannot be used for any other purpose than funding schools.

10. HOUSING REVENUE ACCOUNT

10.1. The Housing Revenue Account (HRA) details Income and Expenditure relating to the provision and management of council dwellings. It shows that the balance on the Housing Revenue Account is £12.3 million as at 31 March 2021. In addition, the HRA has earmarked reserves of £11.052 million set aside for one-off items of expenditure largely within the housing capital programme, and all in line with the HRA Medium Term Planning Forecast and the approved HRA Business Plan.

11. THE COLLECTION FUND ACCOUNT

11.1. The Collection Fund Accounts flow from decisions taken in March 2020 in setting the Budget for 2020/21. Income to the Collection Fund includes Council Tax and National Non Domestic Rates (NNDR). Payments are made from the Fund to its major Preceptors (the Greater London Authority for Council tax, and the GLA and Central Government for NNDR). Distribution of previous years' surpluses or deficits are also paid from the Collection Fund to the Council and GLA in respect of Council Tax and NNDR and additionally to Government in respect of NNDR only. Provision is also made for Bad Debts for both Council Tax and NNDR.

11.2. The deficit on the Collection Fund carried forward at 31st March 2021 relating to Council Tax was £4.039m million (Council element 78.25%). The deficit in relation to NNDR was much higher at £67.096 million (Council element 30%). Where the Collection Fund is estimated to be in surplus or deficit, the Council proportion of the balance is taken into account in the budget estimates for the subsequent year with any variation between the estimate and actual factored into the year following that. As 2020/21 was recognised to be an exceptional year due to Covid-19, regulations were changed such that authorities could spread the recovery of the deficit over the following three years. In addition, for NNDR the majority of the deficit relates to Retail, Hospitality and Leisure Reliefs which were announced after the budget was set for the year with consequence being that debts were raised which subsequently were not required to be paid. The Council was compensated for this shortfall through additional S31 grant which was subsequently applied to the 2021/22 budget to meet the 'extraordinary' element of this deficit.

12. THE PENSION FUND ACCOUNTS

12.1. The Pension Fund Accounts were considered by the Pensions Committee at its meeting in November 2021, although they are approved by the Audit Committee as part of the Council's main Statement of Accounts.

12.2. The Pension Fund Accounts show the contributions to the Council's Pension Fund for employees during 2020/21, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund as at 31 March 2021.

12.3. The Accounts show that net value of the assets and liabilities of the Pension Fund have increased by £370,628 million (24.8%) to £1,863,976 million as at 31 March 2021 from the previous year. Of this increase, £343,392 million was due to the impact of the increase in the value of stock market investments held by the Fund and associated investment income. The remaining £27.236 million represents the net additional cash flow arising from contributions received into the fund less benefits and administrative costs paid.

13. ANNUAL GOVERNANCE STATEMENT

13.1. Hackney Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including the management of risk.

13.2. During 2016/17 “Delivering Good Governance in Local Government“(CIPFA SOLACE Framework) was revised and the Council’s Local Code of Governance was reviewed and updated to reflect the revised principles of governance set out in the CIPFA/SOLACE guidance. The Local Code was considered and endorsed by the Statutory Officers’ Group, Scrutiny Panel and the Member for Finance before approval by the Audit Committee in April 2019. The Local Code is available on the Council’s website.

13.3. The Annual Governance Statement (AGS), included with the statement of accounts, explains how the Council has complied with the Local Code and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Internal Control.

13.4. The AGS has been presented in accordance with best practice as set out in “Delivering Good Governance in Local Government”. The statement is signed by Hackney’s Mayor, Chief Executive and Group Director of Finance and Corporate Resources.

13.5. The statement relates to the governance arrangements in place throughout the 2020/21 financial year and reports on any identified weaknesses or areas for improvement and the action already taken or proposed in the future in order to address these.

13.6. In order to demonstrate that the Council has in place an effective and robust governance framework which reflects the Council’s Local Code, senior managers were required to complete a self-assessment matrix. These matrices were reviewed and assessed by Group Directors and then co-ordinated by Internal Audit who sample checked to supporting evidence and triangulated against other sources of assurance, such as inspection reports and audit reports. The results of this exercise have formed the basis of the evidence which underpins the corporate AGS

13.7. During 2019/20 four significant governance issues arose which were identified for inclusion within the corporate AGS. Actions to address these issues were identified and an update on the progress with each is included in the 2020/21 AGS.

13.8. During 20/21 six areas were identified as having significant governance issues for inclusion within the corporate AGS. Actions to address these issues have been identified and included within the AGS. These issues relate to:

- Corporate impact of the cyber attack
- Statement of accounts delay due to the cyber attack
- Children & Families and Education (cost pressures and Ofsted)
- Adult Services (cost pressures, business continuity plans and housing with care)
- Public Health (Covid-19)

- Housing (ongoing impact of Covid-19 and the cyber attack, Tenant Management Organisations and contract management)

13.9. The Audit Committee is required to approve the Annual Governance Statement in its own right, separate from the overall approval of the Statement of Accounts.

16 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

16.1 There are no direct financial consequences arising from this report as it reflects what has already occurred in the last financial year.

16.2 The Council has again maintained the position of having a prudent General Fund Balance of £15 million in line with our policy on reserves and balances. In addition, specific reserves have been earmarked for use in 2021/22 and future years to fund known or expected liabilities going forward.

16.3 The financial position shown in the 2020/21 Statement of Accounts demonstrates that the Council has continued to achieve financial stability although Covid-19 and the cyber attack is having an impact. Provisions against these and other risks are included in both the 2021/22 and the 2022/23 budgets. The Council continues to budget for a revenue contribution to support capital expenditure and for contributions to be made to earmarked reserves to meet other identified future commitments and potential budgetary risks.

16.4 The position provides clear evidence of the Council’s ability to be able to continue to deal with the financial pressures that arise from the reduction in resources available to the Council, particularly as a result of severe cuts to Government funding and other external pressures such as Covid-19 and the cyber attack. However, this becomes ever more difficult as demand pressures continue to grow in areas such as childrens and adult social care along with the impact of rising inflation on both the Council’s direct costs and on residents ability to pay.

16.5 The Statement of Accounts for the 2020/21 financial year was the third audited by Mazars, following the reprocurement of auditors through the PSAA (Public Sector Audit Appointments Ltd) regime. In advance of the start of the audit officers worked closely with Mazars to discuss specific risks and proposed estimates linked to the impact of the cyber attack on some of our significant financial systems and to address some of the concerns which we had with the auditors which caused delays to the issuing of the opinion on the 2019/20 accounts.

16.6 It is anticipated that comprehensive planning and continued co-operation between the Council’s officers and the auditors will result in the main audit for both the Pension Fund and the Council’s main statement being completed in the coming weeks, subject to the resolution of the issue regarding infrastructure assets, with no significant audit adjustments to the main statements and no changes to the Council's overall financial position e.g. level of balances.

16.7 The 2020/21 accounts have been prepared in particularly challenging circumstances, given Covid19 and then the cyber attack, leading to the Council not achieving the statutory deadline for the first time in many a year. The cyber attack continues to impact as we close the accounts for 2021/22, but at this stage we estimate that the draft publication deadline will be achieved.

16.8 In addition to thanking our external auditors for the constructive way they have engaged positively with my team throughout the audit, I would also like to put on record my thanks to all those officers involved with the preparation of the Statement of Accounts and the subsequent audit for the hard work that they have undertaken and the professionalism demonstrated to move towards the completion of the audit without any qualification.

17 COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

17.1 The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for the production and approval of the Annual Statement of Accounts.

17.2 The Constitution gives the responsibility for adopting the annual Statement of Accounts of the Authority to the Audit Committee together with the duty to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

17.3 The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

APPENDICES

Appendix 1 – 2020/21 Statement of Accounts

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

Description of document (or None)

None

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Comments of the Group Director of Finance and Corporate Resources	Ian Williams ☎ 020 8356 3003
Comments of the Director of Legal , Democratic and Electoral Services	Dawn Carter-McDonald ☎ 020 8356 6234

London Borough of Hackney

Statement of Accounts 2020/21

Ian Williams, CPFA
Group Director, Finance & Corporate Resources

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CONTENTS

Independent auditor's report to the Members of the London Borough of Hackney to follow in Final Audited Statement of Accounts

THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES NARRATIVE REPORT

The purpose of the narrative report is to provide a concise and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flows. It is not intended to comment on the policies of the Council.

The financial statements included in this Statement of Accounts are as detailed below.

The Annual Governance Statement sets out the framework within which the effectiveness of the Council's internal controls (including financial controls) is managed and reviewed each year. This review reports on significant weaknesses, areas identified for improvement and the actions taken to strengthen these areas.

The Statement of Responsibilities sets out the responsibilities of the Council and its Chief Financial Officer (Group Director, Finance and Corporate Resources) for the Statement of Accounts.

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

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

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in the Reserves Statement.

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

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

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The Collection Fund Accounts is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Central Government of council tax and non-domestic rates.

The Pension Fund Accounts show the contributions to the Council's Pension Fund, the benefits paid from it and the financial position as at 31st March 2021. The Council acts as trustee for the pension and trust funds, which are separate from all of the other accounts and are therefore not included in the Balance Sheet.

2020/21 FINANCIAL SUMMARY

Delivery of the 2020/21 Budget

As noted above, the revenue budget was set against the background of continuing significant reductions in Central Government support to Local Government and increasing cost pressures. The budget was delivered through efficient financial planning and management and identifying savings and income generation opportunities early. In addition, we have continued to drive out inefficiencies across the Council. This process has been facilitated by appropriate management arrangements and controls to manage the risks and impacts on people, place and staff including;

- **Governance**: Cross Council governance arrangements to manage delivery of the programme
- **Financial Monitoring and reporting:** Regular progress updates already embedded in the overall financial position (OFP) to continue to provide updates against savings allowing issues to be managed as appropriate. In addition, the Medium-Term Financial Plan was updated in the 2020/21 Budget Report

- **Risk Management**: The Council has in place mechanisms for managing risks on savings through relevant risk registers and has looked to link the delivery of savings to outputs and performance, taking on board recommendations.
- **Prioritising resources to Corporate Plan objectives**: The 2020/21 budget was agreed by Council in February 2020 and throughout 2020/21 we have produced a balanced budget for 2021/22 and developed indicative budgets for 2022/23 to 2023/24.

Financial Performance 2020/21

At the end of the 2020/21 financial year, there was a net increase of £22m to usable reserves from General Fund revenue activities. This included £20m of extraordinary covid-related items pertaining to NNDR (£14m s31 grant and £6m tax income guarantee), which will contribute towards financing the deficit on the Collection Fund, itself driven by the unprecedented year that was 2020/21.

FINANCIAL PERFORMANCE 2020/21: REVENUE

This achievement should not be underestimated given that it was based on a budget set in the context of a significant reduction in grant and substantial cost pressures over the period 2010/11 to 2019/20. In the financial year 2010/11 the government gave Hackney a total of £310 million of funding to support local services, but since then the amount given to Hackney by the government every year has fallen, so that by 2020/21 it was down to £140 million.

Even though overall the Council manages to deliver within Budget, the Council still faces significant cost pressures in areas such as the provision of children services, adult social care and the provision of temporary accommodation for the homelessness and levies.

Covid-19

Covid-19 has had a significant impact on Hackney's finances, which were already in a difficult position following a decade in which our resources were cut significantly by the Government. We have been at the forefront of the response to both the public health and economic crises caused by Covid-19, having mobilised rapidly and played a central part in coordinating the emergency response across public services in the local area. We have prioritised mitigating the risks on extremely vulnerable 'shielded' groups and assisting those in poverty who became more vulnerable including those who are laid off, made redundant or lost businesses. Teams from across the Council's services have been working around the clock to make sure that vulnerable people who are housebound and unable to get food through other means are supported. This includes filling gaps in the provision that the Government is making for people who are 'shielding' from COVID-19. The effort that's gone into this has been a hugely impressive example of 'one council' working, involving dozens of people from a wide range of services, including the Borough Emergency Control Centre BECC / Civil Protection, Adults Social Care, Children's & Families Services, Customer Services, Facilities Management, Housing, ICT, Public Realm and Strategy, Policy &

Economic Development. We also offered support, guidance and advice through the council's website and efficiently processed payments to local businesses and residents who qualified for support from the various government schemes.

The impact of Covid19 on costs and income is shown below.

Service Unit	Amount of variance due to Covid
	£k
Children's Services	2,015
Education	2,680
ASC & Commissioning	5,106
Community Health	1,451
Total CACH	11,252
Neighbourhood & Housing	14,325
Finance & Corporate Resources	12,878
Reduced Council Tax & Business Rates Income	14,500
Chief Executive	889
General Finance Account	0
GENERAL FUND TOTAL	**53,844**

The reduced business rates and council tax receipts will not impact the General Fund until 2021/22 and the Government has implemented a collection fund compensation scheme which partially compensates us for the losses in business rates. A similar scheme for council tax provided little or no support to the Council despite the Government's promises.

The government's funding response has been to provide direct funding and other supportive financial measures to lessen the impact on local government since March 2020.

The primary funding stream covered four categories:

- General emergency funding
- Compensation for lost sales, fees and charges income
- Targeted funding for specific services/purposes
- Support for businesses and residents that councils administer and have varying degrees of control over

The Government also paid various grants ahead of schedule to mitigate the impact of Covid-19 on cash flow. We received four tranches of general emergency funding for 2020/21 which totalled £32.3 million, which together with a forecast sales, fees and charges compensation grant of c. £11.5 million, broadly covered our additional Covid-19 related expenditure and lost income which was not covered by the targeted grants. Our total net additional Covid-19 expenditure not covered by targeted grants in 2020/21 was £43m.

The emergency grant wasn't ring-fenced but priorities included getting emergency support into adult social care and more general support thereafter; children's services; public health services; shielding the clinically extremely vulnerable people; homelessness and rough sleeping; domestic abuse; and managing excess deaths.

There were two major omissions in the sales, fees and charges income scheme, which reduced our allocation considerably. The first related to Local Authority Leisure Centres operated by private sector organisations and the second and more important for us was commercial property rents. We experienced significant shortfalls in commercial property rents in 2020/21 for which we received no compensation.

With regard to specifically targeted funding, the main element was the Contain Outbreak Management Fund (COMF) which covered many functions including testing, track and trace, support for vulnerable people, support for self isolation and prevention. We received £10 million which covered our expenditure. We also received funding for rough sleeping and for reopening High Streets Safely.

The Government also provided support for businesses and residents in the form of business rates relief and grant schemes as well as a £500 million hardship relief scheme for councils to support local residents largely through their Local CTS schemes. We received £4.6 million of grant from the hardship relief scheme and awarded £46.5 million of Covid-19 reliefs to businesses (for which we were compensated).

The final significant impact of Covid19 considered here is on the 2020/21 London Business Rates Rates Retention Pool that applied in 2020/21. In previous years, Hackney has made surpluses from the Pool but because of Covid-19, we will make a loss in 2020/21. It is not possible to make a robust estimate of the loss at this stage as it will depend on how all London boroughs business rate collection performed in 2020/21 which will not be available until after all the Non Domestic Rate (NDR3's) have been audited. However, initial estimates from London Councils/LG Futures is that we could make a loss of £0.5million.

It is worth briefly considering the potential impact of Covid19 in 2021/22. The pandemic is continuing and the financial impact continues to be felt by the Council. Across London the evidence of long-Covid in cost pressure terms is emerging. In terms of Government funding for 2021/22, we have received £11m Emergency Covid Funding from the Government (compared to the £32m in 2020/21). This was part factored into the base budget to meet known and ongoing cost pressures that had arisen as a result of Covid and part set aside to mitigate one-off Covid cost pressures. The sales, fees and charges compensation scheme finishes after the first quarter of the current financial year and we are currently submitting our final claim and factored an estimated compensation level into our 2021/22 budget. Finally, the government will roll forward the 2020/21 eligible retail, hospitality and leisure properties business rates relief scheme into 2021/22. The rate will be 100% from 1 April 2021 to 30 June 2021. This will be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties. The government will reimburse councils for their loss of income resulting from awarding the relief under this scheme.

Cyber attack

It is clear that the cyber attack on the Council of October 2020 is having and will continue to have a significant impact on the Council's finances. The most significant impacts are reduced income, increased ICT and other services recovery costs.

The costs are estimated within the range £4.9m to £11.7m capital (mid point £8.3m); and within the range £3.7m to £5.8m revenue (including £2.5m estimated service costs, mid point £4.75m). These are mainly system recovery costs but also include additional costs of dealing with processing backlogs and getting systems up-to-date. As part of the budget setting process for 2021/22 revenue funds were set aside to assist in mitigating against the cost of the cyber attack. Costs have been closely monitored through a regular and robust oversight process and it is expected that costs attributable to the recovery from the cyber attack will, when the recovery programme is complete, outturn slightly above the midpoint of the initial estimate range, excluding additional service costs. As a large proportion of the recovery spend is capital in nature, it is inevitable that this will have an impact on the Council's usable reserves and this will feed into the S151 officer's assessment of reserves as part of the 2022/23 budget setting process.

It is noted that, for some of these areas, costs relate to system development and/or change which was already planned but is brought forward as part of the recovery process. An example of this is the development of a new housing system.

Losses on collection of Council Tax and NNDR combined for 2020/21 are estimated at over £7.7m (£3.5m Hackney impact). This estimate is derived from comparing the Council's position to the London average as a proxy for eliminating the impact of Covid-19 on collection levels. These losses impact on the Collection Fund deficit for 2020/21 which feeds into the budget setting for 2021/22 through to 2023/24 (due to deficit spreading).

Losses in respect of other income sources are expected to be around £800k, this primarily relates to the impact of the cyber attack on Mosaic and the resulting lack of a system to calculate care contributions. Work is ongoing to ascertain losses on collection of housing rents and also in respect of the impact of the cyber attack on the Council's benefit's systems and subsequently our Housing Subsidy claim. Work is also ongoing in relation to legal and regulatory implications which are confidential and not included in these estimates.

We know that the work involved in Hackney's recovery could provide wider benefits to the sector's cyber resilience and IT infrastructure. This includes: incident response plans and communications guidance; the data theft risk management methodology that Hackney has developed in partnership with the Met Police; deployment methodologies for migration of legacy local government systems to public cloud; and reusable software that is being developed to transition away from legacy local government systems where no modern commercially alternative exists. The threats posed by serious organised cyber crime have increased dramatically over the last 18 months, and officers are working with the The

National Cyber Security Centre (NCSC) and other partners to share Hackney's experience to support cyber resilience across the local government sector and more widely.

The above makes clear the significance of the financial impact of the cyber attack on the Council's finances, in addition to the costs that have been earmarked for direct recovery work.

Future Funding Risks

There are a number of risks associated with future arrangements for local government external funding. These are now discussed.

2021/22 Spending Review

The 2021/22 Local Government Spending Review was published on 27th October 2021. The Review announced headline increased resources for local government. In particular, there is £4.8bn of additional grant funding (for core spending) over the next three years (£1.6bn per annum). It must be recognised though that this includes compensation for the NI increase consequent upon the introduction of the social care levy and for covid related losses in tax income (as this is not mentioned elsewhere). Also, the additional funding includes the £200 million commitment to increase Supporting Families funding, funding for cyber security and funding to improve local delivery and transparency. So whilst there will be an increase in funding, it is not possible to say how much of this will be used to fund existing commitments, how much will be ring fenced and how much is new money that can be used for any purpose. It must also be noted that we will not know how much we will receive until the Provisional 2022/23 Finance Settlement is announced in early December.

The key headlines are as follows: -

- £1.6bn pa for core services, including other new burdens and the cost of covering employer NI costs of the Social Care Levy. Not clear how the formula for this will work as needs to cover in-house/externalised costs too
- There will be no separate compensation for Covid-19 tax losses relating to 2021/22 so presumably this will be met from the additional £1.6bn
- A cumulative £3.6bn for ASC reform will be "routed through" local authorities, then the remaining £1.7bn will support social care and come from the DHSC Spending Allocation
- Business rates are now on a 3 year revaluation
- From 2024/25 the funding generated from Extended Producer Responsibility will be ring fenced to Local Authorities. Extended producer responsibility (EPR) aims to cover the costs of end of life treatment and to incentivise producers through the fees they pay to ensure the products placed on the market are recyclable and that any unnecessary packaging material is reduced (this includes minimising packaging and using refillable or reusable packaging)
- Public Health grant to remain at current levels in real terms

- Children SEN Capital Investment to increase by £2.6bn to assist in reducing SEN DSG costs
- 2022/23 Local Government Finance Settlement published early December.
- Resource funding for homelessness and rough sleeping will increase to £639m in 2024/25
- For housing, £300m capital funding to unlock small brownfield sites for regeneration over the SR
- The Council tax referendum limit is expected to remain at 2% and the ASC Precept at 1% per annum
- There was no confirmation of the timetable for the planned local government finance reforms (the business rates retention reset and relative review of needs and resources)
- The outcome of the fundamental review of business rates confirmed 3 yearly revaluations from 2023. There will be a new temporary relief for eligible retail, hospitality and leisure properties for 2022/23, and a new 100% improvement relief. The multiplier will be frozen in 2022/23. Local Government will be fully compensated
- £1.8bn was set out for housing supply, which includes £300m locally-led grant funding to unlock smaller brownfield sites and £1.5bn to regenerate underused land
- £3bn was confirmed over the Spending Review (SR) period to remove unsafe cladding from the highest-risk buildings
- £3.8bn of additional skills funding and £550m for adult skills was confirmed by 2024/25
- The UK Shared Prosperity Fund will total £2.6bn over the SR period, but the distribution is still to be confirmed
- The Government will pump an extra £4.7bn into school funding by 2024-25

Whilst we now know that this is probably the most favourable SR in the last ten years, there is not much else at this stage to help us with budgetary and financial planning as we still don't know what our 2022/23 (and beyond) allocations will be for all of the main grants and won't know until the Provisional 2022/23 Settlement is published in December. Further, we do not know what the impact of the Fair Funding Review will be (other than we will almost certainly lose funding, possibly significantly) or when it will be implemented. This could partially or wholly offset our share of the additional £1,6bn p.a funding announced in the SR.

On the aforementioned additional social care funding, only £5.6bn of the forecast £36bn extra revenue over three years was promised for social care, which amounts to £1.8bn a year. Commentators are already suggesting this will not be sufficient. Aside from anything else, the Plan makes the wholly unrealistic assumption that demographic and inflationary pressures etc. for social care are to be covered by increases in Council Tax and efficiencies.

Fair Funding Review

A new system of local government funding will be introduced when the Government completes its Fair Funding Review and associated transition arrangements to protect authorities that lose from the Review. The Review was planned to be completed in the Summer of 2020 and introduced in 2021/22 but it has been postponed and is very unlikely to be introduced in 2022/23. It is in fact, not clear when the review will be implemented and whether any revisions will be made to the terms of reference to reflect the Government's commitment to levelling up, which will be set out in a White Paper later this year. The White Paper will build on actions the Government is already taking to level up across the UK and will set out "*a bold new policy intervention to improve livelihoods and opportunities in all parts of the UK*." It looks to improve living standards, grow the private sector, improve health, education and policing, strengthen communities and local leadership and restore pride in place.

Whenever it is introduced, Fair Funding holds significant risks for the Council. For Hackney, there are 3 main factors which drive our Needs Assessment: - Deprivation, Area Costs and Population. With regards to deprivation, most of the deprivation factors used in the current needs assessment date back to 2011 (Census) and to 2012. Since then Hackney has become less relatively deprived according to measures such as the Index of Multiple Deprivation (IMD) and Free School Meals and so it is highly likely we will lose out from the review of the factors. The replacement of some of the factors will be necessary given the introduction of Universal Credit.

The Area Cost (ACA) is an adjustment factor which compensates authorities that face higher salaries and wages costs and business rates, through increased funding. The current calculation methodology is extremely beneficial to us, but it is being reviewed by a separate technical group as part of the review and as almost every proposed change in recent years has reduced the funding Hackney gets from this factor, we are less than enthusiastic about the outcome of the group's work. Further, from what we have seen of initial exemplifications, the proposed recalculation will definitely disadvantage us.

Whilst we could potentially lose from any changes to the deprivation factors and the ACA, the proposed treatment of Population is one element that may benefit us as Department for Levelling Up, Housing and Communities (DLUHC) are now proposing to use projections rather than a static count.

With regards to transitional arrangements, prior to 2011/12, a safety net was applied which unwound the losses from changes to the needs assessments over a long timescale. However, in 2011/12, most authorities, including Hackney's losses were unwound in just two years (the year of introduction and the following year). It follows that if it looks likely that we will lose from changes to the needs assessments, the final outcome will depend on the tightness of the safety nets employed.

Finally, the Government is proposing to allocate out the Environment Needs Assessment (c. 30% of the overall assessment) simply based on population and the ACA. This will disadvantage high need councils such as Hackney and other urban areas, particularly the inner-city ones, that benefit from the application of the additional cost factors.

Other Risks

Aside from the risks to future funding, there are other significant financial risks that the Council faces. These include the impact of cyber attack on revenue collection and recovery costs, and the on-going impact of Covid on the costs of providing services, especially children's services, adult social care and temporary accommodation, and on revenue income streams such as council tax and business rates. There is also a significant underlying demand pressure in social care and potential inflationary pressures across all services. Finally, there is an ongoing impact of reduced economic activity on key income streams.

Corporate Plan

The Council's revenue and capital budgets are set in the context of its approved Corporate Plan for 2018-22 approved by Cabinet in November 2018. The Corporate Plan committed the Council to publish an accessible Corporate Delivery Plan (CDP) update to show how the Corporate Plan is being delivered. The CDP update helps us to assess where we are strategically and informs staff and the public, in a concise and accessible way, how we have performed against the priorities we set out in our Corporate Plan. It also enables us to drive our work across the Council more proactively.

The first update of the Corporate Delivery Plan was published along with the Budget in February 2020. The report described the challenging context. After a decade of austerity we faced acute financial challenges in local government, with increased strains on our services and in communities, as well as continued uncertainty about the future. It also noted that the growing inequality and vulnerability among our residents and that, in the face of this, maintaining strong, cohesive, healthy communities was one of our greatest and most difficult tasks. For this reason, in July 2020, Cabinet adopted a refreshed Corporate Plan. This Plan took stock of the direct and indirect impacts of Covid19 and considered the ways that community, businesses and the Council have been affected and in poverty and inequality. This refreshed Corporate Plan set out a revised set of priorities and some cross cutting ways of working and, for each, provided a detailed progress update and direction of travel.

In July 2021, the Corporate Plan was revised to provide brief updates and highlight progress against the corporate plan priorities that also reflect the 2018-2022 Manifesto Commitments made by the current administration. The report also summarised what we have done over the last year to respond to the pandemic and cyber attack and draws out the ways that these emergency responses have been designed to help us meet our longer term goals and rebuild a better Hackney.

Capital

The capital programme budget for 2020/21 was £220m while the planned expenditure for 2021/22 to 2023/24 is £1bn. Actual capital expenditure for 2020/21 was £202 million, giving a net in-year variance of £18m against the 2020/21 budget.

Delivery of the capital programme was adversely impacted by Coronavirus restrictions on the construction and housing repair industry, which has been reviewed and reflected in the latest snapshot of the 2021/22 to 2023/24 Plan.

CAPITAL 2020/21 OUTTURN				PLANNED 2021/22 TO 2023/24		
	Budget £m	Outturn £m	Variance £m	2021/22 £m	2022/23 £m	2023/24 £m
General Fund	112	111	-1	83	147	113
HRA	108	91	-17	114	293	251
Total	**220**	**202**	**-18**	**197**	**440**	**364**

Key investments include:

- £61.6m was spent on the Britannia mixed use scheme, in the year leading to the opening of a brand new leisure centre and the permanent site for the City of London Academy Shoreditch Park in the summer of 2021.
- £1.4m on tree planting.
- £36m on housing estate regeneration, £9m on housing supply, and £36m on maintenance of existing housing stock
- £18m on the public realm
- £7m on schools maintenance

HRA

Housing Revenue Account (HRA) is set up in accordance with the Local Government and Housing Act 1989. The HRA is a ring-fenced account containing solely the costs relating to the provision, management and maintenance of the Council's housing stock and the income from rents and service charges from tenants and leaseholders. The Council's housing stock is managed in house. It received income of £145.044m from rents, service charges, leasehold and other income, and expenditure of £232.292m on repairs and maintenance, general management services, special services and other items of spend.

Collection Fund

The collection fund shows the transactions of the Authority as a billing authority in relation to Council tax and non-domestic rates (NNDR). It illustrates the way in which both have been distributed to precepting authorities and the comprehensive income and expenditure statement. In 2020/21 the Council collected £101.5 million Council tax, of which £22.3 million was collected on behalf of the GLA. Covid-19 had a significant adverse effect on council tax income levels.

Business rates or National Non-Domestic Rates (NNDR), is a tax on business premises, collected locally by local authorities. In 2020/21 we budgeted for a business rate income of £44.0 million and took part in the London business rates retention pool. The Covid19 had a significant adverse impact on business rates income, reducing collection significantly from what was expected, with national Government funded additional reliefs introduced for retail, leisure, hospitality and nursery premises also reducing the net collectible debit. This reduced income had the effect of producing a deficit on the Collection Fund. The impact of the reliefs has been compensated for by additional Government grants in 2020/21. £14.4 million of this grant has been taken to a newly created earmarked reserve to offset the transfer of the resulting deficit to the General Fund in 2021/22. Additionally the loss of income resulting from reduced collection has been partially compensated for by the Government compensation scheme noted above. There was no compensation for the reduction in council tax income. Covid19 also adversely impacted on the Pool. In previous years we had derived a significant surplus from the Pool but in 2020/21 we are likely to make a loss of c. £0.5 million.

Treasury Management

2020/21 has seen a continuation of Government policy to limit Government borrowing through a strong focus on reducing levels of public expenditure on services and external funding, and on welfare benefits. This has been compounded by historically low levels of interest rates and on-going instability in the financial markets around the world and I have looked to ensure that this has been duly considered within our Treasury Management position. The impacts of the financial crisis are still being felt in terms of record low interest rates and also how financial institutions are rated and in particular the steps being taken by governments around the globe to bring about stable growth and ensure that risks from banking failures are avoided in the future.

The Council undertook its first tranche of long term borrowing from PWLB, since the HRA self-financing settlement of 2012, during the first six months of 2019-20, no further long term borrowing was undertaken in 2020/21.

Reserves, Liabilities, and Borrowing

Overall, the Council has maintained its general level of reserves on the General Fund, and Housing Revenue Account. Both are in line with the levels anticipated throughout the financial year and within the Council's Medium-Term Planning Forecasts.

In accordance with the CIPFA IFRS Code of Practice on Local Authority Accounting, the Council includes a liability within the net assets on its Balance Sheet in respect of the Hackney and LPFA Pension Funds. This shows an increase in the liability of £240.445

million to a net total of £894.508 million. The associated costs have been included within the Comprehensive Income and Expenditure Statement.

The Council's accounting policies are reviewed annually to ensure that they are in accordance with revised Standards. As part of the annual budget setting process, the Council reviews its level of borrowing and future requirements ensuring that it sets limits required by the Prudential Framework that are both affordable and sustainable in the longer term. These limits take full account of the Council's future investment proposals and its capital financing requirement. The Council stayed well within both its external debt authorised limit (£536m) and the operational boundary (£507m) throughout 2020/21.

Summary

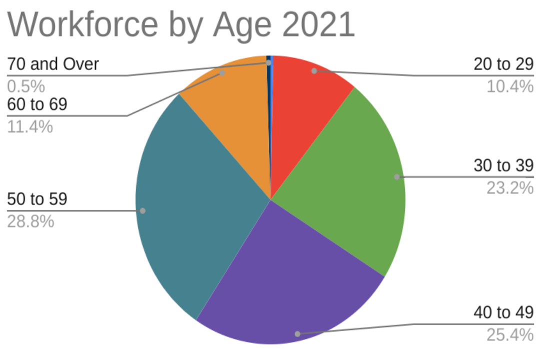
The **2020/21 Statement of Accounts** presents in a financial context the continued delivery of public services against the particularly challenging financial outlook described above – Hackney has suffered some of the most severe funding cuts of any local authority since 2010. I would like to place on record my thanks and gratitude for the support and cooperation I have received from the Mayor, Cabinet Members, colleagues on the Hackney Management Team and officers within my own Directorate throughout the year. This Statement of Accounts evidences that the Council continues to operate on a sound financial basis, with no material cuts to frontline services being necessary to maintain its financial standing and also points out the significant financial impact and risks associated with the cyber attack and Covid-19.

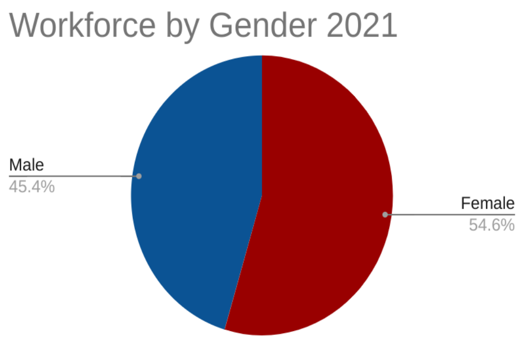
The accounts are a clear demonstration of the Council continuing to deliver against the Mayor's priorities and further evidence of the continued effective management of the Council's finances, something that it will need to rely upon as the funding challenges continue to increase and need to be carefully navigated.

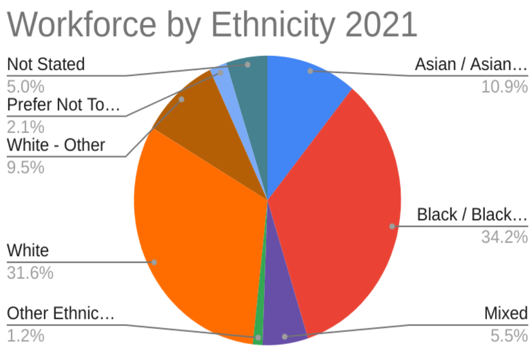
The 2020/21 Statement of Accounts is available on the Council's website (www.hackney.gov.uk) and further information can be obtained from the Group Director of Finance and Corporate Resources, Mr Ian Williams, by contacting his office at the Hackney Town Hall, Mare Street, London E8 1EA (ian.williams@hackney.gov.uk).

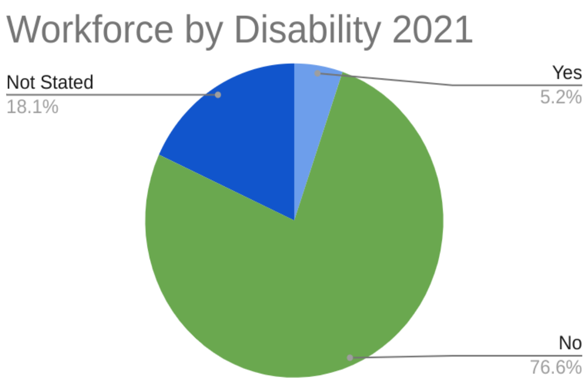
Council Staff

We are committed to supporting and harnessing a diverse and modern workforce for the benefit of service users. There are a wide range of initiatives to support a modern and diverse workforce and bring in young people, for example, apprenticeships. We aim to recruit and retain a diverse workforce that is representative of the communities we serve across all grades. Our annual workforce profile (detailed in charts below) provides an overview of the organisation's employment profile for 2021/21.


Workforce by Age 2021
70 and Over
0.5%
60 to 69
11.4%
50 to 59
28.8%
20 to 29
10.4%
30 to 39
23.2%
40 to 49
25.4%


Workforce by Gender 2021
Male
45.4%
Female
54.6%


Workforce by Ethnicity 2021
Not Stated
5.0%
Prefer Not To…
2.1%
White - Other
9.5%
White
31.6%
Other Ethnic…
1.2%
Asian / Asian…
10.9%
Black / Black…
34.2%
Mixed
5.5%


Workforce by Disability 2021
Not Stated
18.1%
Yes
5.2%
No
76.6%

Executive Summary

Hackney Council is committed to improving the lives of all residents, creating opportunity and prosperity for local people and business, a community that is open, cohesive, safer, supportive and environmentally sustainable. This commitment is set out in the Council's Corporate Plan and describes how the Council will meet the challenges ahead and make the most of opportunities.

To be successful the Council must have a solid foundation of good governance and sound financial management. Hackney's Local Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. The Local Code is supported by an assurance framework that sets out how and what the Council will seek to obtain assurance on. A copy of Hackney's Local Code of Corporate Governance can be found on the Council's website at:

https://drive.google.com/drive/folders/16bo3gvy5x4504QDOOEnGEv3kCPqawzEF

Each year the Council is required to produce an Annual Governance Statement which describes how its corporate governance arrangements, set out in the Local Code, have been working. This statement provides assurances on compliance for the year ending 31 March 2021, up to the date of approval of the statement of accounts.

During 2020/21 the review of governance identified areas for improvement, an action plan has been developed which sets out how we will manage the four most significant issues. Details of the issues identified in 2020/21 and how the 2019/20 issues were addressed are provided on Pages 25 to 33.

We are satisfied that the steps set out above have addressed the need for improvements that were identified in the review of effectiveness. We will continue to monitor their implementation and operation as part of our next annual review.

We recognise the importance of having a solid foundation of good governance and sound financial management and are committed to addressing the matters highlighted in this statement, and to further enhance our governance arrangements. We confirm we have been advised of the implications of the review by senior management, Internal Audit and the Audit Committee and are satisfied that the steps outlined in this document will address the areas for improvement.

The COVID-19 pandemic that hit the whole country in early 2020 has had a huge impact on the Council, its workforce, residents, partners and other stakeholders. It is yet to be seen how the future will look when we emerge from these unprecedented times, however, we are confident that good governance, democratic accountability and transparency continues in Hackney even during this crisis.

The cyber attack in October 2020 also posed significant challenges for the authority, as well as continuing to provide the additional services to support the corporate response to the pandemic, the Council has focussed resources on rebuilding business critical systems to enable essential services to be delivered. The ongoing recovery work is accelerating the delivery of the Council's technology strategy, with significant progress to recover data onto modern cloud technologies, which in many cases presents a faster route to recovery and supports delivery of the Council's longer term strategy for technology and data. This includes migrating recovered data onto new cloud based systems which were already in progress, procurement of cloud based systems to replace legacy systems and development of modern digital tools where that presents the best strategic fit. This will provide more robust security protection, reducing the risk of a future attack.

Scope of Responsibility

Hackney Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has in place a local Code of Governance which sets out its commitment to good governance and is consistent with the principles of governance set out in the governance guidance produced by CIPFA/SOLACE, Delivering Good Governance in Local Government (2016). The Code sets out the arrangements the Council has in place which demonstrate that the principles of good governance are embedded within the way the Council conducts its business.

The Council's governance arrangements are under continuous review for appropriateness and effectiveness. A review was undertaken in 2020/21 to ensure that changes to our governance as a result of the response to the Covid 19 pandemic and the cyber attack are recognised in the Code. The Council is committed to the ongoing strengthening of its governance arrangements and will consider other new initiatives that will impact on its governance arrangements in future reviews.

Review of the Effectiveness of Hackney's Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

Throughout the year, the Council regularly reviews the effectiveness of its governance framework to streamline and improve our processes to ensure these arrangements remain effective, now and into the future. This is informed by individual service leadership and management, corporate oversight functions (including statutory officers), internal audit, external auditors and other review agencies. Similar and proportionate oversight and governance arrangements should also be put in place in respect of services outsourced to external suppliers, trading partnerships, shared service arrangements and arm's length bodies.

The system of internal control is a significant part of the framework and is designed to manage risks to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically. It cannot eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Annual Governance Statement incorporates the continuous review of the effectiveness of our governance arrangements throughout 2020/21. It identifies areas where we can and will do more to ensure that we have effective governance arrangements that enable the organisation to deliver on its commitment to improving the lives of all residents and creating opportunity and prosperity for local people and businesses.

This statement is an honest appraisal of our governance framework and shows that Hackney has adequate arrangements in place that generally comply with the Council's Local Code of Corporate Governance, and shows that we have met our legal and statutory obligations to our residents. The external auditor has been positive about our arrangements to secure value for money and provided an unqualified opinion on the Council's Statement of Accounts for 2018/19.

The timeline for the audit of the 2019/20 accounts has been delayed, primarily by the cyber attack. The financial statements have now been given an unqualified audit opinion, and the VFM opinion will be finalised by the end of the 2020 calendar year.

The governance framework has been in place at Hackney Council for the year ended 31 March 2021 and up to the date of approval of the annual report and statement of accounts.

Adequate assurance can be given that the system, process or activity should achieve its objectives. The Council is currently aware of issues that could affect its financial position such as, but not limited to, ongoing cost pressures associated with the delivery of Children's and Adult Social Care Services, the recent COVID-19 pandemic which has affected the whole country and is expected to have a significant impact on the Council in the coming year as well as the costs associated with rebuilding the Council's IT infrastructure following the cyber attack in October 2020.

Whilst a number of assurances have been obtained to support this conclusion as outlined in the following paragraphs, it is important that the specific assurance of the Interim Head of Internal Audit & Corporate Risk Management are considered to support this statement.

Directorate reviews of governance arrangements

Each directorate management team completed an assurance matrix in order to demonstrate that they have in place the key elements of a robust controls and governance framework. These matrices were considered by each management team and on the basis of this review, each Group Director has signed an Assurance Statement to accompany the assurance matrix. Internal Audit reviewed the returns from each directorate and assessed these alongside other sources of assurance.

Audit Committee role in governance arrangements

The Audit Committee receives reports throughout the year that support its oversight of governance within the Council including: -

- Corporate and directorate risk registers
- Performance of the Council and Audit & Anti Fraud Service

- Review of the final accounts
- Review of the Annual Governance Statement
- Reports on Treasury Management
- Reports on Performance Management
- Deep-dive review of Capital Strategy, Programme, Monitoring and Re-profiling

The Committee undertakes an annual self-assessment which is reported to the full Council. An ongoing development programme is provided to committee members to support them in executing their responsibilities and to ensure that the committee continues to be effective.

Review and update of the Constitution

The Constitution is regularly reviewed, this was last updated in February 2021.

Report by the Standards Committee on its activities

During the year the Standards Committee considered reports on: -

- Local Government Association (LGA) model code of conduct.
- Review of the Register of Declaration of interest forms
- Review of the number of complaints about Members
- Recruitment process for the appointment of an Independent Person, and Co-opted Members to Standards Committee

Overview and Scrutiny

The Scrutiny Panel is in place to review and inform decisions that are made by the Mayor and Cabinet. There are four Overview and Scrutiny Commissions that report through the Panel with the following remits: -

- Children and Young People
- Health in Hackney
- Living in Hackney
- Skills, Economy & Growth

Five significant scrutiny reviews took place during 2020/21: -

- Living in Hackney Commissions' scrutiny review provided an overview of the winter night shelter provision in Hackney and Hackney Doorways/Hackney Winter Night Shelter's response to Covid-19.
- Living in Hackney Commissions' scrutiny review examined the Housing Register and Lettings Policy.
- Living in Hackney Commissions' scrutiny review examined Lift Maintenance and Repair in the borough.
- The Health in Hackney Scrutiny Commission examined several Covid 19 related issues from various steering groups, for example the vaccinations updates from the vaccinations group, the population health hub and health inequalities steering group and the Digital and remote NHS services briefing from the Clinical Commissioning Group.
- The Children and Young People Scrutiny Commission maintained oversight of the academic attainment of children across Hackney and receives updates on pupil achievement each year. Given ongoing disparities in educational

achievement among different cohorts of young people, the commission reviewed local approaches to closing the education attainment gap, and identified policies/practices which may further inform efforts to address local inequalities in education outcomes.

Opinion of the Interim Head of Internal Audit & Corporate Risk Management

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Interim Head of Internal Audit & Corporate Risk Management, who is the Council's chief audit executive, is required to provide independent assurance and opinion on the adequacy and effectiveness of the Councils' risk management and control framework, and through the Audit & Anti Fraud Service deliver an annual programme of risk based audit activity, including counter fraud and investigation activity and make recommendations for the improvement of the management of risk and control. The ability to undertake audit reviews during 2020/21 was hampered by both the pandemic and the cyber attack. Work on the planned audits that had to be postponed due to the response to the pandemic recommenced in September 2020. Following the cyber attack, all internally hosted legacy systems were unavailable, severely restricting the audit reviews that could be completed during the reporting year. The recovery work is complex and extensive, with priority being given in line with the Cyber Gold priorities. As a result of the move of some legacy systems to cloud based platforms the data saved on these platforms, including the intranet, remained available. However, the chief audit executive is satisfied that sufficient work was completed in 2020/21, supported by the work undertaken in 2019/20 and other sources of assurance, to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements.

The chief audit executive, having reviewed the available evidence, is satisfied that the Council has good foundations in place which generally conform with best practice that are fundamentally sound and fit for purpose, adequate assurance can be taken that the Council's risk management, internal control and governance processes, in operation during the year to 31 March 2021. There are areas where improvements to enhance the Council's governance framework were identified, these have been recognised and improvement plans are in place.

Although an adequate assurance opinion has been provided, there have been significant changes across the authority as a result of the outbreak of Covid-19 which has impacted on every aspect of our service provision, financial resilience, ways of working and of course the health and welfare of those living in the borough and especially the most vulnerable in our society. The restructuring of services, planned to take place following the voluntary redundancy scheme that took effect in February 2020, was suspended due to the pandemic and this has impacted on the overall control environment and governance arrangements. Our governance arrangements have responded to the crisis, in line with the emergency provisions that were made in the Coronavirus Act 2020, and we have continued to carry out effective governance despite the huge disruption caused by Covid-19. There will be a need to further review the Council's governance framework as a result of the changes implemented in response to the pandemic including, but not limited to, business continuity, risk management, financial and corporate resilience.

Full details of the assurance provided in this statement can be found within the Internal Audit Annual Report for 2020/21, submitted to the Audit Committee on 9 June 2021. Under the Accounts and Audit (England) Regulations 2015 and the PSIAS, the Council is required to undertake a review of the effectiveness of its Internal Audit function and to report the results in the Annual Governance Statement. As in previous years, it is considered that the Council has effective arrangements in place for the provision of its Internal Audit Service.

Rationale for ‘ Adequate’ Assurance Opinion

Strengths — Challenges

- Corporate Plan - ‘A place for everyone’ & 10 Year Community Strategy setting out Hackney’s priorities, values & strategic direction. Reviewed 2020 & 2021.
- Local Development Plan which sets out the strategic direction for the borough up to 2033
- Legal framework (constitution, policies & procedures) that set out the rules & procedures to be followed by members and officers
- Scrutiny arrangements in place to ensure constructive challenge and debate on policies, performance and decision making
- Member - officer protocol
- Codes of Conduct for members & staff setting out the high standards of conduct & behaviour expected in all aspects of the Council’s work
- Decisions effectively recorded & published
- Communication & Engagement strategy to engage with residents & other stakeholders, supported by Citizens E-Panel
- A commitment to openness and transparency, publication of its annual accounts, performance data, value for money, spending, senior officer pay
- Published complaints handling procedures
- Values are embedded within policies & procedures & communicated
- Strong financial management arrangements are embedded across the Council which complies with the CIPFA Financial Management Code
- Effective asset management framework that ensures Council assets support the delivery of the Council’s strategic objectives

- Hackney is committed to becoming carbon-neutral by 2040, work is ongoing to but may prove challenging to meet.
- Standards Committee recruited two new members in January 2020, training & development needs to be considered.
- The Council has effective Risk Management arrangements in place. Work continues to embed it across the council and in the decision making process.
- Business continuity & emergency planning processes were found to need revisiting following the response to the pandemic.
- The Council has effective sustainable procurement arrangements in place. Further work is ongoing to ensure it is embedded across the council to demonstrate good practice, compliance with legislation, realise value for money & accountability.
- Housing with Care rated ‘Inadequate’ by CQC inspection in 2018 has progressed to ‘Requires Improvement’.
- Tenant Management Organisations have shown improvement & the general trend continues to be positive.
- Tenancy & Leaseholder services developing a Resident Engagement Strategy, work is ongoing with with Tenants Liaison Group.
- Inclusive Economy Strategy has been adopted, 3 priorities- supporting local neighbourhoods & town centres to thrive; supporting local business & social enterprises & delivering affordable workspace; connecting residents to employment, skills & training opportunities.

- The Covid-19 pandemic significantly impacted all aspects of the Council’s activities including, but not limited to, financial resilience, contracts, staffing, service delivery, reputation. The Council has put in place new working arrangements, payment methods, reviews of service delivery, etc to react to the immediate crisis. Senior management will be reviewing all aspects of its service delivery for the future to ensure it remains able to meet its statutory requirements and support the most vulnerable in our communities.
- The cyber attack has posed significant challenges for the authority, including resources on rebuilding business critical systems to enable essential services to be delivered. The ongoing recovery work continues to include significant progress to recover data onto modern cloud technologies, which supports delivery of the Council’s longer term strategy for technology and data. This includes migrating recovered data onto new cloud based systems which were already in progress, procurement of cloud based systems to replace legacy systems and development of modern digital tools where that presents the best strategic fit. This will provide more robust security protection, reducing the risk of a future attack.
- The Council has been unable to meet statutory deadlines for the production of the 2020/21 Statement of Accounts. The

Strengths | Challenges

- Recognises & values the diversity of our communities & workforce
- New workforce strategy & toolkit for inclusive management
- Health & safety management framework which seeks to ensure compliance with legislation
- Strong & Effective community management of pandemic: Civil Protection Service (CPS), development & implementation of a Covid Corporate Operational Plan; establishment of Borough Emergency Control Centre (BECC), providing sustenance to vulnerable communities through to coordinating the supply of protective equipment; Local Outbreak Management Plan reviewed March 2021,activating testing centres.

production of the accounts is in process, delays experienced due to supporting technology & data not being available due to the cyber attack.

- Corporate reorganisation & restructuring plus changes to personnel has posed additional challenges during the pandemic.
- Significant cost pressures within Children's and Adult Social Care Services. These are being regularly monitored and reviewed.
- Children's Social Care Services rated as 'Requires Improvement' by Ofsted in November 2019. An action plan has been developed.
- The Council is reviewing its contract management of housing maintenance providers to address any weaknesses in the procurement and contracting workflows and systems.

- Actively promotes safeguarding to prevent harm & reduce the risk of abuse or neglect.
- Embedded process in place to produce the Annual Governance Statement, supported by Local Code of Corporate Governance, last reviewed 2021.
- Effective internal audit service delivered in line with the public sector internal auditing standards
- Audit Committee that provides a source of effective assurance
- Ethical framework based upon the Seven Principles of Public Life sets out expected values and behaviour of its members, officers and those who work with the Council.
- Effective anti fraud and corruption arrangements including whistleblowing policy

Improving Governance

Based on our review of the governance framework, the following significant issues will be addressed in 2020/21.

Issues identified 2020/21	Planned Action
1. Corporate Impact of Cyber Attack	
The cyber attack in October 2020 has had a significant impact on the Council's services, affecting all internally hosted systems. Work is in progress through the recovery programme to review all aspects of the Council's governance arrangements for information security and ensure that these are updated to reflect any lessons to be learnt from the investigation into the attack. This work remains in progress and the Council is working closely with the Information Commissioner's Office and external experts to support this.	The work to recover from the cyber attack includes significant investment in replacement/recovery of the Council's systems. Risks are managed through the arrangements that have been implemented to support the business continuity/recovery - led at a strategic level by the Council's Cyber Gold command, with tactical leadership through the Cyber Silver group. Regular Member briefings include briefings for the Council's Audit Committee to ensure effective scrutiny and oversight.
<u>Children & Family Services & Adult Social Care</u> Loss of Mosaic, the social care database which holds all records about children and families and ASC service users.	Significant resources have been directed at mitigating this risk, working with partner agencies and staff to develop interim solutions to capturing existing knowledge about service users, reporting and monitoring information. An interim social care database is now in place with reporting capability, however work continues to access previous records held prior to the cyber attack. There are significant challenges for children's and adults social care given the impact of the cyber attack.
<u>Housing</u> Loss of access to Universal Housing caused which holds all records about the Council's housing stock.	Housing services have accelerated the development of a new housing management system. A temporary system was also developed to facilitate the reconciliation of rent accounts to support the final account process.
2. Statement of Account	
The Council has been unable to meet statutory deadlines for the production of the Statement of Accounts for the 2020/21 financial year.	The Council is working to a revised timetable for the closure of the 2020/21 accounts. Where data is unavailable, alternative sources have been identified and estimates made where these will

The production of the Statement of Accounts is in process, however delays have been experienced owing to supporting technology and data not being available due to the cyber attack.	provide appropriate accuracy. The external auditors have been kept up to date on an ongoing basis and have been consulted on areas of specific risk.
3. Children & Family/ Education Services	
1. Significant Cost Pressures Robust budget monitoring processes are in place. These have highlighted significant cost pressures, primarily care packages in Looked after Children placements and SEND costs.	These high-level pressures are subject to ongoing challenge through budget review meetings and the monthly Budget Board which is jointly chaired by the Group Director Finance and Corporate Resources and the Group Director of Children and Education. There are a number of measures to reduce spend in place including: ● Care packages - development of processes with the CCG on joint funding contributions, application of the care funding calculated (CFC) and promoting independence. Placement contributions from the CCG towards eligible healthcare needs will be backdated to 1 April 2020. ● Looked After Children - an in-house foster care recruitment campaign, Mockingbird Model and Edge of Care projects such as the Family Learning Intervention Project (FLIP), and the creation of the Context Intervention Unit. ● An Edge of Care working group was established early 2021 with 4 key areas of focus: stabilising placements where needed, semi-independent placements for young people aged 16+ are high quality, young people are supported to return home safely when possible & to explore how CFS can better engage to avoid family breakdown. ● SEND has an efficiency plan in place. More robust governance and reporting is being embedded. These measures are not anticipated to reverse the overall position in the medium term and the pressures are being mitigated by increased budgets at budget setting in some instances and use of one-off reserves. SEND (non-transport

	element) are funded through the ring-fenced DSG and therefore the overspend will result in carry forward of the overspend to next year.
2. <u>Ofsted Inspection</u> The latest Ofsted inspection of Children's Services gave the service an overall rating of 'Requires Improvement'.	The service has prepared an action plan to address areas of concern. This has been agreed with Ofsted inspectors and is subject to a robust monitoring process with oversight from the Mayor, Councillors and senior officers to ensure any issues or slippage are identified and addressed in a timely manner.
4. Adult Social Care	
ASC has been significantly impacted by both the Covid 19 pandemic and the cyber attack. Reprioritisation of Adult Services priorities was required in light of these events.	Weekly Covid-19 briefings for the Adult Services Management Team (ASMT). Ongoing review and re-prioritisation of the Promoting Independence Programme to ensure resources were appropriately deployed to respond to the most pressing priorities. Some change programmes paused due to conflicting priorities and demands. These high-level pressures are subject to ongoing challenge through budget review meetings referred to above and the monthly Budget Board which is jointly chaired by the Group Director Finance and Corporate Resources and the Group Director of Adults, Health and Integration.
1. <u>Significant cost pressures</u> Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily care packages in Adult Social Care.	There are a number of measures to reduce spend including: ● Improving the efficiency of home care processes in Adult Services. ● Increasing uptake of direct payments ● Working in collaboration with the CCG to develop processes for the funding and review of health and social care packages. ● Working with service users with learning disabilities, supporting them to live in a safe way in the most independent setting for them. Including growing our shared lives provision. ● Working with young people with learning disabilities from an earlier age to manage their transition to adult services and developing the right market provision for this cohort that promotes independence.

2. <u>Business Continuity Plans</u> BCPs were found not to be comprehensive for the type of ongoing pandemic situation such as seen during Covid-19.	BCPs updated. Captured lessons learnt from Covid-19 pandemic and ensured these were fed into updated plans.
3. <u>Housing with Care</u> The Housing with Care Service was inspected in 2018 by the Care Quality Commission (CQC) and was rated 'Inadequate'. Following a period of rapid improvement this has now progressed to 'Requires Improvement', with improvements seen in some key areas in the 2020 inspection.	Adapted Humanitarian Assistance Steering Group (HASG) Terms of Reference, the Director of Adult Services led the HASG throughout the first wave of the pandemic, with support from the Programme Management Office (PMO). Improvement plan is ongoing, alongside wider review of Housing with Care being led by Commissioning and the PMO.
5. Public Health	
The coronavirus pandemic is a significant risk for the Public Health workforce largely focusing on the response to the pandemic, including daily Covid-19 monitoring from primary care, identification of vulnerable at risk groups from Covid-19 and support to general practice in managing Covid-19.	The service has a coronavirus expenditure log that has been created to keep track of the expenditure of Covid-19 pandemic response for Public Health. A daily service update is completed to keep the Hackney Management Team aware of all Covid-19 related developments in the borough.
6. Housing	
<u>Impact of Covid 19 & Cyber Attack</u> The impact of the coronavirus pandemic on services throughout 2020/21 has been significant. Services have been closed for a large part of the year, staff absence has impacted service delivery and/or increased costs to maintain service levels. The most significant impact has been the effect on income collection, especially housing rents. Rent arrears increased in year from £4.5 million to £12 million, the impact of the pandemic was compounded by the loss of Universal Housing following the cyber attack.	Housing Services have accelerated the development of a new housing management system to ensure focus on collection of rental income as the courts open up and the escalation of rent collection activities can resume.

Contract Management There are issues in contract management of our housing maintenance providers which may result in the council achieving poor value for money for our tenants and leaseholders. The Director of Housing is working with his management team and colleagues from across the Council to address any weaknesses in the procurement and contracting workflows and systems.	The control mechanisms on these contracts have continued to be developed in the past year. The key mechanisms fall under the headings: • overarching procedures • quality control • contract management • valuation processes
Tenant Management Organisations (TMOs) Formal action under the Modular Management Agreement is underway for one TMO to address governance issues. All TMOs have shown improvement over the last 3 years and the general trend continues to be positive. The TMO Service Team has a control system in place and are working with TMOs to improve their governance arrangements where necessary.	TMO Forum Meetings are held monthly to discuss performance and other issues. Extra support was provided to ensure TMOs were coping with the extra pressures brought by the Covid 19 pandemic and Cyber Attack. Wick Village TMO remains a source of high concern – Notices of Termination were drafted and served in November 2020 as there was no sign of compliance and continued refusal to cooperate. The Wick Village TMO has now appealed to the Secretary of State and we are awaiting their determination.

These issues will be supported by a detailed action plan, progress on which will be monitored during 2021/22 and reported to senior management.

Significant issues identified in 2019/20 that were addressed in 2020/21

Issues identified 2019/20	Planned Action	Outcomes
1. COVID-19 Pandemic The pandemic that hit the country at the start of 2020 has had a significant impact on how the Council provides services to its residents, businesses and other customers. It has also changed the way we work with our partners to deliver these	The Council was quick to identify critical services that needed to be supported and arrangements were made to reassign staff resources to help in these areas. • Restructures and recruitment put on hold to enable the Council to manage the critical services and conform with government restrictions and guidelines such as social distancing. Once	• Corporate Plan refreshed July 2021 • Workforce strategy & Workforce plan • Recruitment put on hold during pandemic • Reprioritisation of services • Redeployment of staff to critical/new service areas • HMT Covid 19 Gold group set up to address pandemic

services and support the borough. This has required the Council to introduce changes to its ways of working, adapting some controls and governance arrangements in order to ensure we are able to meet critical demands whilst protecting all parties' health and well being. The Council had conducted a voluntary redundancy scheme with most successful applicants leaving the Council's employ at the end of February 2020. Restructuring of services following the redundancies has been put on hold during the crisis and work is in progress to establish how these will be carried forward in the context of ongoing restrictions on activity due to Covid-19. The Council has incurred significant unplanned expenditure and loss of income, which will have a major impact on its budget and available resources in the future.	restrictions are relaxed the Council needs to consider the current management structures to ensure its governance arrangements are not jeopardised as a result of ongoing vacancies, changes in working practices, the need to amend schemes of delegation and other key governance controls. • Review the Local Code of Governance to ensure it reflects new ways of working and changes to the governance framework. • Reviewing the effect on the 2020/21 budget and ability to realise projected savings. • Reviewing the Council's reserves to develop options for re-appropriating reserve funds to help support the Council's response to Covid-19. This may mean delaying some projects or activities initially expected to be funded from reserves. • Review of investments as part of the 2020/21 budget setting to see if any can be paused or cancelled to free up money to fund response to the Covid-19 crisis. • Refining and developing a governance process to ensure expenditure is signed off by appropriate officers to keep expenditure focused on the Covid-19 response. • Closely monitor Council's income streams & debt levels to see what effect the crisis is having on all Council income.	• Borough Emergency & Control Centre (BECC) • Adequate budget monitoring process (OFP) • Regular reporting to Cabinet and Audit committee • Regular updates by HMT • Review of the Local Code of Governance completed • Scrutiny Panels/Committee • The Civil Protection Service co-ordinated the LBH response through development of business continuity plans and the establishment of the Borough Emergency Control Centre (BECC) . The CPS was responsible for activating the borough testing centres whilst supporting our strategic leaders to implement the tactical components of the Covid 19 strategic and operational plans. • Ongoing

	• Review exposure to commercial property investments. • Evaluating effect on the valuation of asset base and pension fund asset valuations. • Reviewing cost of non-essential services to assess cost savings should the Council need to enter into a period of financial 'lockdown'. • Consideration of the equalities impacts arising from Covid-19 to ensure that the ongoing response addresses those impacts and continues our work to promote equality and inclusion in the borough. • Working with HMT and service Directors to identify aspects of the Council's response to Covid-19 which might help identify opportunities to change service delivery &/or ways of working that might mitigate some of the impact on services presented by significant financial threats. • Understanding the legal impact on construction and other contracts. • Risk to the Council's reputation and loss of trust if response is perceived to be inadequate or biased.	
2. Significant cost pressures within Children's and Adult Social Care Services - ongoing since 2018/19 Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily in relation to packages of	These high-level pressures are subject to ongoing challenge through budget review meetings and the monthly CACH Budget Board jointly chaired by the Group Director Finance and Corporate Resources and the Group Director of Children's, Adults and Community Health Services.	Work with CCG on joint funding is ongoing.

care in Adult Social Care, Looked after Children placements and staffing in Children and Families and SEND costs within Hackney Learning Trust.	Measures to reduce spend in place including: • Care packages: development of processes with the CCG on joint funding contributions,application of care funding calculated (CFC) and promoting independence. • LAC placements: in-house foster care recruitment campaign and edge of care projects such as the Family Learning Intervention Project (FLIP), edge of care workers and contextual safeguarding. • SEND - efficiency plan in place.	
3. Ofsted Inspection The 2019 Ofsted inspection rated Children's Social Care Services as 'Requires Improvement' overall, with the impact of leaders on social work practice with children and families & the experiences & progress of children who need help & protection judged as 'Requires Improvement', while the experiences and progress of children in care and care leavers judged as 'Good'. This is a decline in our rating compared to the 2016 inspection.	The service is developing an action plan to address areas of concern. Once this is agreed with the inspectors it will be subject to a robust monitoring process to ensure any issues or slippage are identified and addressed in a timely manner. The implementation and impact of the action plan is subject to robust oversight and Governance by the Mayor, councillors and senior officers.	Action plan developed. Arising issues are ongoing
4. Housing Contract Management There are issues in contract management of our housing maintenance providers which may result in the council achieving poor	The control mechanisms have continued to be developed in the past year: • All commissions of new capital works identified annually via a cabinet report. • Clerk of Works Team established in Planned	Contract management of housing providers is an ongoing issue. The control mechanisms on these contracts have continued to be developed in the past year. The key mechanisms deployed are:

value for money for our tenants and leaseholders. The Housing management team is working with colleagues from across the Council to address any weaknesses in the procurement and contracting workflows and systems.	Asset Management. Work on draft procedures to ensure these are more closely embedded in new contracts. A proposal is being examined to permanently establish the Clerk of Works team. ● New inspection forms trialled to improve record keeping and facilitate monitoring of contractor performance. ● Escalation action taken against a number of contractors, including via Early Warning Notices, and reallocation of works.	● Overarching Procedures ● Quality Control ● Contract Management ● Valuation Process ● Clerk of Works Team established in PAM and recruitment has started for managers. Work on Clerk of Work procedures is underway. There has been a lot of work in the past year on digital inspection reports, which have enhanced the filing of reports, and monitoring overall contractor performance.

Signed on behalf of Hackney Council:

Phillip Glanville
Mayor

Ian Williams
Acting Chief Executive,
Group Director of Finance & Corporate Resources

30 September 2021

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that Chief Financial Officer is the Group Director of Finance and Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the *CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority Code.

The Chief Financial Officer has also:

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

Certification by Chief Financial Officer

I certify that the accounts give a true and fair view of the financial position of the Council at 31st March 2021 and its income and expenditure for the year then ended.

Group Director, Finance and Corporate Resources
20th April 2022

Chair of Approving Committee's Certificate:

I certify that the accounts were considered by the Council's Audit Committee held on the 20th April 2022 and were approved by a resolution of the Committee.

Councillor Nick Sharman
20th April 2022

Movement in Reserves

The Movement in Reserves Statement shows the movement in year on reserve balances held by the Council.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31/03/2020	(133,570)	(17,160)	(105,145)	0	(35,168)	(291,041)	(3,274,789)	(3,565,830)
Reporting change to Schools Budget Deficit at 1 April 2020	(5,028)	0	0	0	0	(5,028)	5,028	0
Restated balance at 1 April 2020 *	(138,598)	(17,160)	(105,145)	0	(35,168)	(296,069)	(3,269,761)	(3,565,830)
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure	72,860	91,088	0	0	0	163,948	(374,487)	(210,539)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(95,204)	(97,280)	17,884	0	6,643	(167,957)	622,884	454,928
(Increase) / Decrease in 2020/21	(22,344)	(6,192)	17,884	0	6,643	(4,009)	248,397	244,389
Balance as at 31/03/2021	(160,942)	(23,352)	(87,261)	0	(28,525)	(300,078)	(3,021,364)	(3,321,442)
								0
Of which;								
Schools Balances	(16,764)	0	0	0	0	(16,764)	0	(16,764)
LB Hackney Revenue	(160,942)	(23,352)	0	0	0	(184,294)	935,526	751,234
LB Hackney Capital	0	0	(87,261)	0	(28,525)	(115,786)	(3,956,890)	(4,072,676)

*The 2020/21 opening balance has been adjusted to reflect the statutory change requiring the DSG reserve to be shown as an unusable reserve. See note 8 and 23 for further details.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31/03/2019	(143,435)	(25,079)	(138,934)	0	(32,106)	(339,553)	(3,189,325)	(3,528,878)
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure	152,555	48,970	0	0	0	201,525	(238,470)	(36,945)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(142,690)	(41,050)	33,789	0	(3,062)	(153,013)	153,006	(7)
(Increase) / Decrease in 2019/20	9,865	7,919	33,789	0	(3,062)	48,512	(85,464)	(36,952)
Balance as at 31/03/2020	(133,570)	(17,160)	(105,145)	0	(35,168)	(291,041)	(3,274,789)	(3,565,830)
Of which;								
Schools Balances	(13,195)	0	0	0	0	(13,195)	0	(13,195)
LB Hackney Revenue	(133,570)	(17,160)	0	0	0	(150,730)	656,620	505,890
LB Hackney Capital	0	0	(105,145)	0	(35,168)	(140,313)	(3,931,408)	(4,071,721)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000	2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000
Children, Adults and Community Health							
Education & Schools		319,365	(257,953)	61,412	364,800	(247,418)	117,382
Children & Families		85,377	(15,608)	69,769	76,329	(9,394)	66,935
Adult Services		143,849	(64,875)	78,974	134,419	(50,373)	84,046
Public Health		36,313	(36,393)	(80)	34,524	(33,357)	1,167
Neighbourhoods and Housing							
Public Realm		127,336	(75,999)	51,337	124,141	(67,587)	56,553
Housing & Regeneration GF		4,918	(1,678)	3,240	5,008	(2,112)	2,895
Finance & Corporate Resources							
Revenues & Benefits		357,738	(334,281)	23,457	366,638	(345,901)	20,737
Finance and Resources Other		26,791	(9,060)	17,731	55,035	(14,953)	40,082
Chief Executives							
Chief Executive		10,968	(2,302)	8,666	15,332	(6,538)	8,794
Housing Revenue Account							
HRA		238,330	(145,044)	93,286	252,882	(144,451)	108,431
Cost of Services		**1,350,985**	**(943,193)**	**407,792**	**1,429,108**	**(922,085)**	**507,023**
Other operating expenditure	9			(8,371)			(37,155)
Financing and investment income and expenditure	10			68,882			40,519
Taxation and Non-Specific Grant Income and expenditure	11			(304,355)			(308,862)
(Surplus) or Deficit on Provision of Services				**163,948**			**201,525**
(Surplus)/deficit on revaluation of Property, Plant and Equipment assets				(146,924)			(18,671)
(Surplus)/deficit on revaluation of financial assets (Fair Value through P&L)				(100)			70
Remeasurement of net defined benefit liabilty				(227,463)			(219,869)
Other Comprehensive Income and Expenditure				**(374,487)**			**(238,470)**
Total Comprehensive Income and Expenditure				**(210,539)**			**(36,945)**

Balance Sheet

	Notes	31st March 2021	31st March 2020
		£'000	£'000
Property, Plant and Equipment	13	4,161,846	4,064,016
Heritage Assets	12	2,322	2,277
Investment Property	14	175,843	198,515
Intangible Assets	15	3,068	3,011
Long Term Investments		5,830	18,330
Long Term Debtors		14,363	11,928
Long Term Assets		**4,363,272**	**4,298,077**
Assets Held for Sale	19	72,251	115,875
Short Term Investments		13,499	15,393
Inventories		1,224	770
Short Term Debtors (incl PIA)	17	129,550	147,955
Cash and Cash Equivalents	18	41,555	44,340
Current Assets		**258,079**	**324,332**
Short Term Borrowing		(332)	(45,400)
Short Term Creditors (incl RIA)	21	(176,180)	(154,463)
Revenue Grants Receipts in Advance	36	(33,302)	(1,261)
Capital Grants Receipts in Advance	36	(1,116)	(1,795)
Provisions	20	(28,551)	(33,039)
Current Liabilities		**(239,481)**	**(235,958)**
Long Term Creditors		(7,595)	(8,981)
Provisions	20	(14,682)	(15,929)
Long Term Borrowing		(76,200)	(80,605)
Other Long Term Liabilities	41,43	(905,204)	(665,708)
Revenue Grants Receipts in Advance	36	(506)	(277)
Capital Grants Receipts in Advance	36	(56,240)	(49,120)
Long Term Liabilities		**(1,060,427)**	**(820,620)**
Net Assets		**3,321,442**	**3,565,831**
Usable Reserves	22	(300,078)	(291,043)
Unusable Reserves	23	(3,021,364)	(3,274,788)
Total Reserves		**(3,321,442)**	**(3,565,831)**

Cash Flow Statement

	Note	31st March 2021 £'000	Restated 31st March 2020 £'000
Net (surplus) / deficit on the provision of services		163,948	201,525
Adjustments to net surplus or deficit on the provision of services for non-cash movements *	24	(431,679)	(339,914)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities *	24	118,525	145,713
Net cash flows from Operating Activities		**(149,206)**	**7,324**
Investing Activities *	25	63,864	70,797
Financing Activities	26	88,127	(59,384)
Net (increase) or decrease in cash and cash equivalents		**2,785**	**18,736**
Cash and cash equivalents at the beginning of the reporting period		44,340	63,076
Cash and cash equivalents at the end of the reporting period	18	**41,555**	**44,340**

A Prior Period Adjustment of the cash flow statement and accompanying cash flow notes has been necessary. 2 items were included within 'Adjustments to net surplus or deficit on the provision of services for non-cash movements', in error.

In order to correctly reflect a £25m deferred capital receipt initially secured in 2019/20, £25m has been correctly included within 'Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities', together with £1.8m in 'Investing activities'.

This misstatement does not affect the value of cash and cash equivalents at the year end.

1. Accounting Policies

(i) General principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at 31st March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Council makes use of estimation techniques as deemed appropriate to specific circumstances and these are disclosed in the accounts where material.

(ii) Accruals of expenditure and income

Sums due to or from the Council during the year are included in the accounts irrespective of whether the cash has actually been received or paid in the year, unless immaterial. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Council's Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

Interest payable on borrowings and receivable on investments is accounted for on an accruals basis, in the year to which it relates. As transaction costs are deemed to be immaterial, a formal effective interest rate calculation has not been performed.

Income and expenditure are credited and debited to the relevant service revenue account in the Comprehensive Income and Expenditure Statement, unless they properly represent capital receipts or capital expenditure. Where income is defined in statute as a capital receipt but does not arise from the disposal of an interest in a non-current asset (e.g. repayment of a grant awarded by the Council for the recipient to acquire a non-current asset) then it will be credited to the Comprehensive Income and Expenditure Statement.

(iii) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions which are repayable without penalty on notice. Duration of notice in CIPFA Code is "not more than 24 hours". Cash equivalents are investments with a maturity date of three months or less from acquisition date and that are readily convertible to known amounts of cash with an insignificant risk of change in value.

(iv) Charges to revenue for non-current assets

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

Depreciation or amortisation attributable to the assets used by the relevant service, impairment losses (fall in the carrying value derived from loss of service potential) and revaluation losses (general fall in prices across the board) on tangible non current assets used by the service, where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

Any revaluation losses relating to Investment Properties are charged directly to the Comprehensive Income and Expenditure Statement.

The depreciation charge is based upon the opening book value of assets as at 1st April, adjusted by any revaluation and enhancing expenditure that has taken place in the year. The Council's depreciation policy in regards to assets acquired within the year is that a full year's depreciation is charged in the year an asset is acquired, and no depreciation is charged in the year of its disposal.

The Council is required to make an annual provision from revenue (Minimum Revenue Provision - MRP) to contribute towards the reduction in its overall borrowing requirement. No provision is required in respect of supported borrowing for HRA related assets. For capital expenditure incurred before 1st April 2008, MRP will be determined by charging the expenditure over the average useful life of the relevant assets. For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to non current assets but which has been capitalised by regulation or direction will be charged over a period which reflects the economic benefit to the council.

The costs of depreciation, revaluation losses, impairment losses or amortisation are not required to be met from Council Tax. These are therefore replaced by the MRP in the Movement in Reserves Statement by way of an adjusting transaction between the Capital Adjustment Account for the difference between the two.

(v) Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Council's Balance Sheet but are disclosed as a note to the accounts. They arise as a result of past events but are only confirmed by the occurrence of one or more uncertain future events which are not entirely within the Council's control.

Contingent liabilities arise from a present obligation arising from past events but only where it is not probable that a transfer of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability.

(vi) Council Tax income

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). Since 1st April 2009 the amount to be included in the Comprehensive Income and Expenditure Statement is the accrued income for the year.

The amount included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. The difference between accrued income and income under regulation (authority's demand for the year plus/minus share of estimated surplus/deficit for previous year) is adjusted for via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable net of impairment of debts.

The collection of Council Tax is in substance an agency arrangement and the cash collected by the Council from Council Tax debtors belongs proportionately to the Council and its' major preceptor i.e. Greater London Authority (GLA). There is therefore a debtor / creditor position recognised on the Balance Sheet since the net cash paid to the GLA in the year will not be its share of cash collected from Council Taxpayers.

(vii) Employee benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within the 12 months following year-end. They include such benefits as salaries and wages, paid annual leave and paid sick leave, and are recognised as an expense for services in the year in which employees provide their service.

Under IAS19 an accrual is recognised for short term compensated absences (annual leave / flexi leave) that are rolled forward to the following financial year. No impact is made on general fund balances as an unusable employee benefit reserve is created on the Balance Sheet.

Termination Benefits

Disclosures in respect of employee exit packages following termination of contract are made in the year paid rather than date notified.

Post-Employment Benefits

The Council participates in two different Pension Schemes which are both classified as multi-employer, defined benefit schemes. Each scheme provides defined benefits (retirement lump sum and pensions) based on pay and length of service within the schemes. The basis of the pension costs charged in the accounts for each of these schemes is set out below.

Teachers' Pension Scheme: This is an unfunded pension scheme for teachers, administered by Capita Teachers' Pensions on behalf of the Department for Education

(DFE). The arrangements for the Teachers' scheme mean that liabilities cannot be identified to the Council and it is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and service revenue accounts are charged with the employer's contributions payable to the teachers' pensions in the year.

Local Government Pension Scheme (LGPS): This is a funded pension scheme for other local government employees. Most of the Scheme members are in the Council's Pension Fund but former employees of the Greater London Authority, London Residuary Body and the Inner London Education Authority, who were transferred to the Borough on the abolition of these bodies, are members of the London Pension Fund Authority (LPFA) Pension Fund.

The Local Government Scheme is accounted for as a defined benefit scheme.

The liabilities of both the Council's and LPFA's pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees.

Liabilities for the Council's scheme are discounted to their value at current prices using a discount rate of 2.0% actual (2.3% in 2019/20). As set out in IAS19, the discount rate used has been determined by reference to market yields on high quality corporate bonds at the reporting date. The currency and term of the bonds is consistent with the currency and term of the liabilities. The approach adopted by Hymans Robertson for both 2020/21 and 2019/20 is the construction of a corporate bond yield curve based on the constituents of the iBoxx £ AA corporate bond index.

The assets of both the Council's and the LPFA's pension fund attributable to the Council are included in the Balance Sheet at their fair value:

i. Quoted securities – bid or last traded price
ii. Unquoted securities – professional estimate
iii. Unitised securities –bid or the latest single market price
iv. Property – market value.

The change in the net pensions liability is analysed into four components:

i. Service cost – This is split between current service, past service and the effect of settlements. Current service recognises the increase in liabilities as a result of years of service earned this year and is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked. Past service recognises the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years and is debited to the surplus / deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Finance and Resources service costs.

ii. Net Interest cost - this is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

iii. Cashflows - the cashflows into the Council's and LPFA's pension funds are made up of contributions paid by the Council on behalf of employees and contributions paid by employees themselves. Under IAS19, these are reversed out of the Comprehensive Income and Expenditure Statement and replaced by the service costs indicated above, to ensure that the cost of providing employee benefits is recognised in the period in which the benefits are earned.

iv. Remeasurements – these are changes in the net pensions liability that arise through changes in asset values, updates to actuarial assumptions or other experience not reflected in assumptions at the last actuarial valuation. Any increase in the net liability is debited to the Pensions Reserve (and vice versa).

Contributions to the LGPS scheme for pension strain (which arises from an employee retiring early, without the actuarial reduction of the pension) are fully charged in the year they are incurred.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension funds in the year. This means that appropriations to and from the Pensions Reserve are made in the Movement in Reserves Statement to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

(viii) Events after the Balance Sheet date

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types of post Balance Sheet event: adjusting and non-adjusting.

An adjusting event occurs where there is an event after the Balance Sheet date that provides evidence of conditions that actually existed at the Balance Sheet date. In such circumstances, the Statement of Accounts will be adjusted as if the event had actually occurred at the Balance Sheet date. Events that are not recognised in currently issued financial statements, but are rather accounted for in the next year financial statements, are called non-adjusting events.

(ix) Exceptional items, prior period adjustments, estimates and errors

The majority of prior period items arise from adjustments that are the natural result of estimates inherent in the accounting process and are accounted for in the year in which they are identified. Prior period adjustments are enacted when a prior year error is 'material'. Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors are accounted for by restating the comparative figures for the preceding year in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect.

In circumstances when a change of accounting practice is required, the change will be applied retrospectively (unless stated otherwise or not material) by adjusting the opening balances and comparative amounts for the prior period as if the policy had always been applied.

(x) Financial instruments

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

Financial Liabilities

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

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and,
- Amber Green Leef loan - London Energy Efficiency Fund from The European Investment Bank to fund housing regeneration.
- lease payables
- private finance initiative contracts

Financial Assets

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

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - bank current and deposit accounts,
  - loans to other local authorities, and
  - loans to housing associations
  - loans to subsidiaries
  - lease receivables

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

- equity investments in municipal bond agency
- equity investments in subsidiaries

- · Fair value through profit and loss (all other financial assets) comprising:
  - money market funds

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

When soft loans (loans to external organisations at less than market rates) are made, a loss i.e. difference between the fair value of the loan and the book value of the loan is charged to the Surplus or Deficit on the Provision of Services as grant expenditure. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the external organisation, with the difference serving to increase the amortised cost in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement. The net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account (FIAA) in the Movement in Reserves Statement.

When soft loans (loans at less than market value) are received by the Council, a grant receivable is recognised in the Comprehensive Income and Expenditure Statement for the differential between market rate and the actual interest rate charged. The market (amortised) value of the loan is calculated based on the net present value of the future cash payments discounted using the market rate of interest which would be charged on a similar loan. On recognition of the soft loan the fair value of the loan is written down by the same amount. Interest is charged on the amortised value of the loan and is debited to the Comprehensive Income and Expenditure Statement at the higher market rate of interest over the life of the loan. The difference between the interest charged on the actual loan, which is debited to the Comprehensive Income and Expenditure Statement and the interest charged based on the amortised value of the loan is reversed out to the Financial Instruments Adjustment Account (FIAA) in the Movement in Reserves Statement. The value of the loan in the Balance Sheet is written up by this amount over the life of the loan, to the amount that it would have been if it had not been accounted for as a soft loan. During 2014/15 the Council took out a loan for £4.6million at less than market value from Amber Green LEEF 2 LLP, this has been recognised as a soft loan.

Where assets are identified as likely to be impaired in future because of a likelihood arising from past events that payments due under the contract will not be made, a loss allowance is calculated and set aside for expected credit losses.

Any gains and losses that arise on derecognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, as appropriate.

The London Borough of Hackney has adopted a two pooled approach following the self-financing settlement in March 2012. As and when new borrowing is required, new loans can then be allocated directly to each pool (HRA or General Fund) and interest apportioned accordingly.

Internal borrowing between the HRA and General Fund can be undertaken to optimise treasury management, where appropriate. In cases where internal borrowing is undertaken interest will be apportioned as though external borrowing has been undertaken. The interest rate applied will be based on an assessment of what the appropriate loan period and borrowing would have been.

The Council undertakes a full analysis of debtors taking into account age, likelihood of settlement and other relevant factors to determine the expected credit losses (included with receivables (or financial assets). To perform this analysis the debt may be aggregated by category (e.g. credit worthiness, industry, geographical location).

(xi) Grants and Contributions

Under IAS 20 the Council is required to disclose the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited.

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that must be met by the recipient as specified, or the grant must be repaid.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Capital Grants Received In Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (as revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where a grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where a grant is received and applied in-year, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(xii) Community Infrastructure Levy

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

CIL is received primarily without outstanding conditions and initially recognised on the balance sheet, after which it is then matched against relevant expenditure as and when appropriate. CIL receipts will largely be used to finance capital expenditure in line with the authority's regulation 123 list. A smaller proportion known as 'neighbourhood CIL' is required to be spent in accordance with the wishes of the local community or neighbourhood in which the development took place. The remaining CIL is required for set up and administration costs necessary to set, collect and monitor CIL.

(xiii) Heritage Assets

International Financial Reporting Standards contain no provision, standard or guidance relating to heritage assets and therefore the requirements of Financial Reporting Standard 102 (FRS 102) has been adhered to. FRS 102 is issued as part of UK Generally Accepted Accounting Practices. FRS 102 and the Code state that a heritage asset is an asset:

"...with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture."

Heritage assets can be both tangible and intangible. It is implicit that a heritage asset is intended to be preserved in trust for future generations. Whereas the Council holds its parks in trust for future generations and manages these assets accordingly, the Code precludes such community assets being classified as heritage assets because these are deemed by the Code to be primarily for "current use" irrespective of the Council's intent. Heritage assets therefore comprise assets such as civic regalia, works of art and museum collections. The Council does not actively pursue to acquire or dispose of any of its heritage assets.

FRS 102 permits any "reasonable" valuation method to be adopted for heritage assets. The assets are held in trust either in form or substance and cannot be sold. Therefore, they have no realisable value. The Council has therefore adopted an accounting policy of holding these assets on Balance Sheet at the insurance valuations, which are updated annually. The heritage assets are valued on an insurance basis supplemented with a specialist valuation of the collection of civic regalia, artworks and artefacts. Heritage assets are deemed to have infinite lives and are not subject to depreciation but the carrying amounts are reviewed where there is evidence of impairment such as physical damage.

Any impairment is recognised and measured in accordance with the Council's general accounting policy on impairment. Heritage assets have indefinite lives.

(xiv) Insurance provision and reserve

The Council makes provision to cover certain losses on a self-insurance basis. Service revenue accounts are charged a premium during the year and these are used to meet claims and other expected liabilities. The Council has retained external insurance cover for property, liability and officers' indemnity claims above an agreed excess.

The Council has an Insurance Reserve to provide contingency cover for uninsured losses and potential future claims. It is reviewed annually to ensure it is maintained at the appropriate level.

(xv) Intangible assets

Intangible non-current assets are those that do not have physical substance but which are identifiable and controlled by the Council, with this control being secured by legal rights giving access to benefits for a fixed period. The Council capitalises purchased intangible assets in the form of software licences. The balance is amortised to the relevant service revenue account on a straight-line basis over an expected economic life in line with the usual contract length associated with the software purchase.

(xvi) Interest in companies and other entities

The London Borough of Hackney wholly owns five subsidiaries, each established by a single £1 share. There are two building management companies:

- Otto Management Company Limited and
- Makers Management Company Limited

and three Housing rental companies:

- Hackney Housing Company Limited (Holding company);
- Hackney PRS Housing Company Limited (Subsidiary); and
- Hackney LLR Housing Company Limited (Subsidiary)

Further commentary on these entities can be found within the Related Parties section.

(xvii) Inventories

Inventory is included in the balance sheet at cost and, where applicable, issued on a First In, First Out basis. This represents a departure from the Code but is considered immaterial, given the low level of inventory carried by the Council.

(xviii) Leases (operating)

All non-finance leases are accounted for as operating leases. Rentals payable for leases where the Council is lessee are charged to the relevant service revenue account as they become payable. This is a departure from the Code, which states that the rentals should be charged to revenue on a straight-line basis over the term of the lease. However, the impact of this departure from the Code is not material due to the low level of leasing costs incurred. This is clearly demonstrated within Note 40 to the core financial statements.

Where the Council is lessor, rentals receivable are credited to the relevant service revenue account as they become receivable. This is a departure from the Code, which states that the rentals should be credited to revenue on a straight-line basis over the term of the lease. However, the impact of this departure from the Code is not material due to the low level of leasing income received. This is clearly demonstrated within Note 40 to the core financial statements.

(xix) Leases (finance)

The Council accounts for its leases as finance leases where the substance of the transaction rather than the form of the contract means that substantially all the risks and rewards incidental to ownership of the asset have been transferred to the Council. All other leases and those which are not considered material are accounted for as operating leases as detailed in Note 40.

The Council also accounts for its leases in this way where it has entered into an arrangement, comprising a transaction or series of transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments.

Leases of land and buildings are classified as finance leases in the same way as leases of other assets. When land has an indefinite economic life, the land element is normally classified as an operating lease.

The Council as lessee:

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible non-current asset – the liability is written down as the rent becomes payable by the principal element of the rental charge), and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Non-current assets recognised under finance leases are accounted for using the policies applied generally to tangible non-current assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

The Council as lessor:

The only finance leases which the Council has as lessor relate to properties. These properties have been written out of the Balance Sheet as disposals. At the commencement of the leases, the carrying amount of the assets in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, an amount representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a long term debtor in the Balance Sheet at the start of the lease, matched with the de-recognition of the asset – the long term debtor is written down as the rent becomes receivable by the principal element of the rental income), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes receivable).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium (amount received above the base rent/rental agreement) has been received under a finance lease, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the

Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The government has issued regulations and statutory guidance in relation to accounting for leases. These allow the Council to continue to treat income from leases in place as at 31st March 2010 in the same way as it treated income prior to introduction of the Code.

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

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1st April 2022.

(xx) National Non-Domestic Rates (NNDR)

The Local Business Rates Retention Scheme came into effect from 2013/14 as part of the changes to Local Government funding in the Local Government Finance Act 2012. Under the Business Rates Retention Scheme Local Authorities share their business rates with their major preceptor, in Hackney's case: the Greater London Authority (GLA), and Central Government.

On 1st April 2018, London Authorities entered into a pooling arrangement for NNDR purposes. The Pooling arrangement came to an end March 2021.

Income credited to Comprehensive Income and Expenditure Statement is accrued income for the year. The difference between accrued income and income under regulation (authority's share of NNDR1 income for the year plus/minus share of estimated surplus/deficit for previous year) is adjusted for via the Movement in Reserves Statement. Revenue relating to NNDR shall be measured at the full amount receivable net of impairment of debts.

(xxi) Non-current assets

Non-Current assets are those that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. Those shown in the Balance Sheet are:

- Property, Plant & Equipment Assets - used by the Council to provide services, e.g. council dwellings, offices and libraries, vehicles, plant and equipment, community assets such as parks, heritage assets such as civic regalia, assets under construction and former investment properties and surplus assets reclassified under the IFRS Code as corporate assets held for service delivery purposes, e.g. regeneration.

- Investment Properties - owned by the Council but not directly used to provide services, e.g. land held for future development. These assets are held to earn market rents or for capital appreciation. Refer to Policy xxix. Fair Value Measurement.

Recognition: expenditure on the acquisition, creation or enhancement of tangible non-current assets is capitalised on an accruals basis, provided that it increases the value of the asset and that it yields benefits to the Council and the services it provides for more than one financial year. Expenditure that simply secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Capital expenditure on non-current assets of less than £50k (except where justification can be identified) is treated as de minimis and written off to revenue. All capital expenditure over £50k is reviewed by programme managers to assess how much of the cost is an enhancement to the non-current asset, and the balance written off to revenue. All capital expenditure over £2.5 million is reviewed by qualified valuers to assess how much of the cost is an enhancement to the non-current asset and the balance written off to revenue.

Measurement: assets are initially valued in the Council's Balance Sheet at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use and which would increase the value of the asset by the equivalent amount of the capital expenditure. Such expenditure includes salaries which are attributable to capital schemes and which have therefore been capitalised on the basis of a percentage of estimated staff time, allocated between projects within the capital programme. Any capital expenditure on an asset, where it is assessed that no increase in the valuation has taken place, is written off to revenue as an impairment loss. Such write-offs are subsequently reversed via the Movement in Reserves Statement in order that no charge is made to Council Tax.

Assets are then carried in the Balance Sheet using the following measurement basis:

- Infrastructure, community assets and assets under construction (excluding investment property) – Depreciated Historic Cost
- Heritage assets – Sum Insured Valuation
- Assets that have short useful lives and / or low values such as vehicles, plant and equipment – Depreciated Historic Cost (used as a proxy for Current Value)
- Council dwellings – Existing Use Value for Social Housing
- Specialist property assets, e.g. schools - Depreciated Replacement Cost
- All other property assets shall be valued at Current Value (Existing Use)
- Investment Property - Fair Value
- Investment Property held on a lease - Fair Value (Lease Interest)

Though infrastructure assets, community assets and assets under construction are not revalued, they still incur costs during the year as part of subsequent expenditure. Some of which might be enhancing and others not. Expect such amounts to be recognised as impairments rather than revaluation decreases as set out currently in note 13.

If there is no market based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, the estimate for Current Value may be depreciated replacement cost (DRC). The valuer will use his/her professional judgement to assess, where no market exists, a DRC value based on a Modern Equivalent Asset valuation.

Property assets included in the Balance Sheet at current value are revalued at least once every five years. Increases in valuations will be credited to the Comprehensive Income and Expenditure Statement where they reverse previous revaluation losses on the same assets charged to revenue, otherwise increases are credited to the Revaluation Reserve. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007. Property assets which have been sold are subject to disclosure of any profit or loss on disposals within the Comprehensive Income and Expenditure Statement.

Impairment and revaluation losses/gains: all assets are considered at the end of each year for evidence of fluctuations in value. If an impairment loss (specific to an asset) or revaluation loss (general fall in prices across the board) is identified as part of the review, where there are accumulated revaluation gains attributable to the asset in the Revaluation Reserve, an amount up to the value of the accumulated gain is charged and any balance is charged to the Comprehensive Income and Expenditure Statement.

Revaluation gains are used to reverse any previous revaluation losses on the same assets charged to the Comprehensive Income and Expenditure Statement, and any remaining balance is then credited to the Revaluation Reserve.

Any gains or losses relating to investment properties are credited or charged directly to the Comprehensive Income and Expenditure Statement.

An analysis of the revaluations carried out during the last five financial years is set out in the Valuations of non-current assets statement in Note 13. The result of the latest revaluations and other changes to the Council's non-current assets during the year are also set out in this note.

Disposals: upon disposal, the net book value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Receipts from the disposal are also credited to the Comprehensive Income and Expenditure Statement. Revaluation of assets at point of disposal is no longer permitted. As a result, the calculated gain or loss on disposal is accounted for through the Movement in Reserves Statement. Any revaluation gains in the Revaluation Reserve attributable to the disposed asset are transferred to the Capital Adjustment Account. In order that the profit or loss on disposal of an asset does not become a charge against Council Tax or rents, appropriations equal to the profit or loss are made to/from the Capital Adjustment Account from the Movement in Reserves Statement. For HRA dwelling disposals, in addition to sales of dwellings, this also includes demolitions of defunct assets arising from the Estate Renewals capital programme.

Proceeds from the disposal of non-current assets are treated as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of reductions and allowances) is payable into a Government Pool. The balance is credited to the Usable Capital Receipts Reserve to be used for new capital investment or set-aside to reduce the Council's borrowing requirement.

Deferred capital receipts relates to the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties, non-current assets held for sale and community assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. The depreciation of operational non-current assets is calculated in the following way for each category of asset:

- Council Dwellings – the Council depreciates council dwellings on a straight line basis over the useful economic life of the property, estimated by the valuer. The range for useful life is 50-70 Years (excluding new builds).
- Other buildings - based on current valuations; lives of assets are individually assessed and depreciation calculated on a straight-line basis. In accordance with accounting standards, land is not depreciated. The range for useful life is 30-90 Years.
- Vehicles, Plant and Equipment - based on acquisition costs, lives of assets are individually assessed and depreciation calculated on a straight-line basis.
- Infrastructure Assets - calculated on a straight-line basis over 25 years.
- Community Assets - depreciation is not required on land, such as parks and open spaces.
- Heritage Assets - the Council's civic regalia and works of art have very long useful economic lives and depreciation would therefore be immaterial.

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

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

Any building assets with a value below £1 million are not considered material for recording separate components. Separate components will be considered in a building asset with a value greater than £1 million if the component has a value of greater than 25% of the asset and the life of the component is materially different from life of the host asset. All credit balances on the revaluation reserve relating to an asset are deemed to relate to the host asset and not to individual components.

(xxii) Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Such an asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

(xxiii) Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2020/21 (SeRCOP). Elements of support costs remaining within core unit budgets at year-end are, where material, fully allocated to services on the same basis as those used throughout the year.

(xxiv) PFI schemes and similar contracts

PFI contracts are agreements to receive services, where the responsibility for making available the non current assets needed to provide the services passes to the PFI contractor. The Council has one PFI scheme for the Technology and Learning Centre (TLC). As the Council is deemed to control the services that are provided under its PFI scheme and as ownership of the TLC building will pass to the Council at the end of the contract for no additional charge, the Council carries the non current asset used under the contract on the Balance Sheet as part of Property, Plant and Equipment. This is in accordance with International Financial Reporting Interpretations Committee (IFRIC) Standard 12 on Service Concession Agreements contained in the government's Financial Reporting Manual (FReM).

The original recognition of the non current asset at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Technology and Learning Centre (TLC), there was no initial capital contribution.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operator each year are analysed in the below elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge of 7.5% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

(xxv) Provisions

Where events have occurred that result in an obligation for the Council to make settlement by a transfer of economic benefits, but the timing or the amount of the transfer is uncertain, the Council sets aside specific provisions. These are charged directly to the appropriate service revenue account in the year in which the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When actual payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, and if it becomes probable that a transfer of economic benefits will not be required, or a lower settlement than was anticipated is made, the related provision is reversed and credited back to the relevant service revenue account. Details of the provisions made in the Council's accounts are set out in Note 20. Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

(xxvi) Reserves

Reserves are set-aside for future policy purposes that are likely to result in future liabilities or commitments. They, however fall outside the definition of a provision. Such reserves are shown in Note 8 and are created by appropriating amounts in the Movement in Reserves Statement on the General Fund Balance (or Housing Revenue Account Balance, as appropriate). When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement and scores against the net cost of services. The financing from the reserve is reflected through a credit to the Movement in Reserves Statement on the General Fund Balance so that there is no charge against Council Tax or rents for the year in respect of that expenditure.

Some reserves, such as the Revaluation Reserve, Capital Adjustment Account, Collection Fund Adjustment Account, Financial Instruments Adjustment Accounts, Employee Benefit Reserve and Pensions Reserve are maintained for purely accounting purposes and do not represent usable resources available to the Council. Their use is governed by statutory and/or CIPFA guidance and are explained in the relevant policies. These unusable reserves are shown in Note 23.

(xxvii) Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute, previously referred to as “deferred charges” represents expenditure that may be capitalised but does not result in the creation of tangible non current assets. Expenditure of this nature is written off to the relevant service revenue accounts in the year in which the expenditure is incurred. Examples include capital grants to voluntary groups and expenditure on assets that do not belong to the Council. Such expenditure is charged to the Comprehensive Income and Expenditure Statement and credited to the General Fund Balance.

(xxviii) Value Added Tax

Income and expenditure in the Statement of Accounts is net of VAT, where recoverable. Claims to HM Revenues and Customs for the net VAT incurred are made on a monthly basis.

(xxix) Fair Value Measurement

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

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

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

2. Accounting Standards Issued, Not Adopted

The Code of Practice requires local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The impact of each of these items is deemed relatively minor and self-contained in relation to local government accounting.

3. Critical Judgements in Applying Accounting Policies

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

- There continues to be a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Community and Voluntary Controlled schools are recognised on the Council's Balance Sheet as the Council manages these schools, employs the staff and sets the admissions policy. Only the land value for Academies are held on the balance sheet as the buildings are leased on a long lease. The Council does not include Foundation or Voluntary Aided schools within its asset register because the Governing Body is responsible for running the school and setting the admissions policy rather than the Council.

- The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

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

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

Assets and liabilities that are carried at fair value based on a recently observed market price are not included in this note. There are no items in the Council's Balance Sheet as at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year, except for the below.

The Business Rates retention scheme which came into existence on 1st April 2013 whereby Local Authorities became liable for their proportionate share of successful rateable value appeals. In 2020/21 Hackney retained 30% (48% in 2019/20) of the rates raised, the GLA 37% (27% in 2019/20) and the Governments share was 33% (25% in 2019/20). However the appeals are still being provided for within the Council's statement of accounts and have been reflected in the Provisions as at 31st March 2021. The provision estimate was provided by a firm of knowledgeable and professionally qualified business rates experts (FIRRV, IRRV, FRICS) and has been based on latest live available information including the Valuation Office's (VO) ratings list of outstanding appeals, an analysis of successful appeals to date including probable appeals not yet lodged; considers: type of hereditament, geographical factors, valuation histories and trends within similar or comparable assessments.

Uncertainties:

The estimation of the net liability to pay pensions depends on a number of complex assumptions used in the calculation of the liabilities. These include the discount rate used, the rate at which salaries are projected to increase, changes to retirement ages, mortality rates and expected returns on pension fund assets. Where the outcome is different to the assumptions this will impact on the pension liability. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

Covid-19 will have a significant financial impact on the Council's resources in the long-term, however at the point at which these accounts were published, it was not possible to quantify this precisely. The effects on the net pension liability of changes to individual assumptions can be measured as shown in the table below:

Change in Assumptions at 31 March 2021	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	264,547
0.5% increase in the Salary Increase Rate	1%	16,209
0.5% increase in the Pension Increase Rate	9%	243,570

A 1 year increase in life expectancy would increase the Council's Defined Benefit Obligation by approximately 3-5%; however In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

5. Material Items of Income and Expense

The Council received various COVID-19 related income streams from Central Government to 'passport' to local taxpayers, in an agent capacity. This income is not reflected in the Council's CIES as it does not belong to the Council. Further information is shown in the Narrative Report.

All material items of income and expenditure are disclosed in their respective notes throughout the Statement of Accounts.

6. Events After the Balance Sheet Date

This version of the Statement of Accounts was authorised for issue by the Group Director of Finance and Corporate Resources on 3rd December 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not however available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or, where in deficit, that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the resource arising from depreciation on HRA assets. The balance shows the resource that has yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Movement during 2020/21	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£'000	£'000	£000	£000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive I&E Statement						
- Charges for depreciation and impairment of non-current assets	(34,163)	(41,180)	0	0	0	75,343
- Revaluation losses on Property, Plant and Equipment	(32,186)	(101,608)	0	0	0	133,794
- Movement in the market value of Investment Properties	(31,376)	(377)	0	0	0	31,753
- Amortisation of intangible assets	(2,091)	0	0	0	0	2,091
- Capital grants and contributions applied	24,020	1,793	0	0	10,572	(36,385)
- Revenue expenditure funded from capital under statute	(1,602)	(869)	0	0	0	2,471
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	(44,766)	(23,700)	0	0	0	68,466
Insertion of items not debited or credited to the Comprehensive I&E Statement						
- Statutory provision for the financing of capital investment	3,114	0	0	0	0	(3,114)
- Capital expenditure charged against the General Fund and HRA balances	5,422	2,829	0	0	0	(8,251)
- Reversal of entries included in the surplus or deficit on the provision of services in realtion to capital expenditure	127	0	0	0	0	(127)
Adjustments primarily involving the Capital Grants Unapplied Account:						
- Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	2,979	950	0	0	(3,929)	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
- Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(12)	(49)	0	0	0	61
	(110,534)	(162,211)	0	0	6,643	266,102

Movement during 2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Carried forward from above table:	(110,534)	(162,211)	0	0	6,643	266,102
Adjustments primarily involving the Capital Receipts Reserve:						
- Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	0	0	58,439	0	0	(58,439)
- Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	62,271	26,512	(88,783)	0	0	0
- Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	44,975	0	0	(44,975)
- Contributions from the Capital Receipts Reserve to finance the payments to the	(3,253)	0	3,253	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
- Reversal of Major Repairs Allowance credited to the HRA	0	41,180	0	(41,180)	0	0
- Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	41,180	0	(41,180)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
- Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	(27)	0	0	0	27
Adjustments primarily involving the Pensions Reserve:						
- Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	(10,890)	(2,093)	0	0	0	12,983
Adjustments primarily involving the Collection Fund Adjustment Account:						
- Amount by which council tax income credited to the Comprehensive I&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(25,342)	0	0	0	0	25,342
Adjustments primarily involving the Dedicated School Grant Adjustment Account:						
- Transfer in-year Dedicated Schools Grant deficit (to DSG Deficit Reserve)	(4,117)	0	0	0	0	4,117
Adjustments primarily involving the Accumulated Absences Account:						
- Amount by which officer remuneration charged to the Comprehensive I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3,339)	(641)	0	0	0	3,980
Total Adjustments	**(95,204)**	**(97,280)**	**17,884**	**0**	**6,643**	**167,957**

Movement during 2019/20	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive I&E Statement						
- Charges for depreciation and impairment of non-current assets	(39,674)	(43,184)	0	0	0	82,858
- Revaluation losses on Property, Plant and Equipment	(76,179)	(104,326)	0	0	0	180,505
- Movement in the market value of Investment Properties	(8,022)	0	0	0	0	8,022
- Amortisation of intangible assets	(1,964)	(961)	0	0	0	2,925
- Other Amortisation & Adjustments	0	0	0	0	0	0
- Capital grants and contributions applied	24,193	4,247	0	0	5,028	(33,468)
- Revenue expenditure funded from capital under statute	(470)	(1,345)	0	0	0	1,815
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	(45,711)	(15,731)	0	0	0	61,442
Insertion of items not debited or credited to the Comprehensive I&E Statement						
- Statutory provision for the financing of capital investment	2,709	0	0	0	0	(2,709)
- Capital expenditure charged against the General Fund and HRA balances	4,500	5,725	0	0	0	(10,225)
- Reversal of entries included in the surplus or deficit on the provision of services in realtion to capital expenditure	(1,065)	0	0	0	0	1,065
Adjustments primarily involving the Capital Grants Unapplied Account:						
- Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	1,195	8,854	0	0	(10,050)	1
- Application of grants to the capital financing transferred to capital Adjustment Account	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
- Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(4,570)	9,875	15,125	0	0	(20,430)
Adjustments primarily involving the Capital Receipts Reserve:						
- Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(15,125)	0	0	15,125
- Transfer of non-current asset sale proceeds from revenue to capital receipts reserve	0	0	26,464	0	0	(26,464)
- Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	63,873	58,475	(122,348)	0	0	0
- Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	104,655	0	0	(104,655)
	(81,185)	(78,371)	8,771	0	(5,022)	155,807

Movement during 2019/20	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Carried forward from above table:	(81,185)	(78,371)	8,771	0	(5,022)	155,807
- Contribution from the Capital Receipts Reserve towards administration costs of non-current asset disposals	0	0	0	0	0	0
- Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(25,025)	0	25,025	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
- Reversal of Major Repairs Allowance credited to the HRA	0	43,185	0	(43,185)	0	0
- Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	43,185	0	(43,185)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
- Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	(32)	0	0	0	32
Adjustments primarily involving the Pensions Reserve:						
- Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	(29,288)	(5,772)	0	0	0	35,060
- Employers' pension contributions and direct payments to pensioners payable in the year	0	0	0	0	0	0
Adjustments primarily involving the Collection Fund Adjustment Account:						
- Amount by which council tax income credited to the Comprehensive I&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,043)	0	0	0	0	5,043
Adjustments primarily involving the Accumulated Absences Account:						
- Amount by which officer remuneration charged to the Comprehensive I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(189)	(61)	0	0	0	250
Other adjustments	(1,960)	0	(7)	0	1,960	7
Total Adjustments	**(142,690)**	**(41,050)**	**33,789**	**0**	**(3,062)**	**153,013**

8. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21.

	Balance at 31/03/19	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
General Fund:							
Balances held by schools under scheme of delegation	(14,956)	1,760	0	(13,196)	0	(3,569)	(16,765)
Replacement and development of financial systems	(999)	315	0	(684)	557	0	(127)
Rising Energy Costs	(1,607)	1,115	0	(492)	0	0	(492)
Future increases in NLWA levy	(500)	0	0	(500)	0	0	(500)
Unspent contingencies	(765)	0	0	(765)	0	0	(765)
Revenue contributions to capital programme	(9,993)	5,627	(1,139)	(5,505)	0	0	(5,505)
Children's Services Transformation	(1,132)	388	(856)	(1,600)	1,600	0	0
Homelessness	(2,000)	0	0	(2,000)	0	0	(2,000)
Revenue contribution to primary school building programme	(2,718)	1,395	0	(1,323)	0	0	(1,323)
General Legal Costs	(1,096)	28	0	(1,068)	0	0	(1,068)
Insurance	(4,800)	0	(350)	(5,150)	0	(1,000)	(6,150)
Fleet Replacement	(3,043)	1,630	(2,361)	(3,774)	3,854	(80)	0
CYP Commissioning Activity/Looked After Children	(2,300)	2,300	(3,269)	(3,269)	0	(438)	(3,707)
Adult Social Care	(10,486)	3,309	0	(7,177)	2,130	(3,358)	(8,405)
PFI grant to be released over life of contract	(4,071)	0	0	(4,071)	0	0	(4,071)
Revenue contribution to Youth Service Accommodation Strategy	(700)	0	0	(700)	0	0	(700)
Impact of referrals of high profile cases in neighbourhood	(728)	728	0	0	0	0	0
Revs & Bens costs and loss of subsidy	(1,044)	1,044	0	0	0	0	0
Manifesto commitments and mitigation of government funding loss	(11,182)	11,985	(6,170)	(5,367)	1,473	(3,468)	(7,362)
Taxation Income Grant	0	0	0	0	0	(6,040)	(6,040)
NNDR Reserve	0	0	0	0	0	(14,372)	(14,372)
Cyber Attack	0	0	0	0	0	(1,000)	(1,000)
Children in Need - s17 cases	(400)	274	(174)	(300)	0	(400)	(700)
Disabled Children Services	(148)	148	(476)	(476)	0	(768)	(1,244)
Election Costs Reserve (including boundary changes, impact of	(200)	0	(200)	(400)	0	(200)	(600)
Public Health	0	0	0	0	0	(1,621)	(1,621)
Disabled Facilities Grant	0	0	0	0	0	(898)	(898)
Hackney Education	(323)	0	(5,028)	(5,351)	0	(1,600)	(6,951)
General Fund Sub Total	**(75,191)**	**32,046**	**(20,023)**	**(63,168)**	**9,614**	**(38,812)**	**(92,366)**

	Balance at 31/03/19	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21
General Fund b/f from above	(75,191)	32,046	(20,023)	(63,168)	9,614	(38,814)	(92,366)
Hackney Education Dedicated Schools Grant	(2,792)	4,005	3,814	5,028	(5,028)	0	0
Whole Life Costings and repairs to civic estate	(4,405)	106	(400)	(4,699)	0	(400)	(5,099)
Leisure Centre Management	(1,916)	28	0	(1,888)	0	0	(1,888)
Revenue grants received in advance of expenditure incurred	(16,410)	4,507	(12,789)	(24,692)	10,703	(4,324)	(18,313)
Depot Upgrade	(1,061)	117	0	(944)	488	0	(456)
Hardship Fund	(500)	84	0	(416)	93	(500)	(823)
Children's services housing costs	(500)	75	0	(425)	44	0	(381)
Hackney Walk	(3,714)	0	(1,941)	(5,655)	0	(1,919)	(7,574)
Woodberry Down - MOU	(594)	0	0	(594)	0	0	(594)
CACH Transformation	(7,050)	3,001	(366)	(4,415)	1,798	(10)	(2,627)
Adult Social Care - DFG	0	481	(1,686)	(1,205)	0	0	(1,205)
Sleep In	(600)	78	0	(522)	200	0	(322)
Empty Corporate Properties	(1,273)	523	0	(750)	444	0	(306)
Day Services Transport	(640)	0	(160)	(800)	0	0	(800)
Private Sector Housing - Licensing income	(1,772)	0	0	(1,772)	551	0	(1,221)
Regeneration Night Time Economy	(616)	0	0	(616)	230	0	(386)
Delayed Budget Growth	0	0	(600)	(600)	600	0	0
Other miscellaneous reserves	(9,392)	3,391	(4,425)	(10,426)	1,603	(2,749)	(11,569)
Total GF Earmarked Reserves	**(128,426)**	**48,443**	**(38,576)**	**(118,559)**	**21,340**	**(48,716)**	**(145,935)**
GF Working Balance	(15,007)			(15,007)			(15,007)
Total GF Reserves per MiRS	**(171,859)**			**(133,574)**			**(160,942)**

	Balance at 31/03/19	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21
HRA:	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Tenant Levy	(262)	0	(11)	**(273)**	0	(109)	**(382)**
Aerial Mast Income	(1,369)	0	(123)	**(1,492)**	0	(238)	**(1,730)**
HRA Rightsizing	(4,508)	3,675	0	**(833)**	0	(4,793)	**(5,626)**
Utilities	(3,341)	578	0	**(2,763)**	0	0	**(2,763)**
HRA Insurance	(600)	0	0	**(600)**	50	0	**(550)**
Total HRA Earmarked Reserves	**(10,080)**	**4,253**	**(134)**	**(5,961)**	**50**	**(5,141)**	**(11,052)**
HRA Working Balance	(15,000)			(11,200)			(12,300)
Total HRA Reserves per MiRS	**(25,080)**			**(17,161)**			**(23,352)**

9. Other Operating Expenditure

This note provides an analysis of Other Operating Expenditure disclosed in the Comprehensive Income and Expenditure Statement.

	2020/21	2019/20
	£'000	£'000
Levies	8,694	8,602
Payments to the Government Housing Capital Receipts Pool	3,253	25,025
(Gains) / Losses on the disposal of non-current assets	(20,318)	(70,781)
	(8,371)	**(37,155)**

10. Financing and Investment Income and Expenditure

This note provides an analysis of Financing and Investment Income and Expenditure disclosed in the Comprehensive Income and Expenditure Statement.

	2020/21	2019/20
Interest payable and similar charges	20,509	9,903
Pensions interest cost and expected return on pensions	15,008	20,345
Interest receivable and similar income	(1,577)	(1,808)
Income and expenditure in relation to investment properties and changes in their fair value	34,983	12,150
Other Investment Income	**(41)**	**(71)**
	68,882	**40,519**

11. Taxation and Non-Specific Grant Income

This note provides an analysis of Taxation and Non-Specific Grant Income disclosed in the Comprehensive Income and Expenditure Statement.

	2020/21	2019/20
	£'000	£'000
Council tax income	(84,963)	(84,456)
Non domestic rates	(116,979)	(165,818)
Non-ringfenced government grants	(72,672)	(20,098)
Capital grants and contributions	(29,741)	(38,490)
	(304,355)	**(308,862)**

12. Heritage Assets

All of the Council's heritage assets is reported in the Balance Sheet at the insurance valuation which is based on markets values. These insurance valuations are updated annually. The heritage assets valuation was conducted in February 2021 by an external surveyor; James Glennie from Art & Antiques Appraisals recommended from the authorities' independent broker's insurer. This valuation attempts to take into account that there are important parts of the collection that if lost, would be replaced where possible with similar objects; there are items that would be replaced with similar objects but not necessarily of the same fiscal value; there are those that would be replaced with different objects altogether and there are those that would not be replaced. Importantly whilst putting the insurance level of some areas at a lower figure than in the past, it continues to insure the collection responsibly, whilst providing a pragmatic solution in times of stringent budgeting and still providing the museum with sufficient funds, in the case of a major disaster, to both replace the objects and protect the fiscal asset. The heritage assets include Civic Regalia, Artworks and Artefacts (further details contained in Note 48). The following is a reconciliation of the carrying value of heritage assets held by the Council recorded on the Balance Sheet.

	Civic Regalia	Artworks	Artefacts	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
Balance as at 1 April 2020	682	857	737	2277
Revaluations	25	5	15	45
Balance as at 31 March 2021	**707**	**862**	**752**	**2322**
Cost or Valuation				
Balance as at 1 April 2019	588	852	714	2154
Additions	12	0	0	12
Revaluations	82	5	23	110
Balance as at 31 March 2020	**682**	**857**	**737**	**2277**

13. Property, Plant and Equipment

Movements in 2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or Valuation								
At 1st April 2020	2,311,601	1,543,779	39,942	288,537	39,124	89,287	**4,312,270**	26,583
Adjustment:	0	(12,293)	(7,621)	(623)	0	0	**(20,537)**	0
Additions	41,798	33,938	8,606	11,525	2,762	95,303	**193,932**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	54,501	103,648	0	0	(1,023)	0	**157,126**	0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(144,915)	(58,984)	(246)	(464)	(111)	(12,409)	**(217,129)**	(266)
Derecognition - disposals	(21,988)	0	0	0	0	0	**(21,988)**	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	(2,854)	**(2,854)**	0
Other movements in cost or valuation	39,369	(24,521)	0	0	5,271	(39,369)	**(19,250)**	0
At 31st March 2021	**2,280,366**	**1,585,567**	**40,681**	**298,975**	**46,023**	**129,958**	**4,381,570**	**26,317**
Accumulated Depreciation and Impairment								
At 1st April 2020	(67,522)	(26,946)	(26,674)	(127,111)	0	0	**(248,253)**	(344)
Adjustment:	0	12,293	7,621	623	0	0	**20,537**	
Depreciation charge	(36,337)	(19,098)	(8,341)	(11,856)	0	0	**(75,632)**	(348)
Depreciation written out to the Surplus/Deficit on the Provision of Services	68,627	14,708	0	0	0	0	**83,335**	358
Other movements in depreciation and impairment	0	289	0	0	0	0	**289**	0
At 31st March 2021	**(35,232)**	**(18,754)**	**(27,394)**	**(138,344)**	**0**	**0**	**(219,724)**	**(334)**
Net Book Value at 31st March 2021	**2,245,134**	**1,566,813**	**13,287**	**160,631**	**46,023**	**129,958**	**4,161,846**	**25,983**

Movements in 2019/20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or Valuation								
At 1st April 2019	2,377,656	1,597,135	55,020	275,530	39,124	144,768	**4,489,233**	27,455
Adjustment:	0	(243)	(20,923)	0	0	0	**(21,166)**	
Additions	44,236	36,056	6,916	13,203	1,352	109,468	**211,231**	2
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(25,354)	56,862	(224)	0	(1,313)	(196)	**29,775**	0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(83,851)	(111,644)	(847)	(196)	(39)	(15,582)	**(212,159)**	(874)
Derecognition - disposals	(14,679)	0	0	0	0	0	**(14,679)**	0
Assets reclassified (to) / from Held for Sale	0	(47,183)	0	0	0	(114,403)	**(161,586)**	0
Other movements in cost or valuation	13,593	12,796	0	0	0	(34,768)	**(8,379)**	0
At 31st March 2020	**2,311,601**	**1,543,779**	**39,942**	**288,537**	**39,124**	**89,287**	**4,312,270**	**26,583**
Accumulated Depreciation and Impairment								
At 1st April 2019	(39,234)	(20,037)	(43,702)	(115,579)	0	0	**(218,552)**	(348)
Adjustment:	0	243	20,923	0	0	0	**21,166**	0
Depreciation charge	(39,030)	(27,448)	(4,848)	(11,532)	0	0	**(82,858)**	(345)
Depreciation written out to the Surplus/Deficit on the Provision of Services	10,534	20,292	953	0	0	0	**31,779**	349
Derecognition - disposals	212	0	0	0	0	0	**212**	0
Other movements in depreciation and impairment	(4)	4	0	0	0	0	**0**	0
At 31st March 2020	**(67,522)**	**(26,946)**	**(26,674)**	**(127,111)**	**0**	**0**	**(248,253)**	**(344)**
Net Book Value at 31st March 2020	**2,244,079**	**1,516,833**	**13,268**	**161,426**	**39,124**	**89,287**	**4,064,017**	**26,239**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation.

- Council Dwellings – The lives of assets will vary depending on when the assets were built, material used in construction, level of wear and tear, quality of the maintenance programme etc. Generally these assets have a life of 50 years but a well-designed newly built house or apartment block could have an estimated life of 70 to 80 years. These assets are depreciated on a straight line basis.

- Other Land and Buildings – lives of assets and any material components are individually assessed (by valuers and engineers) and depreciated on a straight line basis
- Vehicles, Plant, Furniture and Equipment – lives of assets are individually assessed and depreciated on a straight line basis
- Infrastructure Assets – calculated on a straight line basis over 25 years.

Capital Commitments

As of 31st March 2021, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment into 2021/22 and future years, budgeted to cost £46.774 million. Similar commitments as of 31st March 2020 were £145.182 million. The major commitments are as follows:

- Estate Regeneration of Tower Court, Mandeville Street, Bridge House, Pedro Street, Daubeney Road and Britannia, £22.670 million (£51.843 million as of 31st March 2020).
- Hackney Planned Asset Management - Hackney Housing Improvement Programme and former Decent Homes Programme, £12.832 million (£12.857 million as of 31st March 2020)
- Tiger Way and Nile Street new build schools and mixed-use developments, £5.321 million (£12.909 million as of 31st March 2020)
- Britannia mixed-use developments (Education and Leisure), £5.951 million (£64.799 million as of 31st March 2020)

Effects of Changes in Estimates

In 2020/21 the Council made no material changes to its accounting estimates in respect of property, plant or equipment.

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every five years with a desktop indexing carried out in-between valuation years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are held at depreciated historical cost.

The significant assumptions applied in estimating the current values are as follows:

- Properties classified as occupied by the Council for the purpose of its business have been valued on the basis of Existing Use Value, determined as the amount that would be paid for the asset in its existing use, assuming vacant possession of all parts occupied by the Council
- For School Buildings, these have been valued on the basis of depreciated replacement cost because of their specialist nature
- For Surplus Assets, these have been valued on the basis of current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- For all other assets within other land and buildings, these have been valued on the basis of Existing Use Value, determined as the amount that would be paid for the asset in its existing use
- Properties classified as surplus to requirements have been valued on the basis of Fair Value
- In the case of specialised properties (where valuation methods such as market comparison or an income (profit) test cannot be applied reliably), we have used Depreciated Replacement Cost as a method of estimating Market Value
- For HRA dwellings, the valuation report provides valuations of the housing stock on the basis of Existing Use Value for Social Housing (EUV-SH) and the adjustment factor used for social housing is 25% of the EUV.
- The HRA dwelling is made up of around 22,000 residential dwellings ranging from seven bedroom houses to studio flats and hostels. The Beacon Approach has been adopted with each housing unit appropriately classified under a categorisation by house type, flats in low, medium, high and super high rise and location; and follows the application of RICS valuation for Social Housing (EUV_SH) to determine the asset value.
- For the 80% desktop exercises the relevant beacon valuations set out in the previous revaluation report and desktop index revaluation have been indexed to reflect an estimation of changes in values over the period 1st April 2020 to 31st March 2021. In assessing the levels of indexation, regard has been given to evidence from;

    - Right To Buy valuations undertaken in the borough during this period, data supplied by the Land Registry on house prices for completed sales within Hackney over the period
    - Data on house prices in Greater London published by building societies and banks
    - Non-dwellings, the indices and information from Independent Property Databank Limited.

Voluntary aided and faith schools are not included on the Council's Balance Sheet as they are not owned by the Council. Any capital expenditure incurred on these schools is treated as revenue expenditure funded from capital under statute

14. Investment Properties

The fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2020/21	2019/20
	£000	£000
Rental income from investment property	(7,824)	(7,054)
Direct operating expenses arising from investment property	1,263	300
Net (gain) / loss	**(6,561)**	**(6,754)**

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

The following table summarises the movements in fair value of investment properties over the year.

	2020/21	2019/20
	£000	£000
Balance at start of the year	198,515	209,030
Additions - Subsequent expenditure	79	9
Transfers to/from PPE	19,250	8,379
Net gain/losses from FV adjustments	(42,001)	(18,903)
Balance at the end of the year	**175,843**	**198,515**

Fair Value Measurement - Property Type

The authority measures the fair value of an investment property using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

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

Inputs to the valuation techniques in respect of investment properties for which fair value is measured based on Level 2 inputs. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets of liabilities in markets that are not active
- inputs other than quoted prices that are observable for asset or liability, for example interest rates or credit spreads

- inputs that are derived principally form corroborated by observable market data by correlation or other means

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and is accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses as well as costs of internally generated software.

Subsequent expenditure where it meets the recognition criteria in the Code will be recognised in the carrying amount of the intangible asset or, if the subsequent expenditure does not relate to software, be written out to revenue as an impairment charge.

All software is given a finite useful life, based on assessment of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suites used by the Council is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.091 million charged to revenue in 2020/21 is shown across various headings in the Net Expenditure of Services.

There are no changes in accounting estimates which have had an effect on the current period or are expected to have an effect in subsequent periods.

There are no assets assessed as having an indefinite useful life and no items of capitalised software that are individually material to the financial statements. The Council does not revalue its software assets as these are below the de minimis levels of £50,000 for individual assets. These are instead held at acquisition cost.

The movement on Intangible Asset balances during the year is as follows.

	2020/21	2019/20
	£000	£000
Balance at start of year		
- Gross carrying amount	6,851	15,628
- Accumulated amortisation	(3,840)	(10,431)
Net carrying amount at start of year	3,011	5,197
Additions – Purchases	2,148	1,210
Impairment losses, recognised in the Surplus/Deficit on the Provision of Services	0	(470)
Amortisation for the period	(2,091)	(2,926)
Net carrying amount at the end of year	**3,068**	**3,011**
Compromising:		
- Gross carrying amount	8,999	16,368
- Accumulated amortisation	(5,931)	(13,357)
	3,068	**3,011**

16. Financial Instruments

(a) Financial Instruments - Classifications

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

Financial Liabilities

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

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

- long term loans from PWLB,
- Amber Green Leef loan,
- lease payables,
- private finance initiative contracts

Financial Assets

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

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

    - bank current and deposit accounts,
    - loans to other local authorities,
    - loans to housing associations,
    - loans to subsidiaries,
    - lease receivables

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

    - equity investment in Municipal Bond Agency
    - equity investment in subsidiaries

- Fair value through profit and loss (all other financial assets) comprising:
    - money market funds,

(b) Financial Instruments - Balances

The following categories of financial instrument are carried in the Balance Sheet.

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term 31.3.2021 £000s	Long Term 31.3.2020 £000s	Short Term 31.3.2021 £000s	Short Term 31.3.2020 £000s
Loans at amortised cost:				
- Principal sum borrowed	(76,200)	(80,700)	(400)	(45,400)
- Accrued interest	(441)	(463)	(9)	(135)
Total Borrowing	**(76,641)**	**(81,163)**	**(409)**	**(45,535)**
Liabilities at amortised cost:				
- Finance leases	(111)	(240)	0	0
- PFI arrangements	(10,697)	(11,646)	0	0
Total Other Long-term Liabilities	**(10,808)**	**(11,886)**	**0**	**0**
Liabilities at amortised cost:				
- Finance leases	0	0	(129)	(133)
- PFI arrangements	0	0	(949)	(882)
Included in Creditors	**0**	**0**	**(1,078)**	**(1,015)**
Total Financial Liabilities	**(87,449)**	**(93,049)**	**(1,487)**	**(46,550)**

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term 31.3.2021 £000s	Long Term 31.3.2020 £000s	Short Term 31.3.2021 £000s	Short Term 31.3.2020 £000s
At amortised cost:				
- Principal	13,900	13,500	13,500	15,394
- Accrued interest	0	33	37	8
- Loss allowance	(938)	(12)	0	(18)
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	5,830	30	0	0
Total Investments	**18,792**	**13,551**	**13,537**	**15,384**
At amortised cost:				
- Principal	0	0	20,043	18,035
- Accrued interest	0	0	78	99
- Loss allowance	0	0	(8)	(10)
At fair value through profit & loss:				
- Fair value	0	0	35,730	32,180
Total Cash and Cash Equivalents	**0**	**0**	**55,843**	**50,304**
At amortised cost:				
- Lease receivables	463	631	67	88
Included in Debtors	**463**	**631**	**67**	**88**
Total Financial Assets	**19,255**	**14,182**	**69,447**	**65,776**

Equity instruments elected to fair value through other comprehensive income

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

	Fair Value		Dividends	
	31.3.2021 £000s	31.3.2020 £000s	31.3.2021 £000s	31.3.2020 £000s
Municipal Bond Agency	30	30	0	0
Shareholding 1	4,800	4,800	0	0
Shareholding 2	1,000	0	0	0
Total	**5,830**	**4,830**	**0**	**0**

c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities		Financial Assets		2020/21	2019/20
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Total £'000	Total £'000
Interest expense	1,263	0	0	0	1,263	1,788
Interest payable and similar charges	**1,263**	**0**	**0**	**0**	**1,263**	**1,788**
Interest income	(508)	0	0	0	(508)	(882)
Dividend income	0	0	0	(125)	(125)	(396)
Interest and investment income	**(508)**	**0**	**0**	**(125)**	**(633)**	**(1,278)**
Net impact on surplus/deficit on	755	0	0	(125)	630	510
Net Gain/(Loss) for the Year	**755**	**0**	**0**	**(125)**	**630**	**510**

(d) Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements). Leases are individually assessed, at which point the rates are determined. The discount rate ranges between 0.59-1.4% for finance leases and 6% for the PFI contracts.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs that are observable for the asset or liability, other than quoted prices, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	Fair Value Level	Balance Sheet 31.3.2021 £000s	Fair Value 31.3.2021 £000s	Balance Sheet 31.3.2020 £000s	Fair Value 31.3.2020 £000s
Financial liabilities held at amortised cost:					
Other long-term loans	**2**	(76,641)	(78,764)	(81,163)	(82,528)
Lease payables and PFI liabilities	**2**	(11,885)	(11,214)	(12,902)	(12,756)
TOTAL		**(88,526)**	**(89,978)**	**(94,065)**	**(95,284)**
Liabilities for which fair value is not disclosed *		(409)		(45,535)	
TOTAL FINANCIAL LIABILITIES		**(88,935)**		**(139,600)**	
Recorded on balance sheet as:					
Short-term creditors		(1,078)		(1,017)	
Short-term borrowing		(409)		(45,535)	
Long-term borrowing		(76,641)		(81,163)	
Other long-term liabilities		(10,807)		(11,885)	
TOTAL FINANCIAL LIABILITIES		**(88,935)**		**(139,600)**	

	Fair Value Level	Balance Sheet 31.3.2021 £000s	Fair Value 31.3.2021 £000s	Balance Sheet 31.3.2020 £000s	Fair Value 31.3.2020 £000s
Financial assets held at fair value:					
Money market funds	**1**	35,730		32,181	
Corporate, covered and government bo	**1**	0		0	
Shares in unlisted companies	**3**	30		30	
Financial assets held at amortised cost:					
Corporate, covered and government bo	**1**	0	0	0	0
Long-term loans to local authorities	**2**	0	0	3,517	3,675
Long-term loans to companies	**2**	19,700	0	10,016	9,893
Lease receivables	**3**	530	363	719	711
TOTAL		**55,990**	**36,123**	**46,463**	**46,490**
Assets for which fair value is not disclosed *		33,658		33,536	
TOTAL FINANCIAL ASSETS		**89,648**		**79,999**	
Recorded on balance sheet as:					
Long-term debtors		463		631	
Long-term investments		19,730		13,563	
Short-term debtors		67		88	
Short-term investments		13,537		15,402	
Cash and cash equivalents		55,851		50,315	
TOTAL FINANCIAL ASSETS		**89,648**		**79,999**	

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31.3.2021 Liabilities £000s	31.3.2021 Assets £000s	31.3.2021 Net £000s	31.3.2020 Liabilities £000s	31.3.2020 Assets £000s	31.3.2020 Net £000s
Not over 1	(409)	69,388	68,979	(45,535)	65,717	20,182
Over 1 but not over 2	(400)	0	(400)	(800)	3,517	2,717
Over 2 but not over 5	(1,200)	200	(1,000)	(1,200)	10,016	8,816
Over 5 but not over 10	(13,505)	0	(13,505)	0	0	0
Over 10 but not over 20	0	0	0	(15,005)	0	(15,005)
Over 20 but not over 40	(61,536)	13,700	(47,836)	(64,158)	0	(64,158)
Uncertain date	0	5,830	5,830	0	30	30
Total	**(77,050)**	**89,118**	**12,068**	**(126,698)**	**79,280**	**(47,418)**

17. Debtors

The following is an analysis of the debtors balance carried on the Balance Sheet.

	2020/21	2019/20
	£000	£000
Trade receivables	50,240	55,756
Prepayments	3,020	3,212
Other receivable amounts	76,290	88,987
Total	**129,550**	**147,955**

18. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements.

	2020/21	2019/20
	£'000	£'000
Cash held by the Council	143	113
Bank current accounts	(14,361)	(5,987)
Short-term investments	55,773	50,214
Total	**41,555**	**44,340**

19. Assets Held for Sale

All assets held for sale are classed as current assets.

	2020/21	2019/20
	£000	£000
Balance at start of the year	115,875	1,265
Assets newly classified as held for sale:		
- Property, Plant and Equipment	2,855	161,586
Assets declassified as held for sale:		
- Assets sold	(46,479)	(46,976)
Balance at the end of the year	**72,251**	**115,875**

20. Provisions

Provisions are analysed on the face of the Balance Sheet as either short term or long term.

The following table details the total provisions held.

	Insurance	Housing Benefit (Govt. Grants)	HRA Legal Disrepair	NNDR Appeals	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2020	(10,913)	(2,475)	(1,549)	(21,838)	(12,193)	(48,968)
Provisions made in 2020/21	(6,322)	(2,000)	(427)	(2,395)	(5,474)	(16,618)
Amounts used in 2020/21	5,394	0	0	1,275	5,214	11,883
Unused amounts reversed	622	0	0	8,190	1,658	10,470
Balance at 31st March 2021	**(11,219)**	**(4,475)**	**(1,976)**	**(14,768)**	**(10,795)**	**(43,233)**

	Insurance	Housing Benefit (Govt. Grants)	HRA Legal Disrepair	NNDR Appeals	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2019	(11,528)	(2,611)	(1,294)	(23,400)	(4,478)	(43,311)
Provisions made in 2019/20	(6,516)	0	(1,550)	(3,444)	(10,580)	(22,090)
Amounts used in 2019/20	6,899	136	1,204	0	2,211	10,450
Unused amounts reversed	232	0	91	5,006	654	5,983
Balance at 31st March 2020	**(10,913)**	**(2,475)**	**(1,549)**	**(21,838)**	**(12,193)**	**(48,968)**

Insurance Claims

The Council maintains an insurance provision as a risk management fund covering anticipated liabilities for employers' public liability, officers' indemnity, property damage and other risks. This provision is based on an annual review using actuarial methods. The provision as at 31st March 2021 was £11.219 million (£10.913 million as at 31st March 2020). Of this total, £1.547 million represents the provision made for the Housing Revenue Account (£2.169 million as at 31st March 2020) .

The insurance risks are annually reviewed and any new or emerging risks are managed or insured, as appropriate. There is no unfunded material risk to the Council.

Government Grants

Provision has been made on a prudent basis for potential reductions in Housing Benefit grant income following audit of the related grant claims and resolution of outstanding issues.

HRA Legal Disrepair

The HRA legal disrepair provision is for potential payouts on claims received by the Council from tenants concerning HRA properties which have fallen into disrepair. The total provision has increased from £1.55 million to £1.98 million.

NNDR Appeals

The provision covers the Council's share of the estimated business rate income that will be repaid due to successful appeals against the rateable value of business premises. Following the introduction of the new Business Rates Retention Scheme on 1 April 2013, the Council must account for its estimated share of Non-Domestic Rates assets and liabilities. Under the scheme, the Council is exposed to the outcome of outstanding ratings appeals. The Valuation Office Agency continues to process appeals to the 2010 and 2017 lists. In accordance with the principles of agency accounting, the Council recognises its share 30% (48% in 2019/20) of the provision for appeals within the Balance Sheet.

Other Provisions

The other provisions include Thames Water, Low Traffic Neighbourhoods (LTNs) and other individually insignificant provisions.

Thames Water: The Council received commission from Thames Water for collecting water charges from tenants along with their rent. Following a Court of Appeal decision involving another local authority, all councils who had this arrangement were deemed to be ‘water resellers’ and as a result of this the commission received must be repaid to tenants.

LTNs: There have been a number of challenges to the introduction of Low Traffic Neighbourhoods which are still going through the court system. If the Court were to find against the Council then there is a risk that the PCN income collected from the LTNs may need to be repaid as a potential remedy imposed by the Court could be to refund PCN to drivers. Provision has been set up to provide for any potential costs in respect of legal costs and repayment of PCN income. The provision will be reviewed as the Court cases are settled.

21. Creditors

The following is an analysis of the creditors balance carried on the Balance Sheet.

	2020/21	2019/20
	£'000	£'000
Trade payables	(86,349)	(91,157)
Other payables amounts	(89,831)	(63,306)
Total	**(176,180)**	**(154,463)**

22. Usable Reserves

Movements in the Council’s usable reserves are detailed in the Movement in Reserves Statement and in Notes 7 and 8.

23. Unusable Reserves

	31/3/2021	31/3/2020
	£'000	£'000
Revaluation Reserve	(1,149,105)	(1,015,775)
Financial Instruments Revaluation Reserve	140	240
Capital Adjustment Account	(2,782,186)	(2,890,040)
Financial Instruments Adjustment Account	(68)	(95)
Dedicated Schools Grant Adjustment Account*	9,145	0
Deferred Capital Receipts	(25,532)	(25,593)
Pensions Reserve	894,508	654,064
Collection Fund Adjustment Account	23,288	(2,054)
Accumulated Absences Account	8,446	4,466
Total	**(3,021,364)**	**(3,274,788)**

*The DSG deficit earmarked reserve was reclassified as an unusable reserve from 1st April 2020. The 2019/20 closing balance remains reflected as earmark reserve with the statutory change requiring the DSG reserve to be shown as an unusable reserve from April 2020. See note 8 for further details.

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Revaluation Reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

	2020/21	2019/20
	£000	£000
Balance as at 1st April	**(1,015,775)**	**(1,018,388)**
Upward revaluation of assets	(236,884)	(161,620)
Downward revaluation of assets	89,960	142,949
Difference between fair value depreciation and historical cost depreciation	13,594	21,284
Balance as at 31st March	**(1,149,105)**	**(1,015,775)**
Amount written off to the Capital Adjustment Account	13,594	21,284

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from an increase in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

	2020/21	2019/20
	£'000	£'000
Balance as at 1st April	**240**	**170**
Upward revaluation of investments	**(100)**	
Downward revaluation of investments	**0**	**70**
Balance as at 31st March	**140**	**240**

Dedicated Schools Grant (DSG)

New provisions have been put into the School and Early Years Finance (England) Regulations 2020 so that for the financial years beginning on 1 April 2020, 2021 and 2022, the Council must carry forward its overall DSG deficit in an account established, charged and used solely for the purpose of recognising deficits in respect of its schools budget. This means that the Council can no longer hold a negative earmarked DSG reserve as in previous years and the deficit balance is now held in an unusable reserve.

Deferred Capital Receipts Reserve

This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2020/21	2019/20
	£000	£000
Balance as at 1st April	**(25,593)**	**(20,288)**
Long term operating leases reclassified as finance leases	61	59
Write Off Long Term Debtor	0	4,511
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(25,000)
Transfer to the Capital Receipts Reserve upon receipt of cash	0	15,124
Balance as at 31st March	**(25,532)**	**(25,593)**

Capital Adjustment Account

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

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance as at 1st April		**(2,890,040)**		**(2,986,683)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement				
- charges for depreciation and impairment of non-current assets	75,343		82,988	
- revaluation losses and reversals of losses on Property, Plant and Equipment	123,547		188,389	
- amortisation of intangible assets	2,091		2,925	
- expected credit losses	(127)		1,065	
- revenue expenditure funded from capital under statute	2,471		1,815	
- amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	68,465		61,442	
		271,790		338,624
Adjusting amounts written out of the Revaluation Reserve	(13,594)	(13,594)	(21,284)	(21,284)
Net written out amount of the cost of non-current assets consumed in the year		258,196		317,340
Capital financing applied in the year				
- use of the Capital Receipts Reserve to finance new capital expenditure	(44,975)		(104,655)	
- use of the Major Repairs Reserve to finance new capital expenditure	(41,180)		(43,184)	
- capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(25,813)		(28,441)	
- capital grants and other contributions that have been applied to capital financing	(10,572)		(5,028)	
- capital expenditure charged against the General Fund and HRA balances	(8,251)		(10,225)	
- capital receipts applied to debt	(58,439)		(26,464)	
		(189,230)		(217,997)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,096)		(1,719)	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	42,001		9	
Finance lease and PFI movements	(1,016)	38,889	(990)	(2,700)
Balance as at 31st March		**(2,782,186)**		**(2,890,040)**

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage the premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund through the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case this period is the unexpired term that was outstanding on various loans when they were redeemed.

The Council used the Financial Instrument Adjustment Account to account for a soft loan received on 29th September 2014 at lower than market interest rate from Amber Green LEEF 2 LLP. The account has been credited with the realisation of the benefit of obtaining this loan at below market interest rate which has already been credited to the Comprehensive Income and Expenditure Statement. The account is debited each year of the 12 year loan with the excess of interest at the market rate over the actual interest charged on the loan.

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance as at 1st April		(95)		(127)
Amounts by which finance costs charged to CI&ES are different from finance costs chargeable in year in accordance with statutory requirements		27		32
Balance as at 31st March		(68)		(95)

Pensions Reserve

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

	2020/21	2019/20
	£'000	£'000
Balance as at 1st April	**654,064**	**838,873**
Remeasurements of net defined liability / (asset)	227,463	(219,869)
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on Provision of Services	77,742	99,506
Employer's pension contributions and direct payments to pensioners payable in the year	(64,761)	(64,446)
Balance as at 31st March	**894,508**	**654,064**

Collection Fund Adjustment Account

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

	2020/21	2019/20
	£'000	£'000
Balance as at 1st April	**(2,054)**	**(7,097)**
Movement in year	25,342	5,043
Balance as at 31st March	**23,288**	**(2,054)**

Accumulated Absences Account

This account absorbs the timing differences that would otherwise arise on the General Fund and HRA balances from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund and HRA balances be neutralised by transfers to or from the Accumulated Absences Account.

	General Fund		HRA	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Balance as at 1st April	**4,022**	**3,833**	**444**	**383**
Settlement / cancellation of accrual made at the end of the preceding year	(4,022)	(3,833)	(444)	(383)
Amounts accrued at the end of the current year	7,361	4,022	1,085	444
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from charges in accordance with statutory requirements	3,339	189	641	61
Balance at 31st March	**7,361**	**4,022**	**1,085**	**444**

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

	2020/21	2019/20
	£'000	£'000
Interest Received	(1,151)	(1,594)
Interest Paid	2,886	5,205
Total	**1,735**	**3,611**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2020/21	Restated 2019/20
	£'000	£'000
Depreciation	(75,343)	(82,858)
Impairment and downward valuations *	(133,873)	(180,505)
Amortisation	(2,091)	(4,741)
(Increase)/decrease in impairment for bad debts	(14,537)	(2,680)
(Increase)/decrease in creditors	(53,758)	(9,966)
Increase/(decrease) in debtors	(18,404)	20,211
Increase/(decrease) in inventories	0	16
Movement in pension liability	(12,982)	(35,060)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(68,465)	(61,442)
Other non-cash movements charged to the surplus or deficit on provision of services *	(52,226)	17,111
Total	**(431,679)**	**(339,914)**

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

	2020/21	Restated 2019/20
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets *	88,783	107,223
Any other items for which the cash effects are investing or financing	29,742	38,490
Total	**118,525**	**145,713**

25. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2020/21	Restated 2019/20
	£'000	£'000
Balance as at 1st April		
Purchase of PPE, investment property and intangible assets	199,658	228,651
Purchase of investments *	0	15,000
Proceeds from the sale of Non Current Assets	(88,783)	(107,223)
Proceeds from investments	(15,394)	(38,000)
Other receipts from investing activities	(31,617)	(27,631)
Balance as at 31st March	**63,864**	**70,797**

26. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

	2020/21	2019/20
	£'000	£'000
Other receipts from financing activities	0	(159,074)
Cash Payments for the reduction of the outstanding liabilities relating to the finance leases and on Balance Sheet PFI contracts	882	990
Repayments of short and long term borrowing	49,500	98,700
Other payments for financing activities	37,745	0
Net Cash flows from financing activities	**88,127**	**(59,384)**

27. Reconciliation of Liabilities arising from financing activities

	2020/21 1st April	Financing cash flows	Non-cash changes		2020/21 31st March
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(81,100)	4,100	0	0	(77,000)
Short-term borrowings	(45,400)	45,400	0	0	0
- Lease liabilities	(375)	135	0	0	(240)
- On balance sheet PFI liabilities	(12,527)	882	0	0	(11,645)
Total liabilities from financing activities	**(139,402)**	**50,517**	**0**	**0**	**(88,885)**

	2019/20 1st April	Financing cash flows	Non-cash changes		2019/20 31st March
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(2,400)	(78,700)	0	0	(81,100)
Short-term borrowings	(80,400)	35,000	0	0	(45,400)
- Lease liabilities	(544)	169	0	0	(375)
- On balance sheet PFI liabilities	(13,348)	821	0	0	(12,527)
Total liabilities from financing activities	**(96,692)**	**(42,710)**	**0**	**0**	**(139,402)**

28 A. Expenditure and Funding Analysis

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

	Net Expenditure Chargeable to the GF & HRA	Adjustments between accounting basis and funding basis	Net Expenditure in CI&ES	Net Expenditure Chargeable to the GF & HRA	Adjustments between accounting basis and funding basis	Net Expenditure in CI&ES
	£'000	£'000	£'000	£'000	£'000	£'000
Children Adults and Community Health Services						
Education & Schools	(14,591)	76,003	61,412	36,948	80,434	117,382
Children & Families	69,199	570	69,769	58,897	8,038	66,935
Adult Services	78,665	309	78,974	76,117	7,929	84,046
Public Health	(142)	62	(80)	1,043	124	1,167
Neighbourhoods and Housing						
Public Realm	44,912	6,425	51,337	35,301	21,252	56,553
Housing & Regeneration GF	6,919	(3,679)	3,240	1,704	1,191	2,895
Finance & Corporate Resources						
Revenues & Benefits	22,163	1,294	23,457	8,765	11,972	20,737
Finance and Resources Other	27,824	(10,093)	17,731	93,251	(53,169)	40,082
Chief Executives						
Chief Executive	8,642	24	8,666	8,066	728	8,794
Housing Revenue Account						
HRA	(3,994)	97,280	93,286	67,381	41,050	108,431
Net Cost of Services	**239,597**	**168,195**	**407,791**	**387,473**	**119,549**	**507,022**
Other income and expenditure	(268,134)	24,289	(243,845)	(369,687)	64,190	(305,497)
(Surplus) / Deficit on Provision of Services	**(28,538)**	**192,484**	**163,946**	**17,785**	**183,740**	**201,525**
Opening GF & HRA Balance "	(155,757)			(168,516)		
Less Deficit on GF & HRA Balance in Year	(28,536)			17,785		
Closing General Fund & HRA Balance at 31st March 2021	(184,293)			(150,730)		

Analysed between General Fund and HRA	2020/21 GF	2020/21 HRA	2020/21 Total	2019/20 GF	2019/20 HRA	2019/20 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening GF & HRA Balance 2020	(133,570)	(17,159)	(150,729)	(143,435)	(25,079)	(168,514)
Reporting change to Schools Budget Deficit at 1 April	(5,028)	0	(5,028)	0	0	0
Restated Opening GF & HRA Balance 2020	(138,598)	(17,159)	(155,757)	(143,435)	(25,079)	(168,514)
Less Deficit on GF & HRA Balance in Year *	(22,344)	(6,192)	(28,536)	9,865	7,920	17,785
Closing General Fund & HRA Balance at 31st March 2021	**(160,942)**	**(23,351)**	**(184,293)**	**(133,570)**	**(17,159)**	**(150,729)**

*The 2020/21 opening balance has been adjusted to reflect the statutory change requiring the DSG reserve to be shown as an unusable reserve. See note 8 for further details.

28 B. Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2020/21 Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Children Adults and Community Health Services				
Education & Schools	71,125	(11)	4,890	76,003
Children & Families	(46)	35	580	570
Adult Services	(115)	29	396	309
Public Health	9	3	50	62
Neighbourhoods and Housing				
Public Realm	5,378	66	980	6,425
Housing and Regeneration GF	(3,763)	4	80	(3,679)
Finance & Corporate Resources				
Revenues & Benefits	911	22	361	1,294
Finance and Resources Other	(7,819)	(2,169)	(106)	(10,093)
Chief Executives				
Chief Executives	(81)	6	99	24
Housing Revenue Account				
Local authority housing (HRA)	94,547	2,092	641	97,280
Net Cost of Services	**160,147**	**77**	**7,971**	**168,194**
Other income and expenditure from the Expenditure and Funding Analysis	(13,957)	12,905	25,342	24,289
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**146,190**	**12,982**	**33,312**	**192,484**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2019/20 Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Children Adults and Community Health Services				
Education & Schools	74,819	5,416	199	80,434
Children & Families	6,437	965	636	8,038
Adult Services	5,838	800	1,291	7,929
Public Health	29	105	(11)	123
Neighbourhoods and Housing				0
Public Realm	19,421	1,829	1	21,251
Housing and Regeneration GF	1,084	105	3	1,192
Finance & Corporate Resources				0
Revenues & Benefits	11,328	607	37	11,972
Finance and Resources Other	(55,202)	2,035	(1)	(53,168)
Chief Executives				0
Chief Executives	556	180	(8)	728
Housing Revenue Account				0
Local authority housing (HRA)	35,187	5,772	92	41,051
Net Cost of Services	**99,498**	**17,812**	**2,241**	**119,549**
Other income and expenditure from the Expenditure and Funding Analysis	41,898	17,248	5,043	64,190
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**141,396**	**35,060**	**7,284**	**183,740**

28 C. Expenditure and Income Analysed by Nature

	2020/21	2019/20
	£000's	£000's
Expenditure:		
Employee expenses	240,876	249,759
Other service expenses	878,823	893,752
Support services recharges	66,628	70,356
Capital related	240,823	284,738
Interest and investment expenditure	51,233	64,444
Precepts and levies	8,694	8,602
Payments to Housing Capital Receipts Pool	3,253	25,025
Total expenditure	**1,490,330**	**1,596,676**
Income:		
Fees, charges and other service income	(359,901)	(455,121)
Interest and investment income	(9,285)	(16,086)
Income from council tax, non domestic rates	(105,987)	(155,686)
Government grants and contributions	(851,209)	(768,258)
Total income	**(1,326,382)**	**(1,395,151)**
Surplus or Deficit on the Provision of Services	**163,948**	**201,525**

29. Agency Services

The Council carries out income collection services on behalf of Thames Water and Thistle Insurance whereby it collects (from tenants) water standing charges and contents insurance premiums respectively. The amount of water rates collected by the Council for Thames Water was £8.917 million in 2020/21 (£8.795 million in 2019/20). Insurance premiums collected on behalf of Jardine Lloyd Thompson amounted to £0.175 million in 2020/21 (£0.185 million in 2019/20).

There was no cost to the Council in providing either of these services. The commission received for the Thames Water arrangement for 2020/21 was £0.730 million (£0.720 million in 2019/20). Income received from the Jardine Lloyd Thompson arrangement was £0.039 million for 2020/21 (£0.037 million in 2019/20).

30. Members' Allowances

The council paid £1.270 million in allowances to members of the council during 2020/21 (£1.312 million in 2019/20).

31. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

	2020/21	2019/20
	£'000	£'000
Fees payable to External Audit with regard to external audit services carried out by the appointed auditor for the year	170*	174*
Fees payable to External Audit for the certification of grant claims and returns for the year	22	22
Fees payable to External Audit with regard to external audit services carried out on the London Borough of Hackney Pension Fund	16	16
Total	**208**	**212**

* Further audit fees to be confirmed for group audit work and additional PPE audit work due to Covid-19

32. Pooled Budgets

The Council is involved in a number of pooled budget arrangements with both the NHS City and Hackney Clinical Commissioning Group (CCG) and the East London Foundation Trust.

The Council works collaboratively with the CCG to address specific local health issues. The CCG, as the host Authority, held the revenue element whilst the Council held the capital element of the pooled budget.

The Council works with the East London Foundation Trust for the provision of mental health services for residents of the borough. Any under or over spend on these arrangements in respect of social care is held by the Council and the partner body keeps the health element of any under or over spend.

The Better Care Fund was introduced nationally in 2015-16 to ensure a transformation in integrated health and social care, operating within existing legislation.

	Mental Health		Learning Difficulties		Hackney Better Care Fund *	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Funding provided to the pooled budget						
- provided by the Council	(6,775)	(6,527)	(19,446)	(17,903)	(17,878)	(17,673)
- provided by other Partners	(11,104)	(10,977)	(9,046)	(8,654)	(21,920)	(20,784)
Expenditure met from the pooled budget						
- met by the Council	8,094	7,768	22,257	22,795	28,322	27,754
- met by other Partners	11,363	11,133	9,046	8,654	11,476	10,703
Net deficit arising on the pooled budget during the year	1,578	1,397	2,811	4,892	0	0
Council's share of the net (surplus) / deficit arising on the pooled budget	**1,319**	**1,241**	**2,811**	**4,892**	**10,444**	**0**

* The expenditure met from the pooled budget by the Council includes elements funded by partners and therefore does not result in a deficit to the Council.

33. Officers' Remuneration

The following table sets out the remuneration disclosures for senior officers, who report directly to the Chief Executive with a salary of £150,000 or more per annum

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
		2020/21	2019/20	2020/21	2019/20	**2020/21**	**2019/20**	2020/21	2019/20	**2020/21**	**2019/20**
		£	£	£	£	£	£	£	£	£	£
Chief Executive - T Shields	i	155,602	181,486	0	0	**155,602**	**181,486**	28,786	28,312	**184,388**	**209,798**
Group Director Children, Adults & Community Health - A Canning	ii	163,575	159,197	0	0	**163,575**	**159,197**	30,261	24,835	**193,836**	**184,032**
Group Director Finance & Corporate Resources - I Williams	iii	163,575	159,197	0	0	**163,575**	**159,197**	30,261	24,835	**193,836**	**184,032**
Group Director Neighbourhoods & Housing - A Ali	iv	162,533	146,094	0	0	**162,533**	**146,094**	30,069	22,791	**192,602**	**168,885**

Notes

(i) Annualised salary was £155,602 for 2020/21 and £181,486 for 2019/20. Working days reduced to 4 days per week from 1st June 2020

(ii) Annualised salary was £163,575 for 2020/21 and £159,197 for 2019/20

(iii) Annualised salary was £163,575 for 2020/21 and £159,197 for 2019/20

(iv) Annualised salary was £162,533 for 2020/21 and £146,094 for 2019/20, new Group Directior started this postion from 13th October 2019. Employed prior as Director of Housing

**No Bonuses or expenses allowances awarded in 2020/21 and 2019/20

The following are senior officers, reporting directly to the Chief Executive whose salary is less than £150,000 but equal to or more than £50,000 per annum.

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
		2020/21	2019/20	2020/21	2019/20	**2020/21**	**2019/20**	2020/21	2019/20	**2020/21**	**2019/20**
		£	£	£	£	£	£	£	£	£	£
Director of Communications, Culture & Engagement	i	122,590	118,755	0	0	**122,590**	**118,755**	22,679	18,526	**145,269**	**137,281**
Director of Legal & Governance	ii	124,613	120,239	0	0	**124,613**	**120,239**	23,053	18,757	**147,666**	**138,996**
Director of Policy, Strategy & Economic Development	iii	124,771	118,867	0	0	**124,771**	**118,867**	23,083	18,543	**147,854**	**137,410**
Head of Human Resources & Electoral Services	iv	43,010	114,297	79,834	0	**122,844**	**114,297**	22,726	17,830	**145,570**	**132,127**

Notes

(i) Annualised salary was £122,590 for 2020/21 and £118,755 for 2019/20

(ii) Annualised salary was £124,613 for 2020/21 and £120,239 for 2019/20

(iii) Annualised salary was £124,771 for 2020/21 and £118,867 for 2019/20

(iv) Annualised salary was £43,010 for 2020/21 and £114,297 for 2019/20

**No Bonuses or expenses allowances awarded in 2020/21 and 2019/20

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the below table.

Exit Package Cost Band (including special payments)	Number of compulsory redundancies				Number of other agreed departures				Total number of exit packages by cost band				Total cost of exit packages in each band			
	2020/21		2019/20		2020/21		2019/20		2020/21		2019/20		**2020/21**		**2019/20**	
	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council £	Schools	Council £	Schools
£0 - £20,000	5	24	19	12	19	35	78	42	24	59	97	54	255,193	572,282	766,485	503,350
£20,001 - £40,000	6	2	3	2	9	10	53	6	15	12	56	8	397,053	308,975	1,528,127	199,151
£40,001 - £60,000	2	0	1	1	6	0	23	2	8	0	24	3	418,055	0	1,216,654	123,251
£60,001 - £80,000	0	0	1	0	1	1	8	0	1	1	9	0	79,834	62,048	620,344	0
£80,001 - £100,000	0	0	0	0	0	0	7	0	0	0	7	0	0	0	640,269	0
£100,001 - £150,000	0	0	0	0	3	0	2	0	3	0	2	0	394,710	0	228,616	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	234,037	0
	13	**26**	**24**	**15**	**38**	**46**	**171**	**50**	**51**	**72**	**195**	**65**	**1,544,845**	**943,305**	**5,234,532**	**825,752**

The number of employees including senior officers whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 is shown below.

	2020/21		**2019/20**	
	No. of employees		No. of employees	
	Council	Schools	Council	Schools
£50,000 - £54,999	219	144	186	148
£55,000 - £59,999	210	119	156	83
£60,000 - £64,999	66	61	69	42
£65,000 - £69,999	51	35	46	26
£70,000 - £74,999	24	21	23	15
£75,000 - £79,999	11	19	19	18
£80,000 - £84,999	9	8	16	9
£85,000 - £89,999	14	9	13	7
£90,000 - £94,999	7	8	7	4
£95,000 - £99,999	9	2	9	3
£100,000 - £104,999	8	1	5	3
£105,000 - £109,999	2	3	7	4
£110,000 - £114,999	1	4	3	1
£115,000 - £119,999	3	2	7	1
£120,000 - £124,999	7	1	1	2
£125,000 - £129,999	2	1	1	0
£130,000 - £134,999	3	0	4	0
£135,000 - £139,999	2	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	1	0	1	0
£155,000 - £159,999	1	0	2	0
£160,000 - £164,999	4	0	0	0
£165,000 - £169,999	0	0	0	0
£170,000 - £174,999	1	0	0	0
£175,000 - £179,999	0	0	0	0
£180,000 - £184,999	0	0	1	0
£185,000 - £299,999	1	0	0	0
Total	**656**	**438**	**576**	**366**

34. Termination Benefits

The Council terminated the contracts of 123 employees in 2020/21, incurring liabilities of £2.488 million (£6.060 million in 2019/20) in the form of compensation for loss of office and Payment in Lieu of Notice. Officers were made redundant on a voluntary basis as part of the Council's cost cutting and service rationalisation measures. These disclosures rely on information obtained from payroll providers and other third parties.

35. Dedicated Schools Grant

The Council expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The expenditure detailed below meets the grant conditions required in the DSG determination letter. The Schools Budget includes elements for a range of education services supporting schools and for the delegated Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are as follows.

	Central	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2020/21 before academy recoupment			**290,339**
Academy figure recouped for 2020/21			(74,711)
Total DSG after academy recoupment for 2020/21			**215,628**
Plus Brought forward from 19/20			**(5,028)**
Less Carry forward to 2021/22 agreed in advance			**0**
Agreed initial budget distribution in 2020/21	41,351	169,248	**210,599**
In year adjustments	0	0	**0**
Final budgeted distribution for 2020/21	**41,351**	**169,248**	**210,599**
Less Actual central expenditure	(51,420)		(51,420)
Less Actual ISB deployed to schools 2020/21		(168,324)	(168,324)
Plus Local authority contribution for 2020/21	0	0	0
Deficit	**(10,069)**	**924**	**(9,145)**

All local authorities have legal duties regarding support for children and young people (CYP) in their authority who are deemed to have special educational needs (SEN). A significant majority of the cost of these legal duties is expected to be met by the High Needs Block (HNB) of the Dedicated Schools Grant (DSG). There are some SEN costs, such as the costs of home to school transport for CYP with SEN, that are expected to be funded from non-DSG Council funding described as the General Fund expenditure.

The DSG unusable negative reserve represents costs incurred by the Council for the Council's SEN activities, which are expected to be funded by the DSG, but which exceed the value of the DSG awarded to the Council in 2020/21. These pressures are experienced by many authorities across the UK and are widely reported through the press and also through discussions at many public sector meetings. The source of the pressure is mainly demand – significant increases in CYP requiring additional support. There was a circa 62%

increase in Education, Health and Care Plans (EHCP's) between 2014 (just under 1,400 plans) and 2020 (just under 2,250 plans).

36. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2020/21. No donations were received during the year.

	2020/21	2019/20
	£'000	£'000
Credited To Taxation and Non-Specific Income		
Revenue Support Grant	(35,361)	0
PFI Grant	(1,387)	(1,387)
New Homes Bonus	(7,551)	(8,395)
COVID 19 Grant	(22,257)	(10,093)
Other Grants	(6,115)	(223)
HRA Capital Grant	(2,743)	(13,102)
Other Grants Credited to Taxation and Non Specific Grant Income	(26,999)	(25,388)
Total	**(102,413)**	**(58,588)**
Credited to Services		
Department for Work and Pensions	(260,559)	(276,278)
Department for Education	(245,459)	(235,764)
Communities and Local Government	(53,236)	(25,736)
Department of Health	(54,307)	(39,271)
Other grants	(13,467)	(11,264)
Contribution from Health Authorities	(9,268)	(4,188)
Contribution from other partners	(16,563)	(14,081)
Other contributions	(6,013)	(8,857)
Total	**(658,872)**	**(615,439)**

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the money or property to be returned. The balances at the year-end are as follows.

Current liabilities

The balances held in respect of capital grants received in advance at the year-end are as follows.

	2020/21	2019/20
	£'000	£'000
Capital Grants Receipt in Advance		
Department for Education	(1,039)	(1,718)
Other Grants	(77)	(77)
Total	**(1,116)**	**(1,795)**

The balances held in respect of revenue grants received in advance at the year-end are as follows.

	2020/21	2019/20
	£'000	£'000
Revenue Grants Receipt in Advance		
Department for Work and Pensions	(15,334)	0
Business, Energy and Industrial Strategy	(8,781)	0
Department for Education	(1,323)	(674)
Department of Health	(4,673)	0
Other Grants	(3,191)	(587)
Total	**(33,302)**	**(1,261)**

Long term liabilities

The balances held in respect of capital grants received in advance at the year-end are as follows.

	2020/21	2019/20
	£'000	£'000
Capital Grants Receipt in Advance		
Other Grants		0
Section 106 Grants	(56,240)	(49,120)
Total	**(56,240)**	**(49,120)**

The balances held in respect of revenue grants received in advance at the year-end are as follows.

	2020/21	2019/20
	£'000	£'000
Revenue Grants Receipt in Advance		
Department for Education	(506)	(277)
Total	**(506)**	**(277)**

Following the annual review of grant conditions in 2020/21, it has been determined that the majority of unspent grant income (capital and revenue) satisfied the criteria to be recognised in the Comprehensive Income and Expenditure Statement.

37. Related Parties

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

The following financial disclosures are mostly made on a cash rather than accruals basis.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, it provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with the other parties.

During the financial year, service specific grants of £627 million (£588 million in 2019/20), were recorded in the Comprehensive Income & Expenditure account. In addition to this amount other grants were received for capital purposes from government departments such as the Department for Education or the Department of Health. Both Revenue and Capital Grants are disclosed in detail in Note 36.

Members

Members of the Council, which includes the Mayor, have direct control over the Council's financial and operating policies and procedures. By virtue of their office, through their residence in the Borough and/or as active members of the community, Members of the Council participate and hold membership in a variety of other organisations. Details of these interests are recorded in the Register of Members' Interests which is open to public inspection and available on the Hackney Council website. The transactions that occurred with those organisations in 2020/21 are summarised in the paragraphs below.

The Council made payments totalling £0.651 million (£3.599 million in 2019/20) to ten voluntary organisations in which there are three declared interests by Members. Payments of £2.976 million (£5.270 million in 2020/21) were made to six Housing Associations and Tenant Management Organisations in which one controlling interests was declared by Members. In addition, payments of £1.704 million (£2.326 million in 2019/20) were made to five public-related organisations in which there are three declared interests by Members.

The Mayor of the Council, Philip Glanville, is Non-Executive Director of London Legacy Development Corporation, Board Member of Shoreditch Trust and Member of London Councils.

Officers

The Chief Executive of the Council in 2020/21, Tim Shields, was Chair of Hackney Crime and Disorder Partnership.

The Group Director of Finance and Corporate Resources, Ian Williams, is a member of the London Pension Collective Investment Advisory Committee, Director of Hackney Schools for the Future 1 & 2 and joint chair for the North London Waste Authority (NLWA) Partnership Board.

Entities Controlled or Significantly Influenced by the Council

Partly owned subsidiaries

Hackney Schools for the Future Limited

Hackney Schools for the Future Limited (HSFL) and Hackney Schools for the Future 2 Limited (HSF2L) were both set up by the Local Education Partnership (LEP) for Hackney. HSF2L was created primarily to deliver the Nile Street and Tiger Way mixed-use development schemes with LBH owning the majority of the shares. HSFL was created primarily to deliver newly constructed secondary schools via the Building Schools for the Future initiative in Hackney and followed on to deliver some elements of Asset Management for Hackney Schools.

The Board has 4 Council appointees. The private sector ownership is with Kier Educational Services. In addition to the construction of the Secondary schools, Thomas Fairchild Primary School, and the construction of the mixed-use development at Nile Street and Tiger Way, HSFL delivered ICT managed services for the phased schools up until January 2021 and will continue to support the delivery of the Asset Management Services to the LA Schools.

The Authority set up 2 property management companies, the Otto Management Company Limited and the Makers Management Company to deliver the facility management services at the recently completed Nightingale School (Tiger Way) and New Regent's College (Nile Street) respectively. The management companies are wholly owned by the Authority, each with a total number of 1 ordinary share capital and an aggregate nominal value of £1. The total amount spent for the year 2020/2021 as at 31st March 2021 on HSFL and HSF2L related capital schemes was £6.501 million, of which £4.093 million is attributable to HSF2L, £0.909 million to HSFL, £0.163 million to Otto and £1.336 million to Makers . The total client fees (revenue) paid for the year 2020/21 as at 31st March 2021 was a total of £1.572 million of which attributable to HSFL was £0.422 million and for HSF2L was £0.138 million, for Makers the value was £0.105 million and for Otto the value was £0.121 million. In addition, the Authority paid £0.270 million ICT managed service fees.

Wholly owned subsidiaries

The London Borough of Hackney has established five wholly owned subsidiaries, limited by shares, to facilitate and enable its interests in the borough. Set out below are details of the 5 companies, and details of the associated related party transactions within the financial statements are detailed in two building management companies:

- Otto Management Company Limited and
- Makers Management Company Limited

and three housing rental companies

- Hackney Housing Company Limited (Holding company);

- Hackney PRS Housing Company Limited (Subsidiary); and
- Hackney LLR Housing Company Limited (Subsidiary)

Otto and Makers provide building management services to the private dwellings and schools at the Tiger Way and Nile Street mixed-use developments respectively, and are funded via service charges recouped from residents and the school at each site. 2019/20 is the first full year of financial activity for both companies. Neither company forms part of London Borough of Hackney's group accounts on the basis of falling well below materiality.

The housing companies (Hackney Housing Company Limited and two subsidiaries) are established to deliver and manage Private Rented Sector and London Living Rent properties within the borough.

Directors for all of the five subsidiaries consist solely of London Borough of Hackney officers and there are no staff employed directly by the entities. More information on wholly owned subsidiaries can be found in the group accounts section of this document.

Other

The Health and Wellbeing Board is a statutory requirement from 1st April 2013 under the Health and Social Care Act 2012. The purpose of this board is to bring together senior leaders from Hackney Council, the NHS, Healthwatch and Voluntary and Community sector partners to improve the health and wellbeing of people in Hackney. During 2020/21, three Members and two Chief Officers were on the Health and Wellbeing Board. The Chief Executive of Homerton University Hospital NHS Foundation Trust and the Chief Executive of East London Foundation Trust are Co-opted members of the Health and Wellbeing Board.

The City and Hackney Safeguarding Children Board (CHCSB) is a dual partnership covering the City of London and the London Borough of Hackney. The partners include Hackney Council, The City of London Corporation, The City & Hackney Clinical Commissioning Group (CCG), The Metropolitan Police Service (MPS) and The City of London Police, as well as CafCass and Probation. The partners contributed the stated amount to fund the safeguarding arrangements.

Staff in Hackney Council's CHCSP team work for the CHCSP and plays an important role in ensuring safeguarding arrangements meets its statutory functions, through the co-ordination of activities, including the development of multi-agency policies, procedures and guidance, commissioning and delivering multi-agency training, managing safeguarding reviews and facilitation engagement with local communities.

The Pension Fund is administered by the London Borough of Hackney. The Council is also the single largest employer of members of the pension fund and contributed £59.34 million to the Fund in 2020/21 (£59.51 million in 19/20). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.36 million in 2020/21 (£0.38 million in 2019/20) in relation to administration of the Fund and was consequently reimbursed by the Fund for these expenses. Part of the Pension Fund cash holdings are invested on the money markets by the treasury management operations of the London Borough of Hackney in line with the Treasury.

As part of the North London Waste Authority (NLWA), Hackney is one of seven constituent boroughs where the Council has two elected Members who were on the board. NLWA is a two-tier authority and Hackney is a waste collection authority and under direction from NLWA regarding disposal of residual municipal waste. This is a levy arrangement where the Council contributed £7.076 million (£6.980 million in 2019/20). The council also incurred charges of £1.896 million (£1.880 million in 2019/20) towards non-household waste and £0.557 million (£0.537 million in 2019/20) towards household chargeable waste.

The Hackney Community Strategy Partnership Board is a local strategic partnership convened by the Council. The Board membership includes leaders from the Council, leaders from key local public services including the NHS, the Police and Education and leaders from the local voluntary and community sector and local business. Its core purpose is to provide leadership and strategic direction so that all partners are working towards a coherent, shared vision for the local area, as articulated in the Community Strategy. The Board was established in February 2018 and there are currently 18 Board Members including two Chief Officers.

The council is the seed investor in the Municipal Bond Agency, investing a total of £0.100 million worth of equity during 2014/15. Subsequently, the council invested an additional £0.100 million during the 2014/15 financial year. As a shareholder, the council has influence over the direction of the organisation. Although no influence has been used to date. No further investments were made during 2020/21.

The London Collective Investment Vehicle (London CIV) is a collective investment vehicle established by London Councils on behalf of the London Boroughs and the City of London Corporation. It consists of an ACS (Authorised Contractual Scheme) Operator, which is a limited company wholly owned by the 32 participating authorities, and the ACS fund itself. The Council is therefore a shareholder in the operating company. During 2015/16, the Pension Fund made an investment of £150k in the CIV to provide it with sufficient regulatory capital.

The Pension Fund incurred costs of £110k in 2020/21 (£90k in 2019/20) in relation to charges from the London CIV Ltd (the operating company), and £32k in 2020/21 (£30k in 2019/20) in relation to the custody of investments held within the London CIV regional asset pool.

38. Impairment Losses

During 2020/21, the Council has recognised a net impairment/revaluation gain reversal (relating to losses recognised in prior years) of £184.849 million (£174.242 million in loss 2019/20) in relation to Property, Plant and Equipment and Investment Assets. Of this total net impairment/revaluation gain reversal, the following amounts were charged/credited to the Comprehensive Income and Expenditure Statement.

	2020/21	2019/20
	£000	£000
Children, Adults and Community Health Services		
Education and Schools	22,504	57,990
Children and Families	(97)	14
Adult Services	(101)	381
Finance and Corporate Resources		
Revenues and Benefits / Housing Needs	(115)	0
Finance and Corporate Resources Other	55,494	7,582
Neighbourhoods and Housing		
Public Realm	3,429	859
Housing and Regeneration General Fund	0	112
Housing Revenue Account		
HRA	103,735	107,304
Total	**184,849**	**174,242**

39. Capital Expenditure and Capital Financing

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

	2020/21		2019/20	
	£000	£000	£000	£000
Opening Capital Financing Requirement		**493,014**		**483,870**
Adjustment to opening CFR*		590		(616)
Capital investment				
- Property, Plant and Equipment	193,932		211,231	
- Investment Properties	79		9	
- Intangible Assets	2,147		1,211	
- Revenue Expenditure Funded from Capital under Statute	2,471		1,815	
- Loans and Investments	3,500	202,129	16,200	230,466
Sources of finance				
- Capital receipts	(44,975)		(104,656)	
- Government grants and other contributions	(36,384)		(33,468)	
- Direct revenue contributions	(11,426)		(12,934)	
- Repayment of debt	(58,439)		(26,464)	
- MRA	(41,180)	(192,404)	(43,184)	(220,706)
Closing Capital Financing Requirement		**503,329**		**493,014**
Explanation of movements in year				
Increase in underlying need to borrow (unsupported by government financial assistance)		71,339		38,934
MRP		(3,175)		(2,709)
Repayment of debt		(58,439)		(26,464)
Increase / (decrease) in Capital Financing Requirement		**9,725**		**9,761**

40. Leases

Authority as Lessee

Finance Leases

The Council has reclassified four properties as finance leases following the introduction of the IFRS Code. As at 31st March 2020 the Council leased 19 assets which have been reclassified as finance leases, this decreased to 14 assets at 31st March 2021. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	2020/21	2019/20
	£'000	**£'000**
Other Land and Buildings	17,331	20,723
Vehicles, Plant, Furniture and Equipment	20	181
Total	**17,351**	**20,904**

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

	2020/21	2019/20
	£'000	**£'000**
Finance lease liabilities (net present value of minimum lease payments)		
- current	129	133
- non-current	111	240
Finance costs payable in future years	4	15
Minimum lease payments	**244**	**388**

These minimum lease payments will be payable over the following periods.

	Minimum Lease Payments		Finance Lease Liabilities	
	2020/21 £'000	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**
Not later than one year	132	144	129	133
Later than one year and not later than five years	91	222	90	218
Later than five years	21	22	21	22
Total	**244**	**388**	**240**	**373**

The expenditure on the minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was made under the following cost of services lines.

	2020/21	2019/20
	£'000	**£'000**
Children, Adults and Community Health Services		
Education & Schools	110	148
Neighbourhoods and Housing		
Public Realm	24	20
Finance & Corporate Resources		
Finance and Resources Other	1	1
	135	**169**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents are payable on either of the leased properties and the rents for vehicles, plant and equipment have not changed from the original agreements. There were no subleases in relation to these finance leases at the Balance Sheet date.

Operating Leases

The Council has acquired its fleet of sweeper vehicles by entering into operating leases, with lease lives of 5 years. The Council has excluded leases where the cost to purchase the asset outright was less than £10,000.

The future minimum lease payments due under non-cancellable leases in future years are as follows.

	2020/21	2019/20
	£'000	£'000
Not later than one year	24,459	23,346
Later than one year and not later than five years	27,713	44,834
Later than five years	15,233	15,395
Total	**67,405**	**83,576**

Authority as Lessor

Finance Leases

The Council has leased out a number of its commercial properties where the building element has been reclassified as a finance lease following the introduction of the Code. The most significant leases in terms of their remaining term include the following: 18/20 Ashwin Street with a remaining term of 80 years and 242 Old Street with a remaining term of 42 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the lease comes to an end. The Council's policy is that capital assets have zero residual values. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts.

	2020/21	2019/20
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments)		
- current	67	61
- non-current	463	531
Unearned finance income	101	127
Gross investment in the lease	**631**	**719**

The gross investment in the lease and the minimum lease payments will be received over the following periods.

	Minimum Lease Payments		Gross Investment in the Lease	
	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
Not later than one year	67	61	88	88
Later than one year and not later than five years	109	155	154	213
Later than five years	354	375	389	418
Total	**530**	**591**	**631**	**719**

The Council regularly reviews the need for additional provision for uncollectible debts and the impact of the current financial climate on the ability of debtors to meet their lease obligations will be subject to review on an annual basis. There is no material allowance for uncollectible minimum lease payments receivable.

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

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes.

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

The future minimum lease payments receivable under non-cancellable leases in future years are as follows.

	2020/21	2019/20
	£'000	£'000
Not later than one year	3,692	2,869
Later than one year and not later than five years	12,108	9,670
Later than five years	11,410	12,982
Total	**27,210**	**25,522**

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

41. PFI and Similar Contracts

The Council has one PFI scheme for the Technology and Learning Centre (TLC). 2020/21 was the twentieth year of a thirty-one year PFI contract for the design, build and financing of the TLC, which Hackney Learning Trust (formerly The Learning Trust), Hackney Library and Hackney Museum occupy. The PFI contract is with Investors in the Community (Hackney) Limited. Under the terms of the contract the Council determines what services must be provided and the standards expected for those services. The Council monitors these standards and the contract allows for deductions to be made from the fees payable should performance be below standard or if the facilities are unavailable.

The Council has leased the land which forms the site of the TLC to Investors in the Community (Hackney) Limited for an annual rent of £0.222 million.

The TLC continues to be included on the Council's Balance Sheet as the Council is deemed to control and regulate the services provided under the PFI scheme and ownership of the TLC building will pass to the Council at the end of the contract for no additional charge. Movements in the value of the TLC building are detailed in the analysis in Note 13.

Lifecycle costs have not been included in the model used to determine the principal and interest elements of the unitary payments made. There have been no changes to the scheme or refinancing in 2020/21.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, otherwise it is fixed. Payments remaining to be made under the PFI contract for the TLC as at 31st March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows.

	Payment for Services	Reimbursement of Capital Exp	Interest	Total
	£'000	£'000	£'000	**£'000**
Payable in 2021/22	1,768	949	872	**3,589**
Payable within 2 to 5 years	7,992	4,563	2,721	**15,276**
Payable within 6 to 10 years	14,022	6,134	1,187	**21,343**
Payable within 11 to 15 years	4,594	0	0	**4,594**
Total	**28,376**	**11,646**	**4,780**	**44,802**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred is as follows.

	2020/21	2019/20
	£'000	£'000
Balance at start of year	(12,528)	(13,349)
Payments during the year	882	821
Balance at end of year	(11,646)	(12,528)

42. Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2020/21 the Council paid £14.957 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.67% of pensionable pay. The figures for 2019/20 were £12.664 million at 16.48% (during the period 01/04/2019 to 31/08/2019) and at 23.68% (from 01/09/2019 to 31/03/2020). There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed in Note 43.

43. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post-employment schemes.

- London Pension Fund Authority (LPFA) – for those employees who, in previous years, were transferred to the Council on the abolition of the Greater London Council, the London Residuary Body and the Inner London Education Authority.
- London Borough of Hackney (LBH) Pension Fund, where the Council is the Administering Authority – the Council is the largest employer in the Fund and makes contributions to fund the pension benefits of Council staff including school support staff, along with employees also paying contributions at rates determined by statute.

Transactions Relating to Post-employment Benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year.

	LBH		LPFA	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Cost of Services				
- current service cost (incl.admin)	61,285	78,658	148	230
- Past Service cost incl settlement and	1,301	273	0	0
Total	62,586	78,931	148	230
Financing and Investment Income and Expenditure				
- Net interest cost	14,955	20,291	53	54
Total	14,955	20,291	53	54
Re-measurements of net defined benefit liability				
- Return on plan assets	(325,222)	107,247	(7,833)	2,438
- changes in demographic assumptions	32,192	(72,536)	(541)	869
- changes in financial assumptions	542,539	(215,545)	7,117	(3,410)
Other	(22,224)	(39,010)	1,435	78
Total	227,285	(219,844)	178	(25)

The following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund / HRA balances via the Movement in Reserves Statements during the year.

	LBH		LPFA	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Reversal of net charges made to the Surplus/Deficit for the Provision of Services in accordance with the Code	(77,541)	(99,222)	(201)	(284)
Actual amount charged for pensions in the year	64,450	64,134	310	312

Assets and Liabilities in Relation to Post-employment Benefits

The Council is responsible for the cost of unfunded pension payments relating to compensatory added years benefits to former employees who were in the LPFA scheme. In 2020/21 this amounted to £0.260 million (£0.261 million in 2019/20).

In addition, the Council is responsible for the ongoing cost of unfunded pension payments relating to compensatory added years benefits paid to former employees who left the Council's service prior to April 1999. Since April 1999, the Council's accounting policy requires service revenue accounts to bear the capitalised cost of any new compensatory benefit decisions by payment of a lump sum into the Pension Fund in the year of account or by instalments within five years of the employment termination date. From 2001/02, the Council no longer awarded added years compensatory benefits. The total cost borne in the 2020/21 accounts in respect of the above commitments was £3.829 million (£5.066 million in 2019/20).

The following is a reconciliation of fair value of employer assets.

	LBH		LPFA	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Balance as at 1st April	**1,448,773**	**1,518,207**	**46,720**	**52,318**
Interest Income	33,443	36,528	1,091	1,231
Remeasurement gain/loss				
- Return on assets	325,222	(107,247)	7,833	(2,438)
- Other Actuarial gains/losses	0	0	(2,234)	(1,517)
Employer contributions	60,977	60,456	310	312
Contributions by scheme participants	13,007	12,607	16	17
Unfunded benefit contributions	3,473	3,678	260	260
Unfunded benefit payments	(3,473)	(3,678)	(260)	(260)
Benefits paid	(61,392)	(71,778)	(2,969)	(3,132)
Other			(63)	(71)
Balance as at 31st March	**1,820,030**	**1,448,773**	**50,704**	**46,720**

The following is a reconciliation of present value of the scheme liabilities.

	LBH		LPFA	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Balance as at 1st April	**(2,100,385)**	**(2,354,575)**	**(49,172)**	**(54,823)**
Current service cost	(61,285)	(78,658)	(85)	(159)
Interest cost	(48,398)	(56,819)	(1,097)	(1,225)
Contributions by scheme participants	(13,007)	(12,607)	(16)	(17)
Remeasurement (gains) and losses				
- Actuarial (gains) and losses arising in changes in demographic assumptions	(32,192)	72,536	541	(869)
- Actuarial (gains) and losses arising on changes in financial assumptions	(542,539)	215,545	(7,117)	3,410
- Other	22,224	39,010	752	1,379
Past service cost (including Curtailments)	(1,301)	(273)	0	0
Benefits paid	64,865	75,456	2,969	3,132
Balance as at 31st March	**(2,712,018)**	**(2,100,385)**	**(53,225)**	**(49,172)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	LBH		LPFA	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Present value of liabilities	(2,712,018)	(2,100,385)	(50,271)	(46,342)
Fair value of assets	1,820,030	1,448,773	54,962	48,744
Present value of unfunded obligation	0	0	(2,954)	(2,830)
Impact of asset ceiling	0	0	(4,258)	(2,024)
Net liability arising from defined benefit obligation - Surplus / (Deficit)	**(891,988)**	**(651,612)**	**(2,521)**	**(2,452)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £2,765,243 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £894,508 million. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over a prudent financial timeframe as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contribution expected to be made to the London Borough of Hackney Pension Scheme by the Council in the year to 31st March 2021 is £59.340 million (£59.476 million, 19/20). Expected contributions for the London Pension Fund Authority scheme in the year to 31st March 2021 are £0.056 million (£0.056 million, 19/20).

Scheme assets consist of the following categories, by proportion of the total assets held.

	LBH		LPFA	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Cash and cash equivalents:	**7,872**	**5,732**	**2,295**	**2,589**
Equity instruments				
- Consumer	0	0	0	0
- Manufacturing	0	0	0	0
- Energy and Utilities	0	0	0	0
- Financial institutions	0	0	0	0
- Health and care	0	0	0	0
- Information technology	0	0	0	0
- Other	0	0	0	0
	0	**0**	**0**	**0**
Debt Securities:				
- Corporate Bonds	95,451	82,075	0	0
- Government Bonds	137,134	113,451	0	0
- Other	4,063	41,237	0	0
	236,647	**236,763**	**0**	**0**
Property:				
- UK Property	153,960	134,965	0	0
	153,960	**134,965**	**0**	**0**
Other investment funds and Unit				
- Equities	1,046,700	838,139	30,516	26,401
- Bonds	205,693	84,416	0	0
- Commodities	0	0	0	0
- Infrastructure	0	0	4,694	3,421
- Property	0	0	4,845	4,452
- Other	169,099	148,392	0	0
	1,421,492	**1,070,947**	**40,055**	**34,274**
Derivatives:				
- Foreign Exchange	59	366	0	0
Other				
- LDI/Cashflow matching	0	0	0	0
Target Return Portfolio	0	0	12,612	11,881
	59	**366**	**12,612**	**11,881**
Balance as at 31st March	**1,820,030**	**1,448,773**	**54,962**	**48,744**

Basis for Estimating Assets and Liabilities

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

Hymans Robertson LLP and those of the LPFA fund by Barnett Waddingham, both being independent firms of actuaries.

The significant assumptions used by the actuary have been as follows.

	LBH		LPFA	
	2020/21	2019/20	2020/21	2019/20
Mortality assumptions				
Longevity at 65 for current pensioners (years)				
- male	21.3	21.2	20.9	20.6
- female	23.8	23.4	23.6	23.4
Longevity at 65 for future pensioners (years)				
- male	22.8	22.4	22.1	22
- female	25.8	25.1	25.4	25
Financial assumptions				
- Retail Price Index increase	3.7%	3.7%	3.4%	2.9%
- Consumer Price Index increase	2.8%	2.8%	2.9%	2.0%
- Rate of increase in salaries	3.2%	2.2%	3.9%	3.0%
- Rate of increase in pensions	2.9%	1.9%	2.9%	2.0%
- Rate for discounting scheme liabilities	2.0%	2.3%	1.9%	2.3%

The LPFA Scheme assumes 50% take-up of commutation of pension for cash at retirement whilst the LBH Scheme assumes 50% of the maximum tax-free cash up to HMRC limits for pre-April 2008 service and 75% for post-April 2008 service.

The following table sets out the impact of a small change in the discount rates on the LPFA pension obligation and projected service cost as well as a +/- 1 year age rating adjustment to the mortality assumptions.

	£'000	£'000	£'000
Adjustment to discount rate	0.10%	0.00%	-0.10%
- PV of total obligation	52,574	53,225	53,885
- Projected service cost	107	109	111
Adjustment to long term salary increase			
- PV of total obligation	53,242	53,225	53,209
- Projected service cost	109	109	109
Adjustment to pension increases and deferred revaluation			
- PV of total obligation	53,862	53,225	52,596
- Projected service cost	111	109	107
Adjustment to mortality age			
- PV of total obligation	57,262	53,225	49,491
- Projected service cost	114	109	104

The sensitivities regarding the principal assumptions used to measure the LBH Scheme liabilities are set out below.

	% Increase	£'000
0.5% decrease in Real Discount Rate	10%	264,547
0.5% increase in the Salary Increase Rate	1%	16,209
0.5% increase in the Pension Increase Rate	9%	243,570

Investment Strategy

The Pensions Committee of the London Borough of Hackney has reviewed the Fund's investment strategy and does not believe that it is appropriate at this time to adopt an asset and liability matching strategy (ALM). The Committee considers on an ongoing basis the risk profile of the fund to ensure that its asset allocation strategy remains appropriate in terms of risk and return. As required by the Local Government (Investment and Management of Funds) Regulations 2016, the Pension Fund maintains a policy statement (Investment Strategy Statement) which sets out how assets will be managed and the Fund's approach to risk management. The suitability of various types of investment have been considered along with the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (57.4%) and bonds (18.7%). The proportion in equities has increased slightly over the year from 52.7% to 57.4%, although within the control range of 50.5% - 60.5%, a planned restructure of investment aims to reduce the Fund's equity exposure to a target of 50.5%. Bonds have decreased from 22.3% to 18.7% which is heading in the desired direction to align with the target allocation of 17%. The Fund also invests in property, multi-asset, private debt and infrastructure funds as a part of the diversification of its investments.

Impact on the Authority’s Cash Flows

One of the objectives of the Fund is to keep employers’ contributions stable. The London Borough of Hackney has agreed a strategy with the Fund’s actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on a quarterly basis and reported to the Pensions Committee. The last triennial valuation took place as at 31st March 2019, with the next due in 2022. The Council paid a contribution of 31.5% of payroll during the year, a reduction in pension contributions from the previous year at 33.0% in line with the rates and adjustments set by the Fund's actuary. The Council remains the administering authority of the London Borough of Hackney Pension Fund and also the largest employer in the Fund.

44. Contingent Liabilities

At 31st March 2021, the Council had no material contingent liabilities.

45. Contingent Assets

The Council does not have any contingent assets or gains to disclose.

46. Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

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

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

The main risks covered are:

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

Credit Risk - Treasury Investments

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

A limit of £22m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a limit of £40m applies. The Council also sets limits on investments in certain sectors. No more than £90m in total can be invested for a period longer than one year.

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

Credit Rating	31.3.2021 Long-term £000s	31.3.2021 Short-term £000s	31.3.2020 Long-term £000s	31.3.2020 Short-term £000s
AAA	0	35,730	0	32,181
A+	0	5,043	0	5,093
A	0	0	0	15,344
A-	0	15,078	10,016	5,062
Unrated local authorities	0	13,537	3,517	8,037
Unrated other	0	0	0	0
Unrated housing associations	13,900	0	0	0
Total	**13,900**	**69,388**	**13,533**	**65,717**
Credit risk not applicable	5,830	0	30	0
Total Investments	**19,730**	**69,388**	**13,563**	**65,717**

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 131% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent. At 31st March 2021, £947k of loss allowances related to treasury investments.

Credit Risk: Trade and Lease Receivables and Contract Assets

The Council’s credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council’s trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	31.3.2021 Trade receivables	31.3.2021 Lease receivables	31.3.2020 Trade receivables	31.3.2020 Lease receivables
Neither past due nor impaired	0	631	0	719
Total Receivables	**0**	**631**	**0**	**719**

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

Market Risk - Interest Rate Risk

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

- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement.

At 31 March 2021, £76.6m (2020: £126.1m) of principal borrowed was exposed to fixed rates.

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

	31.3.2021 £000s	31.3.2020 £000s
Increase in interest receivable on variable rate investments	(339)	(248)
Decrease in fair value of investments held at FVPL	69	0
Impact on Surplus or Deficit on the Provision of Services	**(270)**	**(248)**
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	**(270)**	**(248)**
Decrease in fair value of loans and investments at	97	281
Decrease in fair value of fixed rate borrowing	(33)	(175)

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

Market Risks - Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

47. Heritage Assets – Further Information

Civic Regalia

The items of civic regalia owned by the Council are held in secure storage within Hackney Town Hall and consist of items relating to the two former separate boroughs of Stoke Newington and Shoreditch, as well as Hackney. The civic regalia items owned are listed below:

Speaker’s Gold Chain & Gold Badge
Speaker's Escort's Gold Badge
Deputy Speaker's Silver Chain & Silver Badge
Deputy Speaker's Escort's Gold Badge
Speaker & Deputy Speaker's Robes, Hat, Gloves, Wrist & Neck Ruffles
Shoreditch Gold Chain & Gold Badge
Stoke Newington Chain & Badge
Speaker’s Mace
Gilt wood & Mother of Pearl Mace
Silver Gilt Mace
Hackney Badges

Artworks

The collection consists of the Chalmer’s bequest collection of artworks including paintings, sculptures and decorative art objects. It was donated to the Borough of Stoke Newington by Alexander Chalmers in 1927 along with a sum of money, the interest of which was intended for the continued expansion of the collection. Until 1986 the Chalmers Bequest was housed in the Stoke Newington Library, at which point it was moved to the newly instituted Hackney Museum in order to increase access and to provide better security and supervision for the collection. As the artworks are held in trust, they cannot be sold or otherwise disposed of by the Council. The bequeathed artworks valued, for insurance purposes, in excess of £50k are listed below:

A Storm off the coast with Men O War
Interior of St Peters with Papal Process
Numerous Animal & Orpheus
Fishing boats & Man O War at river mouth
An Italian Market Scene

The majority of the collection is on display in the Hackney Museum where it can be viewed by the public. The remaining paintings, sketches and sculptures are held in secure storage in the Hackney Archives.

Artefacts

The Council owns one piece of sculpture, a javelin figure sculpted by Constance Freedman, which is situated outside the Britannia Sports Centre and an Anglo-Saxon long boat (unearthed in Springfield Park) and a nineteenth century hand-pumped fire engine which are on display in the Hackney Museum.

Preservation and Management

The artworks collection is managed by the Head of Museum and Culture who reports to the Director of Health and Community Services. The collection is managed in accordance with policies that are approved by the Authority.

2019/20	HRA Income & Expenditure Statement	2020/21	
£'000		£'000	£'000
	Expenditure		
43,896	Repairs and maintenance	42,136	
48,489	Supervision and management	39,991	
1,527	Rents, rates, taxes and other charges	1,423	
149,830	Depreciation and impairment of non-current assets	144,112	
111	Debt Management Costs	71	
1,844	Movement in the allowance for bad debts	4,559	
471	Sums directed by the Secretary of State that are expenditure in accordance with the Code	0	
246,168	**Total Expenditure**		**232,292**
	Income		
(112,266)	Dwelling rents	(111,858)	
(4,497)	Non-dwelling rents	(4,657)	
(15,759)	Charges for services and facilities	(15,050)	
(11,929)	Contributions towards expenditure	(13,479)	
(144,451)	**Total Income**		**(145,044)**
101,717	**Net Cost of HRA Services as included in the Comprehensive Income**		**87,248**
547	HRA service share of Corporate and Democratic Core		547
6,167	HRA share of other amounts included in the whole authority Cost of		5,491
108,431	**Net Income / (Cost) for HRA Services**		**93,286**
	HRA share of operating income and expenditure included in the Comprehensive I&E Statement		
(52,618)	(Gain) or loss on sale of HRA non-current assets		(2,812)
3,419	Interest payable and similar charges		1,545
(203)	Interest and investment income		(238)
3,043	Net Interest on the net defined benefit liability (asset)		2,050
(13,102)	Capital grants and contributions receivable		(2,743)
48,970	**(Surplus) or deficit for the year on HRA services**		**91,088**

2019/20	Movement on the HRA Statement	2020/21	
		£'000	£'000
(15,000)	**Balance on the HRA at the end of the previous year**		**(11,200)**
48,970	(Surplus) or deficit for the year on the HRA Income and Expenditure	91,088	
	Adjustments between accounting basis and funding basis under statute		
(61)	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory	(641)	
52,618	- Gain or (loss) on sale of HRA non-current assets	2,763	
(5,772)	- HRA share of contributions to or from the Pensions Reserve	(2,092)	
43,184	- Transfer to/(from) Major Repairs Reserve	41,180	
(134,439)	- Transfer to/(from) Capital Adjustment Account	(140,449)	
5,725	- Capital expenditure funded by the HRA	2,829	
(2,306)	- Sums directed by the Secretary of State to be debited or credited to the HRA that are not expenditure or income in accordance with the Code	(869)	
7,919	Net increase or (decrease) before transfers to or from reserves	(6,191)	
	Transfers to or (from) reserves		
(3,675)	- HRA Rightsizing reserve	4,793	
11	- Tenants Levy Reserve	109	
(578)	- Utilities Reserve	0	
0	- HRA Insurance Reserve	(50)	
123	- Aerial Mast income reserve	238	
3,800	Increase or (decrease) in year on the HRA		(1,100)
(11,200)	**Balance on the HRA at the end of the year**		**(12,300)**

1. Capital Expenditure

The following summarises HRA capital expenditure on land, houses and other property during the financial year and the sources of funding used.

	Dwellings		Other Property	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Expenditure	90,460	106,017	954	2,330
	90,460	**106,017**	**954**	**2,330**
Funded by				
Borrowing	20,322	0	0	0
Usable capital receipts	25,291	54,666	0	34
Grants and contributions	3,667	8,166	954	2,296
Major Repairs Reserve	41,180	43,184	0	0
	90,460	**106,016**	**954**	**2,330**

2. Capital Receipts

The following is a summary of capital receipts from disposals of land, dwellings and other property within the HRA during the financial year.

	2020/21	2019/20
	£'000	£'000
Dwellings	26,512	58,475
Other Property	0	0
	26,512	**58,475**

3. Land, Housing Stock and Other Property

	2020/21	2019/20
Number of dwellings	No.	No.
Hostels	59	59
Houses and bungalows	2,108	2,107
Flats and maisonettes	19,540	19,675
Stock at 31st March	**21,706**	**21,841**
Value of assets	£'000	£'000
Dwellings	2,171,755	2,353,658
Other Property	251,091	140,051
Investment Property	1,228	1,415
Values at 31st March	**2,424,074**	**2,495,124**

4. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 31st March 2021 was £8,805 million (£9,118 million as at 31st March 2020). The difference of £6,575 million between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to Government of providing council housing at less than open market rents, net of any impairment to the value of the Housing Stock

5. Depreciation and Impairment Charges

The Item 8 Determination states that the Housing Revenue Account should be charged with depreciation; this has been calculated as follows.

	2020/21	2019/20
	£'000	£'000
Operational assets		
Dwellings	36,040	39,415
Other land and buildings	5,140	3,769
	41,180	**43,184**

There was £101.608 million debited to the HRA for the net impairment loss reversals of HRA fixed during 2020/21 (£193.962 million debited in 2019/20). This was due to a increase in the balance sheet valuation of HRA assets in 2020/21.

6. Revenue Costs funded from Capital

There is an amount of £0.869 million (£1.345 million in 2019/20) in respect of the write down of revenue costs financed from capital resources included within the cost of capital charge, determined in accordance with proper practice, in respect of land, houses or any other property within the Council's Housing Revenue Account.

7. Pension Reserve

The pension reserve was reduced by £2.092 million in 2020/21 (£5.772 million in 2019/20). This is based on an actuarial valuation of the council's pension liability at year end.

8. Rent Arrears and Provision for Expected Credit Loss (ECL)

During 2020/21 permanent tenants and licence arrears, as a proportion of gross income due is 6.7% (6.6% in 2019/20). The Arrears as at the 31st March 2021 are set out below.

	2020/21	2019/20
	£'000	£'000
Total arrears of current and former tenants	15,357	7,786
Expected Credit Loss (ECL)	11,204	7,416

The average rent for permanent tenants was £113.67 per week in 2020/21, an increase of £0.95 (2.84%) from the 2019/20 average rent of £110.53 per week.

The total provision included in the Balance Sheet in respect of all HRA ECL is £11.2 million (£7.4 million as at 31st March 2020).

9. Exceptional Items and Prior Period Adjustments

There were no exceptional items or prior period adjustments in respect of the HRA during 2020/21

2019/20 CTAX £000	2019/20 NNDR £000	The Collection Fund	Note	2020/21 CTAX £000	2020/21 NNDR £000
		Amounts required by statute to be credited to the Collection Fund			
(111,986)		Council Tax (net of discounts for prompt payment and transitional relief)	2	(115,674)	
		Transfers from General Fund			
0		- S13A(1)(C)		(3,549)	
(1)		- Transitional relief		0	
	(143,128)	Non-domestic rates	1		(108,305)
	(9,904)	Transitional protection payments non-domestic rates			(5,797)
	(3,772)	Income collectable in respect of Business Rate Supplements (BRS)			(2,757)
		Contributions towards previous year's estimated Collection Fund deficit			
		Amounts required by statute to be debited to the Collection Fund			
		Precepts & demands from GLA & LBH and Shares of non-domestic rates			
82,299	64,215	- London Borough of Hackney	1	87,747	44,108
23,254	36,121	- Greater London Authority	1	24,701	54,400
	33,445	Payment in respect of central share of non-domestic rates to Central Gov	1		48,519
	0	Transitional protection payments non-domestic rates			0
	3,764	- Payments to levying authority's BRS Revenue Account			2,748
	8	- Administration costs			9
		Impairment of debts and appeals for council tax & non-domestic rates			
3,668	6,441	- Allowance for impairment	3	10,331	33,610
	556	Charge to General Fund for allowable collection costs for non-domestic rates			572
3,236	11,337	Contributions towards previous year's estimated Collection Fund surplus		3,999	1,979
470	**(917)**	**Movement on fund balance**		**7,555**	**69,086**
(3,986)	(1,073)	Opening fund Balance at 1st April		(3,516)	(1,990)
(3,516)	**(1,990)**	**Closing fund balance at 31st March**	4	**4,039**	**67,096**

1. National Non-Domestic Rates

NNDR is organised on a national basis. From 1st April 2013 the Business Rates Retention (BRR) Scheme came into force, replacing the previous system of business rates collected by the council being paid into the NNDR Pool administered by the Government; on 1st April 2018, all London Authorities entered into a pooling arrangement for NNDR purposes. For 2020/21 under the NNDR London Authorities Pooling arrangement: Hackney keeps 30% of its non-domestic rating income, Central Government get 33% and 37% goes to the Greater London Authority. Any benefits arising from NNDR pooling will be credited to the General Fund. Under the new BRR system, the rateable value on the rating list on 25th December 2020 was £391,260 million (3rd January 2019 was £379,558 million), this value is multiplied by small business non-domestic rating multiplier for 2020/21 of 49.9 pence (49.1 pence for 2019/20) to arrive at the council's gross rates of £195.239 million (£186.363 million in 2019/20) gross of mandatory and discretionary relief's, unoccupied property relief, and transitional arrangements/adjustments. After applying all relief's the net rates payable was £147,198 million (£129.304 million in 2019/20). After 2020/21 estimated losses and repayments/refunds (NNDR appeals) collectable rates (net rates) payable was £141.198

million (£123.304 million in 2019/20). After factoring in if any transitional protection payments where applicable, and cost of collection allowance the resulting 2020/21 non-domestic rating income for sharing between Hackney Council (30%), Central Government (33%) and the Greater London Authority (37%) was £147,027 million (£133.782 million in 2019/20).

2020/21 Estimated NNDR (surplus)/deficit is shared between Hackney Council, Central Government and the Greater London Authority.

The aggregate rateable value on the rating list as at 31st March 2021 was £399.782 million (£397.072 million as at 25th March 2020). The small business non domestic rating multiplier for 2020/21 was 49.9 pence (49.1 pence in 2019/20). Net rates payable (before write-offs, allowance for non-collection, losses on appeal was £112.038 million (£152.063 million in 2019/20). Non-Domestic Rating Income for sharing inclusive of transitional protection payments was £79.920 million (£146.036 million 2019/20). The actual 2020/21 deficit for sharing was £67.096 million (£1.990 million surplus in 2019/20) and will be shared between Greater London Authority (GLA), Central Government (MHCLG), and Hackney Council.

Revaluations are carried out every 5 years, the last one being in April 2017; in the current circumstances the next revaluation has been postponed until 2023.

Under the Business Rates Retention Scheme Hackney is also allowed to retain any business rates from enterprise zones, new development deals, and business rates applicable to renewable energy schemes.

Hackney's need under the Business Rates Retention Scheme is greater than its business rates income, it receives Top-up payments from the Government. Top-up payments received during 2020/21 totalled £75.433m (£83.421m in 2019/20) and have been credited to the General Fund.

2. Council Tax Base

Council Tax income was received from the following sources.

	2020/21	2019/20
	£'000	£'000
Gross bills	115,674	111,987
Less Council Tax Benefit	n/a	n/a
Add Transitional relief adjustment	0	(1)
Income from Council Tax	**115,674**	**111,986**

Council tax benefit and council tax benefits subsidy ended on 31st March 2013. From 1st April 2013 the new Council Tax Reduction Scheme (CTRS) came into force, with each Local Authority operating its own local scheme.

Council Tax income derives from charges raised according to the value of residential properties. These have been classified into eight valuation bands utilising estimated 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Greater London

Authority and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band, adjusted by a proportion to convert the number to a Band D equivalent, and adjusted for discounts and non-collection), which is 74,386 for 2020/21 (72,552 for 2019/20). This basic amount of Council Tax for Band D property, £1,511.68 for 2020/21 (£1,454.86 for 2019/20), is multiplied by the proportion specified for the particular band to give an individual amount due.

Band	Ranges from/to £	£	Valuation List	After Discounts and Adjustments	Proportion	No. 2020/21	No. 2019/20
A	up to	40,000	7,866	4,003	0.67	2,667	2,524
B	40,001	52,000	31,741	19,150	0.78	14,895	14,622
C	52,001	68,000	34,848	24,935	0.89	22,165	22,472
D	68,001	88,000	23,778	18,873	1.00	18,873	18,404
E	88,001	120,000	12,170	10,065	1.22	12,302	11,484
F	120,001	160,000	4,432	3,552	1.44	5,131	4,949
G	160,001	320,000	1,185	1,073	1.67	1,788	1,831
H	320,001	and above	42	36	2.00	71	84
			116,062	81,687		77,892	76,370
Other Adjustments							
Band D equivalent for Taxbase calculation						77,892	76,370
Collection rate assumed in the budget setting						95.50%	95.00%
Council Tax base						**74,386**	**72,552**

3. Allowance for Impairment

Only the movements on the provision made or released are charged to the Collection Fund directly. For Council Tax and NNDR, this is shown as discrete amounts on the face of the Collection Fund.

	Council Tax 2020/21	NNDR 2020/21	Council Tax 2019/20	NNDR 2019/20
	£'000	£'000	£'000	£'000
Provision brought forward at 1st April	(18,861)	(29,441)	(16,900)	(23,009)
Provision (made)/released	(10,331)	(33,610)	(3,668)	(6,441)
Write-offs /(write backs) charged directly to the Impairment Allowance	69	0	1,707	9
Provision carried forward at 31st March	**(29,123)**	**(63,051)**	**(18,861)**	**(29,441)**

4. Collection Fund (Surplus)/Deficit

Council tax deficit

The estimate of the deficit on the Collection Fund as at 31st March 2021, which was made on the 15th January 2021 for the purposes of the 2021/22 budget, was £5.225 million (£3.999 million surplus at 31st March 2020); this deficit will be recovered over a three year period from 2021/22 to 2023/24. An element of this deficit amounting to £0.453 million will be recovered from the Greater London Authority (GLA) in 2021/22.

The actual overall deficit on the Collection Fund at 31st March 2021 is £4.039 million (£3.516 million surplus at 31st March 2020). The decrease in the actual deficit compared with the estimate made in January will be taken into account in the calculation of the surplus or deficit as at 31st March 2022 for the purposes of the 2022/23 budget. The amount of the decrease attributable to the GLA in 2022/23 is estimated at £0.269 million.

The total actual cumulative deficit to 31st March 2021 was £4.039 million, the amount which will therefore be recovered from the GLA is estimated at £0.879 million. This amount has been included in the Council's Balance Sheet as a debtor (GLA). Hackney's share of £3.161 million at 31st March 2021 (£2.741 million surplus at 31st March 2020) represents the estimated amount needed from the Council's budget in 2021/22 and 2022/23.

NNDR deficit

The estimate of the deficit (adjusted for three year spread) on the Collection Fund as at 31st March 2021, which was made on the 31st January 2021 for the purposes of the 2021/22 budget, was £55.244 million (£1.979 million surplus at 31st March 2020). This will be shared out and recouped in 2021/22 as follows: Central Government (MHCLG) £18.232 million, with Hackney £16.571 million, and Greater London Authority (GLA) £20.441 million.

The above estimated deficit will be repaid to the collection fund in 2021/22. The estimated deficit was largely driven by additional Retail, Hospitality and Leisure reliefs announced by Chancellor and given to businesses due to covid-19. The government will compensate Hackney under section 31 funding for its share of the additional reliefs given to businesses, but, due to regulations governing the Collection Fund such income (section 31) must form part of the General Fund and not the Collection Fund.

The actual unadjusted cumulative deficit on the Collection Fund at 31st March 2021 was £67.096 million (£1.990 million surplus as at 31st March 2020). The difference between actual deficit compared with the estimate made in January will be taken into account in the calculation of the surplus or deficit as at 31st March 2022 for the purposes of the 2022/23 budget.

The total actual cumulative deficit to 31st March 2021 was £67.096 million (£1.990 million surplus as at 31st March 2020) the attributable shares are as follows: Central Government £22.142 million, and the Greater London Authority (GLA) £24.827 million. These amounts have been included in the Council's Balance Sheet as debtors. Hackney's share of the closing fund balance is a deficit of £20.127 million as at 31st March 2021, (£0.687 million deficit as at 31st March 2020) represents the estimated amount that will negatively impact the Council's budget in 2021/22 and 2022/23.

1. Introduction

The CIPFA Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material. The London Borough of Hackney wholly owns five subsidiaries, each established by a single £1 share.

2. Subsidiary status for 2020/21 Consolidation

Of the five wholly owned subsidiaries that have been established, three have been consolidated into the group for 2020/21. The rationale for this is outlined in the table below.

Subsidiary	Status for 2020/21 Group accounts	Comments
Otto Management Company Limited	Not Consolidated	Immaterial - low turnover, consolidation unnecessary
Makers Management Company Limited	Not Consolidated	Immaterial - low turnover, consolidation unnecessary
Hackney Housing Company Limited (Holding company);	Consolidated	
Hackney PRS Housing Company Limited (Subsidiary);	Consolidated	
Hackney HLR Housing Company Limited (Subsidiary)	Consolidated	

Further commentary on activities undertaken by each of the subsidiaries can be found within the Related Parties section of this document at p99.

3. Group Accounts

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with the Companies. The group accounts have been consolidated on a line by line basis. The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement

The accounting policies of the subsidiaries have been aligned with the policies of the Council, for the purposes of Group Accounts.

4. Commentary on material group activities in 2020/21

During 20/21 London borough of Hackney provided a loan of £2.5 million and capital contribution of £1 million, the latter via Hackney Housing Company, to Hackney HLR. This was for the purchase of eight properties from the London borough of Hackney, and these are let at a living rent. There was no further financing provided to Hackney PRS, beyond that provided in 2019/20.

The material Group item is additional investment property of £19m. In the consolidating of group accounts, this is within two key adjustments - reduction of long term investments (reflecting LB Hackney funding of subsidiary) and increase in Investment Property (reflecting property acquisition), as follows.

	Single entity £'000	Group Adjustments £'000	Group presentation £'000
Investment Property	175,843	19,080	194,923
Long Term Investments	5,830	(5,800)	30
Long Term Debtors	14,363	(13,700)	663

No further notes to the group accounts have been prepared as they are not materially different to the Authority accounts.

Movement in Reserves

	Total Single Entity Usable Reserves	PRS Usable Reserves	HLR Usable Reserves	Total Group Usable Reserves	Single entity Unusable Reserves	PRS Unusable	HLR Unusable	Total Group Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31/03/2020	(291,042)	355	0	(290,688)	(3,274,789)	0	0	(3,274,789)	(3,565,477)
Reporting change to Schools Budget Deficit at 1 April 2020	(5,028)	0	0	(5,028)	5,028	0	0	5,028	0
Restated balance at 1 April 2020 *	(296,070)	355	0	(295,716)	(3,269,761)	0	0	(3,269,761)	(3,565,477)
								0	
Movement in reserves during 2020/21								0	
Total Comprehensive Income and Expenditure	163,948	371	48	164,367	(374,487)	0	0	(374,487)	(210,120)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(167,957)	0	0	(167,957)	622,884	0	0	622,884	454,927
(Increase) / Decrease in 2020/21	(4,009)	371	48	(3,590)	248,397	0	0	248,397	244,807
								0	
Balance as at 31/03/2021	(300,079)	726	48	(299,305)	(3,021,364)	0	0	(3,021,364)	(3,320,669)
								0	
Of which;								0	
Schools Balances	(16,764)	0	0	(16,764)	0	0	0	0	(16,764)
LB Hackney Revenue	(184,292)	726	48	(183,518)	935,526	0	0	935,526	752,007
LB Hackney Capital	(115,786)	0	0	(115,786)	(3,956,890)	0	0	(3,956,890)	(4,072,676)

*The 2020/21 opening balance has been adjusted to reflect the statutory change requiring the DSG reserve to be shown as an unusable reserve. See note 8 and 23 for further details.

	Total Single Entity Usable Reserves	PRS Usable Reserves	HLR Usable Reserves	Total Group Usable Reserves	Single entity Unusable Reserves	PRS Unusable	HLR Unusable	Total Group Unusable Reserves	Total Reserves
	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31/03/2019	(339,553)	0	0	(339,553)	(3,189,325)	0	0	(3,189,325)	(3,528,878)
Movement in reserves during 2019/20									
Total Comprehensive Income and Expenditure	201,525	355	0	201,880	(238,470)	0	0	(238,470)	(36,590)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(153,013)	0	0	(153,013)	153,006	0	0	153,006	(7)
(Increase) / Decrease in 2019/20	48,511	355	0	48,866	(85,464)	0	0	(85,464)	(36,598)
Balance as at 31/03/2020	(291,042)	355	0	(290,688)	(3,274,789)	0	0	(3,274,789)	(3,565,477)
Of which;									
Schools Balances	(13,195)	0	0	(13,195)	0	0	0	0	(13,195)
LB Hackney Revenue	(291,043)	355	0	(290,688)	656,620	0	0	656,620	365,932
LB Hackney Capital	0	0	0	0	(3,931,409)	0	0	(3,931,409)	(3,931,409)

Comprehensive Income and Expenditure

	Notes	2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000	2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000
Children, Adults and Community Health							
Education & Schools		319,365	(257,953)	61,412	364,800	(247,418)	117,382
Children & Families		85,377	(15,608)	69,769	76,329	(9,394)	66,935
Adult Services		143,849	(64,875)	78,974	134,419	(50,373)	84,046
Public Health		36,313	(36,393)	(80)	34,524	(33,357)	1,167
Neighbourhoods and Housing							
Public Realm		127,336	(75,999)	51,337	124,141	(67,587)	56,553
Housing & Regeneration GF		4,918	(1,678)	3,240	5,008	(2,112)	2,895
Finance & Corporate Resources							
Revenues & Benefits		357,738	(334,281)	23,457	366,638	(345,901)	20,737
Finance and Resources Other		26,791	(9,060)	17,731	55,035	(14,953)	40,082
Chief Executives							
Chief Executive		10,968	(2,302)	8,666	15,332	(6,538)	8,794
Housing Revenue Account							
HRA		238,330	(145,044)	93,286	252,882	(144,451)	108,431
Hackney PRS Housing Company							
PRS		306	(690)	(384)	180	(353)	(173)
Cost of Services		**1,351,291**	**(943,883)**	**407,408**	**1,429,288**	**(922,437)**	**506,851**
Other operating expenditure	9			(8,371)			(37,155)
Financing and investment income and expenditure	10			69,685			40,046
Taxation and Non-Specific Grant Income and expenditure	11			(304,355)			(308,862)
(Surplus) or Deficit on Provision of Services				**164,367**			**201,880**
(Surplus) / deficit on revaluation of fixed assets				(146,924)			(18,671)
(Surplus) / deficit on revaluation of financial assets (Available for sale)				(100)			70
Remeasurement of net defined benefit liabilty				(227,463)			(219,869)
Other Comprehensive Income and Expenditure				**(374,487)**			**(238,470)**
Total Comprehensive Income and Expenditure				**(210,120)**			**(36,590)**

Balance Sheet

	Notes	31st March 2021	31st March 2020
		£'000	£'000
Property, Plant and Equipment	13	4,161,847	4,064,015
Heritage Assets	12	2,322	2,277
Investment Property	14	194,923	214,301
Intangible Assets	15	3,068	3,011
Long Term Investments		30	13,530
Long Term Debtors		663	728
Long Term Assets		**4,362,853**	**4,297,862**
Assets Held for Sale	19	72,251	115,875
Short Term Investments		13,499	15,393
Inventories		1,224	769
Short Term Debtors (incl PIA)	17	128,814	147,465
Cash and Cash Equivalents	18	42,023	44,795
Current Assets		**257,811**	**324,297**
Short Term Borrowing		(332)	(45,400)
Short Term Creditors (incl RIA)	21	(176,293)	(154,568)
Revenue Grants Receipts in Advance	36	(33,302)	(1,261)
Capital Grants Receipts in Advance	36	(1,116)	(1,795)
Provisions	20	(28,551)	(33,039)
Current Liabilities		**(239,594)**	**(236,063)**
Long Term Creditors		(7,595)	(8,981)
Provisions	20	(14,682)	(15,929)
Long Term Borrowing		(76,174)	(80,605)
Other Long Term Liabilities	41,43	(905,204)	(665,708)
Revenue Grants Receipts in Advance	36	(506)	(277)
Capital Grants Receipts in Advance	36	(56,240)	(49,120)
Long Term Liabilities		**(1,060,401)**	**(820,620)**
Net Assets		**3,320,669**	**3,565,476**
Usable Reserves	22	(299,305)	(290,688)
Unusable Reserves	23	(3,021,364)	(3,274,788)
Total Reserves		**(3,320,669)**	**(3,565,476)**

Cash Flow Statement

	Note	31st March 2021	Restated 31st March 2020
		£'000	£'000
Net (surplus) / deficit on the provision of services		164,367	176,940
Adjustments to net surplus or deficit on the provision of services for non-cash movements *	24	(431,957)	(315,602)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities *	24	118,525	145,713
Net cash flows from Operating Activities		**(149,065)**	**7,051**
Investing Activities *	25	67,210	70,615
Financing Activities	26	84,627	(59,385)
Net (increase) or decrease in cash and cash equivalents		**2,772**	**18,281**
Cash and cash equivalents at the beginning of the reporting period		44,795	63,076
Cash and cash equivalents at the end of the reporting period	18	**42,023**	**44,795**

Independent auditor's report to the Members of the London Borough of Hackney to follow in Final Audited Statement of Accounts

2019/20 £'000	Fund Account	Notes	2020/21 £'000
	Dealings with members, employers and others directly involved in the Scheme		
(78,777)	Contributions	7	(76,326)
(5,301)	Transfers in from other pension funds	8	(4,625)
(84,078)			(80,951)
65,429	Benefits	9	63,528
8,035	Payments to and on account of leavers	10	6,394
73,464			69,922
(10,614)	**Net (additions)/withdrawals from dealings with members**		**(11,029)**
9,870	**Management Expenses**	11	**12,003**
	Returns on investments		
(11,765)	Investment income	12	(20,119)
94,393	(Profit) and losses on disposal of investments and changes in the market value of investments	13c	(351,463)
0	Taxes on Income		(20)
82,628	**Net returns on investments**		**(371,602)**
81,884	**Net (increase)/decrease in the Fund during the year**		**(370,628)**
1,575,232	**Opening net assets of the Scheme**		**1,493,348**
1,493,348	**Closing net assets of the Scheme**		**1,863,976**

2019/20 £'000	Net Assets Statement	Notes	2020/21 £'000
1,472,548	Investment Assets	13a	1,833,627
150	Long-Term Investment		150
12,328	Cash Deposits	13a	10,606
1,485,026			**1,844,383**
(4,907)	Investment Liabilities	13a	**(133)**
1,480,119	**Net Value of Investment Assets**	13a	**1,844,250**
25	Long-term debtors	20a	158
18,886	Current Assets	20	22,741
(5,682)	Current Liabilities	21	(3,173)
13,229			**19,726**
1,493,348	**Net Assets of the Fund available to fund benefits at the period end**		**1,863,976**

Note: the fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

1. DESCRIPTION OF THE FUND

The Hackney Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Hackney.

The following description of the Fund is a summary only. For more detail, reference should be made to the Hackney Pension Fund Annual Report 2020/21, the Pension Fund website https://hackneypension.co.uk and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended).
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- The Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016.

It is a contributory defined benefit pension scheme administered by the London Borough of Hackney ("the Council") to provide pensions and other benefits for pensionable employees of the London Borough of Hackney and for the employees of admitted and scheduled bodies eligible to participate in the Fund. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The London Borough of Hackney has delegated responsibility for the management of the Pension Fund to the Pensions Committee with the Group Director of Finance and Corporate Resources being given delegated authority for the day to day operations of the Fund.

b) Membership

All local government employees (except casual employees, teachers and those eligible to be members of the NHS Pension Scheme) are automatically entered into the Scheme. However membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Hackney Pension Fund include:

- Scheduled bodies, which include the local authority and similar aligned bodies whose staff are automatically entitled to be members of the Fund. It also includes Academy and Free School non-teaching staff.

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector. As at 31st March 2021 there are 41 active employer organisations within the Fund, including the London Borough of Hackney.

London Borough of Hackney Pension Fund	31 March 2021	31 March 2020
Number of Employers with active members	41	41
Number of Employees in scheme		
Council	6,502	6,334
Scheduled bodies	524	531
Admitted bodies	57	55
Total	**7,083**	**6,920**
Number of pensioners		
Council	6,870	6,643
Scheduled bodies	56	47
Admitted bodies	23	21
Ceased Employers	553	542
Total	**7,502**	**7,253**
Deferred members		
Council	8,581	8,755
Scheduled bodies	767	751
Admitted bodies	72	76
Ceased Employers	932	959
Total	**10,352**	**10,541**
Grand Total	**24,937**	**24,714**

*The membership numbers as at 31st March 2020 have been restated due to an error reporting 30th April 2020 figures instead of 31st March 2020. There is no further impact on the financial statements.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuations. The last such valuation was at 31 March 2019 with the next valuation due to take place at 31 March 2022. Current employer contribution rates can be found in the Rates and Adjustments Certificate in the Hackney Pension Fund Annual Report and Accounts 2020/21 or within the Actuarial valuation on the Pension Fund Website:- https://hackneypension.co.uk

Prior to 1 April 2014, pension benefits under LGPS were based on final pensionable pay and length of service.

April 2014, saw the implementation of LGPS 2014, a new Career Average Revalued Earnings (CARE) Scheme, based on a 1/49th accrual rate with retirement ages now linked to an individual member's state pension age. On average, contribution rates for employees have remained at 6.5%, however the contribution bands have widened and are now 5.5% to 12.5% at the top end. The new Scheme has also introduced the option for flexibility over contributions, i.e. a lower contribution for lower benefits, referred to as the 50/50 Scheme. It has not been possible to quantify the impact of these changes, although they have been designed to bring the future service costs of the Scheme down.

Details of the schemes are summarised below:

	Service pre 1 April 2008	Service post 31 March 2008	Service post 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked is worth 1/49 Career Average Revalued Earnings Salary
Lump Sum	Automatic lump sum of 3 x pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details please refer to the scheme guides which can be found at https://hackneypension.co.uk/.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the government announced that the method of indexation would change from the Retail Prices Index to the Consumer Prices Index. This change took effect from 1 April 2011.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code),* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 19) basis, is disclosed in Note 19 of these accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contributions income

Normal contributions, both from members and employers, are accounted for on an accruals basis. Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the Fund Actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than the due date.

b) Transfers to and from schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income
Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting year is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting year is disclosed in the Net Assets Statement as a current financial asset.

iv) Movement in the net market value of investments

- Changes in the net market value of investments are recognised as unrealised profits/losses during the year.
- Realised profit/losses are recognised upon the sale of investments during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include those known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrevocable tax is accounted for as a fund expense as it arises. All income and expenditure in the Statement of Accounts is net of VAT, where recoverable.

f) Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance: *Accounting for Local Government Pension Scheme Management Expenses (2016).*

i) Administrative expenses
All administrative expenses are accounted for on an accruals basis. Relevant staff costs and associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

ii) Oversight and governance costs
All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund. The cost of obtaining investment advice from external consultants is included in oversight and governance charges.

iii) Investment management expenses
All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change.

Where an investment manager’s invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2020/21, there were no fees based on such estimates (2019/20 £163K fees estimated).

A similar procedure is used for custodian fees, and in 2020/21 there were no fees estimated (2019/20: no fees estimated).

The Fund requests that non-invoiced investment management fees (plus other associated costs such as transaction costs) are disclosed via the Cost Transparency Initiative template. Where cost information is not readily available for the year ending 31st March 2021 (e.g. for pooled funds using different accounting dates), an estimate will be made using the most recent information available.

Net Assets Statement

g) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis (with the exception of cash and debtors, which has been measured on an amortised cost basis), as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The Fund has contributed £150k of Regulatory Capital to the London Collective Investment Vehicle (LCIV), required from each member of the pool. The investment is carried at cost as:

- the shares held in the LCIV do not constitute a joint venture or group arrangements due to lack of control
- the investment is not repayable on demand and does not meet FVOCI requirements and
- These shares are being held as a long-term investment with currently no intention to trade
- the fund is of the view that fair value at 31st March 2021 cannot reliably be measured.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are measured at fair value through bid prices and liabilities at fair value through offer prices. Changes in the fair value of derivative contracts are included in any change in the market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

j) Cash and cash equivalents

Cash comprises cash-in-hand and deposits payable on demand and includes amounts held by the Fund's external managers.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash that are subject to minimal risk of changes in value.

k) Financial liabilities

The Fund recognises financial liabilities at fair value (with the exception of creditors measured on an amortised cost basis), as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in fair value of the liability are recognised by the Fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note only (Note 19).

m) Additional Voluntary Contributions (AVCs)

The Hackney Pension Fund provides an Additional Voluntary Contributions (AVC) Scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential as its AVC approved provider. AVCs are paid by members to the AVC provider and are used specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22).

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events.

Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (Note 25).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

It has not been necessary to make any material critical judgements in applying the accounting policies in 2020-21.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Pension fund liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. The Fund Actuary, Hymans Robertson, provides expert advice about the assumptions to be applied.

The pension fund liability shown in Note 19 is calculated on an IAS19 basis, with economic assumptions updated annually. It is therefore subject to a significant risk of material adjustment in forthcoming financial years. The effect of changes to individual assumptions can be measured, as set out in the table below:

Change in assumptions at 31 March 2021	Approximate % increase to Pension Fund Liability	Approximate monetary amount (£m)
0.5% decrease in ‘real discount rate’	10%	252
0.5% increase in the ‘salary increase rate’	1%	17
0.5% increase in the ‘pension increase rate’	9%	274

- To quantify the impact of a change in the financial assumptions used, the Fund actuary has calculated and compared the value of scheme liabilities as at 31 March 2021 on varying bases. The approach taken is consistent with that adopted for IAS19.

- The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, it has been estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.

- In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

- Please note that the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

Unquoted Investment Assets

The Fund's unquoted investments (such as private debt) are not regularly traded and are valued using techniques that require significant judgement in determining appropriate assumptions. The valuation of these investments therefore involves a degree of uncertainty. Additionally, the Fund relies on obtaining investor reports and financial statements from the relevant fund managers; the difficulties inherent in valuing these investments means that pricing information may not be available in a timely fashion.

Within the financial statements, these assets are held at fair value in accordance with the requirements of the Code and IFRS 13. They are classified at Level 3 i.e. assets where at least one input that could have a significant effect on the instrument's valuation is not based on observable data. More detail on the basis of valuation and key sensitivities for these assets can be found in Note 16.

6. EVENTS AFTER THE BALANCE SHEET DATE

On 24th February 2022, Russia invaded Ukraine in an internationally condemned act of aggression. As the conflict progresses, it has been necessary for the Pension Fund to consider the accounting implications resulting from the impact of the war on its activities. Given the start of the conflict in early 2022 we believe no adjustments to the financial statements as at 31 March 2021 need to be taken into consideration and the current conflict should be considered a non-adjusting event. A narrative summary of the impact is provided below.

The most immediate impact is on the Fund's investments in Russia and Ukraine. The Fund's exposure to Russia and Ukraine is small; approximately 0.05% of assets as at 28 February 2022, held via pooled funds. The Fund made allocation changes during the year 2021/22 but exposure at 31 March 2021 was also minimal. Given that engagement is not possible at this time, the Fund has committed to disinvesting its holding in Russia once it is practical to do so.

7. CONTRIBUTIONS RECEIVABLE

By Category	2020/21	2019/20
	£'000	**£'000**
Employers' Contributions split by:		
Normal Funding	(37,935)	(31,986)
Deficit Funding	(24,395)	(33,177)
Members' Contributions	(13,996)	(13,614)
Total	**(76,326)**	**(78,777)**

By Employer	2020/21	2019/20
	£'000	**£'000**
London Borough of Hackney	(72,042)	(74,514)
Scheduled Bodies	(3,965)	(3,851)
Admitted Bodies	(319)	(412)
Total	**(76,326)**	**(78,777)**

8. TRANSFERS IN

	2020/21	2019/20
	£'000	**£'000**
Individual Transfers	(4,625)	(5,301)
Total	**(4,625)**	**(5,301)**

9. BENEFITS PAYABLE

By Category	2020/21	2019/20
	£'000	£'000
Pensions	50,708	49,109
Commutation and Lump Sum Retirement Benefits	11,785	15,580
Lump Sum Death Benefits	1,035	740
Total	**63,528**	**65,429**

By Employer	2020/21	2019/20
	£'000	**£'000**
London Borough of Hackney	59,129	61,114
Scheduled Bodies	2,900	2,884
Admitted Bodies	1,499	1,431
Total	**63,528**	**65,429**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2020/21	2019/20
	£'000	£'000
Refunds to Members leaving service	209	181
Payments for Members joining state scheme	-	-
Group Transfers	-	-
Individual Transfers	6,185	7,854
Total	**6,394**	**8,035**

11. MANAGEMENT EXPENSES

	2020/21	2019/20
	£'000	£'000
Administrative Costs	849	842
Investment Management Expenses*	9,988	8,037
Oversight and Governance Costs	1,166	991
Total	**12,003**	**9,870**

The investment management expenses disclosed above include non-invoiced management, transaction and other costs paid/payable to the Fund's investment managers of £8.234m (£6.457m in 19/20). The disclosure of the non-invoiced costs is made to the Fund via the Cost Transparency InitiativeTemplate. The introduction of the template is helping to ensure more accurate fee disclosures by managers, with greater detail provided with regards to transaction costs. Audit Fees of £16k (£16k in 2019-20) were incurred and are included in Oversight and Governance Costs in the above table.

11.A INVESTMENT MANAGEMENT EXPENSES

2020/21	Management Fees	Transaction Costs	Custody Fees	Performance Fees	Total
Asset Class	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	439	-	-	-	439
Equities	99	-	-	-	99
Pooled Investments	3,351	1,867	129	-	5,347
Pooled Property Investments	2,724	184	-	-	2,908
Private Debt	1,147	2	6	-	1,155
Cash	-	-	5	-	5
Custodian	-	-	35	-	35
Total	**7,760**	**2,053**	**175**	**-**	**9,988**

2019/20 Asset Class	Management Fees £'000	Transaction Costs £'000	Custody Fees £'000	Performance Fees £'000	Total £'000
Bonds	899	-	-	-	899
Equities	(97)	20	-	-	(77)
Pooled Investments	2,883	452	17	-	3,352
Pooled Property Investments	2,192	312	-	-	2,504
Private Debt	1,176	264	-	-	1,440
Cash	-	-	5	-	5
Custodian	(111)	-	25	-	(86)
Total	**6,942**	**1,048**	**47**	**-**	**8,037**

During 2019/20 differences in historic fund manager valuations reported between the fund's current custodian and previous custodian were written off (£111k). An estimate of £99k for management fees of an equities fund manager that exited the Fund was settled in 2020/21.

12. INVESTMENT INCOME

	2020/21 £'000	2019/20 £'000
Fixed Interest Securities	(4,179)	(4,207)
Equity Dividends	(9,065)	(4,141)
Index Linked Securities	(185)	(392)
Pooled Investment Income	(1,064)	(549)
Interest on Cash Deposits	(68)	(176)
Other Income	(5,558)	(2,301)
Total	**(20,119)**	**(11,765)**

13. INVESTMENTS

The Fund's investments are held in a wide range of assets to ensure diversification, and to optimise returns whilst having regard to the management of risk. The movement in asset classes over the year is largely a reflection of the relative performance of those assets.

a. Analysis of Investments

A breakdown of investments held by the Fund's external managers across the various asset classes is below:

Investment type		Market value 31 March 2021	Market value 31 March 2020
Investment Assets:			
Fixed Interest Securities		**184,247**	**169,466**
Index Linked Securities		**53,706**	**63,733**
Equities	Long-Term Investment	**150**	**150**
Pooled Investments	Corporate Fixed Interest	106,803	95,094
	Diversified Growth Funds	171,050	154,246
	Property	155,736	153,689
	Emerging Markets Equity - Active	97,123	65,784
	Global Equity - Active	290,405	198,469
	Global & UK Equity - Passive	671,220	516,179
	Private Debt	101,263	52,415
		1,593,600	**1,235,875**
Derivative Contracts			
	Forward Currency	60	711
	Futures	135	603
		195	**1,314**
Other Investment Assets			
	Cash Deposits	10,606	12,328
	Other Investment Balances	1,879	2,160
		12,485	**14,488**
Total Investment Assets		**1,844,383**	**1,485,026**
Investment Liabilities:			
Derivative Contracts			
	Forward Currency	(0)	(86)
	Futures	(133)	(459)
		(133)	**(545)**
Other Investment Liabilities		**(0)**	**(4,362)**
Total Investment Liabilities		**(133)**	**(4,907)**
Net Investment Assets		**1,844,250**	**1,480,119**

b. Investments analysed by fund managers

As at 31 March 2021 the Fund's investments are managed by nine principal Investment Managers according to defined benchmarks which are set out in the Investment Strategy Statement (ISS). The following is a breakdown of the investments between the Investment Managers.

Fund Manager	Value £'000	% of investment assets	Value £'000	% of investment assets
	2020/21	**2020/21**	**2019/20**	**2019/20**
Investments managed by London CIV:				
BlackRock (Global & UK Equity Index)	671,249	36.4%	516,207	34.9%
LCIV/RBC (Global Active Equity)	290,405	15.7%	198,469	13.4%
	961,654	**52.1%**	**714,676**	**48.3%**
Investments managed outside of London CIV:				
BMO (Fixed Interest)	255,782	13.9%	249,903	16.9%
Threadneedle (Property)	155,736	8.4%	153,689	10.4%
GMO (Global Real Return)	104,421	5.7%	86,943	5.9%
BlackRock (Ultra Short Bond Fund)	88,974	4.8%	78,390	5.3%
RBC (Global Emerging Market Equities)	97,123	5.3%	65,784	4.4%
Invesco (Global Multi Asset)	66,629	3.6%	67,304	4.5%
Churchill (Private Debt)	54,041	2.9%	38,248	2.6%
Permira (Private Debt)	47,222	2.6%	14,168	1.0%
Other investments (including MMFs)	12,668	0.7%	11,016	0.7%
	882,596	**47.9%**	**765,443**	**51.7%**
Total	**1,844,250**	**100%**	**1,480,119**	**100%**

c. Reconciliation of movements in investments and derivatives

For each asset class, the opening position is reconciled with closing position as set out in the tables below.

Investment type	Market Value 31/03/2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2021
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fixed Interest Securities	169,466	146,238	(131,837)	380	184,247
Index Linked Securities	63,733	3,194	(15,199)	1,978	53,706
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,235,875	119,019	(100,590)	339,296	1,593,600
Derivative Contracts					
Forward Currency Contracts	625	2,124	(3,634)	945	60
Futures	144	2,363	(3,398)	893	2
	1,469,993	**272,938**	**(254,658)**	**343,492**	**1,831,765**
Other Investment balances:					
Cash Deposits	12,328				10,606
Receivable for Sales	-				-
Investment Income due	2,160				1,879
Payable for Purchases	(4,362)				-
Net Investment Assets	**1,480,119**			**343,492**	**1,844,250**

The increase in market value of £343,492k is £7,971k less than the change in market value on the Fund Account of £351,463k, as the above movement includes indirect manager fees.

Investment type	Market Value 31/03/2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2020
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fixed Interest Securities	150,714	94,991	(80,573)	4,335	169,466
Index Linked Securities	72,891	14,329	(26,087)	2,600	63,733
Equities	193	0	0	(43)	150
Pooled Investment Vehicles	1,295,903	47,034	(1,015)	(106,047)	1,235,875
Derivative Contracts					
Forward Currency Contracts	(342)	4,831	(2,949)	(915)	625
Futures	(662)	7,768	(5,741)	(1,220)	144
	1,518,695	**168,951**	**(116,365)**	**(101,289)**	**1,469,993**
Other Investment balances:					
Cash Deposits	26,817				12,328
Receivable for Sales	809				0
Investment Income due	1,538				2,160
Payable for Purchases	(42)				(4,362)
Net Investment Assets	**1,547,819**			**(101,289)**	**1,480,119**

The reduction in market value of £101,289k is £6,896k greater than the change in market value on the Fund Account of £94,393k, as the above movement includes indirect manager fees.

Derivative payments and receipts correspond to the sterling equivalent amount of forward foreign exchange and futures contracts settled during the year. Further disclosure regarding derivative contracts can be found in Note 14.

d. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets of the fund:

Security	Market Value 31 March 2021 £'000	% of total fund	Market Value 31 March 2020 £'000	% of total fund
Threadneedle Property Fund (TPEN)	130,750	7.01%	127,759	8.56%
GMO (Global Real Return)	104,421	5.60%	86,943	5.82%
BlackRock Aquila Life UK Equity Fund	310,330	16.65%	120,173	8.05%
BlackRock ACS World Low Carbon Equity Fund	208,108	11.16%	151,404	10.14%
BlackRock Aquila Life MSCI World Equity Fund	152,811	8.20%	244,631	16.38%
LCIV RBC Sustainable Equity Fund	290,405	15.58%	198,469	13.29%
BlackRock Ultra Short Bond Fund	88,975	4.77%	78,390	5.25%

e. Stock Lending

The Fund did not undertake any direct stock lending activity during the year, but acknowledges that within pooled investments fund managers may participate in this activity.

14. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The Fund may hold derivatives for risk management purposes, or to facilitate efficient portfolio management. The use of derivatives is managed in line with the investment management agreements agreed between the Fund and its investment managers. The Fund does not hold derivatives for speculative purposes.

Forward currency contracts

To maintain appropriate diversification and take advantage of overseas investment income, a proportion (maximum 30%) of the Fund's bond portfolio can be held in overseas bonds. Within the portfolio, the Fund permits a maximum allowance to non-sterling currencies of 5%. The Fund's bond manager (BMO) therefore makes use of forward currency contracts to hedge non-sterling exposure, but is not permitted to create currency positions through derivatives alone.

Forward foreign exchange contracts are disclosed in the accounts at fair value which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date. A breakdown of forward contracts held by the Fund as at 31 March 2021 is given below.

Open forward currency contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Fair Value
		£'000		£'000	£'000
Assets					
One to six months	GBP	6,505	EUR	(7,604)	25
	GBP	3,633	USD	(5005)	5
	GBP	19	AUD	(34)	0
	GBP	6,506	EUR	(7,604)	25
	GBP	3,632	USD	(5005)	5
Total Assets					**60**
Liabilities					
One to six months	EUR	309	GBP	(263)	(0)
	AUD	16	GBP	(9)	(0)
	AUD	25	GBP	(14)	(0)
	AUD	64	GBP	(35)	(0)
Total Liabilities					**(0)**
Net Forward Contracts 20/21					**60**

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Fair Value
		£'000		£'000	£'000
Assets					
One to six months	GBP	14,087	EUR	(15,419)	416
	GBP	18	CAD	(30)	1
	GBP	11,021	USD	(13,358)	264
	GBP	318	USD	(380)	11
	GBP	16	CAD	(29)	0
	GBP	259	AUD	(514)	5
	GBP	21	CAD	(36)	1
	GBP	3,406	EUR	(3,833)	8
	GBP	33	CAD	(56)	2
	GBP	119	CAD	(203)	4
Total Assets					**711**
Liabilities					
One to six months	EUR	416	GBP	(388)	(19)
	AUD	104	GBP	(52)	(0)
	AUD	247	GBP	(122)	(0)
	CAD	67	GBP	(39)	(1)
	USD	305	GBP	(263)	(17)
	CAD	91	GBP	(53)	(2)
	USD	270	GBP	(232)	(15)
	CAD	79	GBP	(47)	(2)
	AUD	163	GBP	(81)	(1)
	CAD	29	GBP	(17)	(1)
	CAD	4	GBP	(2)	(0)
	EUR	676	GBP	(625)	(26)
	USD	333	GBP	(269)	(1)
Total Liabilities					**(86)**
Net Forward Contracts 19/20					**626**

Futures

The Fund's bond manager, BMO, is permitted to use bond futures for both risk management purposes and to facilitate efficient portfolio management. Specifically, the mandate permits BMO to use bond futures to make adjustments to the portfolio yield curve, with the restriction that total portfolio duration may not be negative in the following maturity buckets: 0-5yrs, 5-10yrs, 10-15yrs, 15-20yrs, 20+yrs.

The Outstanding futures contracts are as shown below. The economic exposure represents the notional asset value purchased under futures contracts and is therefore subject to market movements.

Investment Type	Expires	Economic Exposure	Market value 31-Mar-21	Economic Exposure	Market value 31-Mar-20
		£'000	£'000	£'000	£'000
Assets					
UK Bonds	Under one year	(8,293)	39	15,253	338
Overseas Bonds	Under one year	55	96	13,829	265
Total Assets			**135**		**603**
Liabilities					
UK Bonds	Under one year	(3,317)	(17)	4,086	(18)
Overseas Bonds	Under one year	17,603	(116)	(27,850)	(442)
Total Liabilities			**(133)**		**(460)**
Net Futures			**2**		**144**

15. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category.

Investment type	2020/2021 Designated as Fair Value through Profit & Loss	2020/2021 Financial Assets at amortised costs	2020/2021 Financial Liabilities at amortised costs	2019/2020 Designated as Fair Value through Profit & Loss	2019/2020 Financial Assets at amortised costs	2019/2020 Financial Liabilities at amortised costs
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Fixed Interest Securities	184,247	0	0	169,466	0	0
Index Linked Securities	53,706	0	0	63,733	0	0
Equities	150	0	0	150	0	0
Pooled Investments	1,437,864	0	0	1,082,186	0	0
Pooled Property funds	155,736	0	0	153,689	0	0
Derivative Contracts	195	0	0	1,315	0	0
Cash	0	22,028	0	0	16,179	0
Other Investment Balances	4,994	0	0	11,139	0	0
Debtors	0	8,377	0	0	9,569	0
	1,836,892	30,405	0	1,481,678	25,748	0
Financial Liabilities						
Derivative Contracts	(133)	0	0	(545)	0	0
Other Investment Balances	(15)	0	0	(7,851)	0	0
Creditors	0	0	(3,173)	0	0	(5,682)
	(148)	0	(3,173)	(8,396)	0	(5,682)
Total	**1,836,744**	**30,405**	**(3,173)**	**1,473,282**	**25,748**	**(5,682)**
Grand Total			**1,863,976**			**1,493,348**

b. Net gains and losses on financial instruments

The majority of the financial assets and liabilities are classed at fair value. The following table summarises the net gains and losses as profit or losses associated with, the disposal of and changes in, the market value of investments and recognised within the Pension Fund account as 'Returns on Investments'.

	31 March 2021	31 March 2020
	£'000	£'000
Fair Value through Profit and Loss	343,424	(101,465)
Financial Assets measured at amortised cost	68	176
Financial Liabilities measured at amortised cost	-	-
Total	**343,492**	**101,289**

The increase in market value of £343,492k is £7,971k less than the change in market value on the Fund Account of £351,463k, as the above movement includes indirect manager fees.

c. Fair Value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values. The fair value may differ from the carrying value where an investment is in an asset that is not traded such as a local authority company, however in most instances the carrying value will equate to the fair value.

	31 March 2021		31 March 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets				
Fair Value through Profit and Loss	1,836,892	1,836,892	1,481,678	1,481,678
Financial Assets measured at amortised cost	30,405	30,405	25,748	25,748
Total Financial Assets	**1,867,297**	**1,867,297**	**1,507,426**	**1,507,426**
Financial Liabilities				
Fair Value through Profit and Loss	(148)	(148)	(8,396)	(8,396)
Financial Liabilities measured at amortised cost	(3,173)	(3,173)	(5,682)	(5,682)
Total Financial Liabilities	**(3,321)**	**(3,321)**	**(14,078)**	**(14,078)**
Grand Total	**1,863,976**		**1,493,348**	

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Valuation of Financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market investments are not available; for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable data. Such instruments would include unquoted debt investments (such as private debt) and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. The exception is the £150k of Regulatory Capital to the London Collective Investment Vehicle (LCIV), required from each member of the pool which has been carried at cost (shown in Note 16). There has been no change in the valuation techniques used during the year.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting Valuations
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Futures (Derivatives)	Level 1	Published exchange price at the year-end	Not required	Not required
Amounts receivable from investment sales	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Fixed Interest Securities	Level 2	Market Value based on current yields		Not required
Index Linked Securities	Level 2	Market Value based on current yields		Not required
Pooled investments – Equity funds (unit-linked insurance policies and ACS funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Pooled investments – Ultra short bonds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Pooled investments – Diversified growth funds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Forward Foreign Exchange (Derivatives)	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – Property funds	Level 3	Closing single price at end of the accounting period. Threadneedle have provided additional disclosures around the valuations for these funds given the impact on the Coronavirus pandemic on property markets	NAV per share – valuation of the underlying property assets is based on CBRE methodology	Difficulties in applying standard valuation methodology (CBRE) as a result of the Coronavirus pandemic and resulting lack of property transactions
Pooled investments – Private debt	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets	Material events between the date of the financial statements provided and the pension fund's own reporting date; differences between audited and unaudited accounts

Values at 31 March 2021	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000
Financial Assets			
Fair Value through Profit and Loss	5,129	1,574,614	257,149
Financial Assets measured at amortised cost	30,405	-	-
Total Financial Assets	**35,534**	**1,574,614**	**257,149**
Financial Liabilities			
Fair Value through Profit and Loss	(148)	-	-
Financial Liabilities measured at amortised cost	-	(3,173)	-
Total Financial Liabilities	**(148)**	**(3,173)**	**-**
Net Financial Assets	**35,386**	**1,571,441**	**257,149**

Values at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	-	184,247	-	184,247
Index Linked Securities	-	53,706	-	53,706
Equities	-	-	150	150
Pooled Investment Vehicles	-	1,336,601	101,263	1,437,864
Pooled Property Funds	-	-	155,736	155,736
Derivative Contracts	135	60	-	195
Other Investment Balances	4,994	-	-	4,994
Total Financial Assets at FVTPL	**5,129**	**1,574,614**	**257,149**	**1,836,892**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(133)	-	-	(133)
Other Investment Balances	(15)	-	-	(15)
Total Financial Liabilities at FVTPL	**(148)**	**-**	**-**	**(148)**
Net Financial Assets at FVTPL	**4,981**	**1,574,614**	**257,149**	**1,836,744**

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2020	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**
Financial Assets			
Fair Value through Profit and Loss	11,743	1,263,603	206,332
Financial Assets measured at amortised cost	25,748	0	0
Total Financial Assets	**37,490**	**1,263,603**	**206,332**
Financial Liabilities			
Fair Value through Profit and Loss	(8,310)	(86)	0
Financial Liabilities measured at amortised cost	0	(5,682)	0
Total Financial Liabilities	**(8,310)**	**(5,768)**	**0**
Net Financial Assets	**29,180**	**1,257,835**	**206,332**

	Level 1	Level 2	Level 3	Total
Values at 31 March 2020	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	-	169,388	78	169,466
Index Linked Securities	-	63,733	-	63,733
Equities	-	-	150	150
Pooled Investment Vehicles	-	1,029,771	52,415	1,082,186
Pooled Property Funds	-	-	153,689	153,689
Derivative Contracts	603	711	-	1,314
Other Investment Balances	11,140	-	-	11,140
Total Financial Assets at FVTPL	**11,743**	**1,263,603**	**206,332**	**1,481,678**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(459)	(86)	-	(545)
Other Investment Balances	(7,851)	-	-	(7,851)
Total Financial Liabilities at FVTPL	**(8,310)**	**(86)**	**-**	**(8,396)**
Net Financial Assets at FVTPL	**3,433**	**1,263,517**	**206,332**	**1,473,282**

Reconciliation of Fair Value Measurement and Transfers Within Level 3

2020/21	Opening Balance	Transfers info Lvl 3	Transfers Out of Lvl 3	Purchases	Sales	Un - realised Gains/Losses	Realised Gains /Losses	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity - LCIV	150	-	-	-	-	-	-	150
Pooled Investments - Private Debt	52,415	-	-	52,411		(3,563)		101,263
Pooled Investments - Property Funds	153,689	-	-	-	-	2,047	-	155,736
Fixed Interest - O/S Private Sector	78	-	-	-	(78)	-	-	-
Total	**206,332**	**-**	**-**	**52,411**	**(78)**	**(1,516)**	**-**	**257,149**

2019/20	Opening Balance	Transfers info Lvl 3	Transfers Out of Lvl 3	Purchases	Sales	Unrealised Gains/Losses	Realised Gains/Losses	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity - LCIV	150	-	-	-	-	-	-	150
Pooled Investments - Private Debt	8,376	-	-	42,367	-	1,672	-	52,415
Pooled Investments - Property Funds	-	162,676	-	-	-	(8,987)	-	153,689
Fixed Interest - O/S Private Sector	109	-	-	-	(34)	3	-	78
Total	**8,635**	**162,676**	**-**	**42,367**	**(34)**	**(7,312)**	**-**	**206,332**

During 2019/20 the Fund reclassified its investments in pooled property funds from Level 2 to Level 3. The Coronavirus pandemic resulted in a significant reduction in the number of UK commercial property transactions, which has had an impact on the standard CBRE valuation approach used by the fund manager, Threadneedle. The Fund made the decision to reclassify these assets to Level 3.

The following assets have been carried at cost:

Values at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investment in London CIV Ltd (asset pool)			150
Investments held at cost	**0**	**0**	**150**

Unquoted equities in the London CIV asset pool are valued at cost, i.e. transaction price. The inputs available to the Fund to calculate fair value are limited, and the fund considers that the original transaction price represents an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2021 as the reliability of any observable or unobservable inputs used to calculate fair value cannot be assessed with certainty.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13.

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021 and 31 March 2020.

2020/21	Potential Variation in Fair Value	Value at 31 March 2021	Potential Value on Increase	Potential Value on Decrease
	£'000	£'000	£'000	£'000
Equity	+/- 16.7%	150	175	125
Private Debt	+/- 4.6%	101,263	105,921	96,605
Property	+/- 14.2%	155,736	177,851	133,621
Total		**257,149**	**283,947**	**230,351**

2019/20	Potential Variation in Fair Value	Value at 31 March 2020	Potential Value on Increase	Potential Value on Decrease
	£'000	£'000	£'000	£'000
Equity	+/- 27.5%	150	191	109
Private Debt	+/- 7.2%	52,415	56,189	48,641
Property	+/- 14.2%	153,689	175,513	131,865
Corporate Bond	+/- 11.6%	78	87	69
Total		**206,332**	**231,980**	**180,684**

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long term risk is that the Fund's assets will be insufficient to meet its liabilities, in other words, the promised benefits payable to members. The Fund maintains positions in a variety of financial instruments, as dictated by the Investment Strategy Statement (ISS) with the aim of minimising the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

Consequently the Fund is exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risk. A policy of diversification for its asset classes and investment managers helps the Fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures put in place to manage risk.

The management of risk is a key objective of the Fund and is part of the ongoing decision making process for the Pensions Committee. Risk management policies, such as the Risk Register for the Pension Fund, identify and analyse the risks faced by the Council's pensions operations. Measures to control and manage risks are also included within the risk register. Policies and the Risk Register are reviewed by Pensions Committee and also by Officers on a frequent basis.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, foreign exchange risk and other price risk. The Fund holds a variety of investments which expose it to market risk and details of the Fund's investment portfolio are set out in Note 13.

The Fund manages exposure to market risk in the following main areas:

- Regularly reviewing the pension fund investment strategy.
- Regular monitoring of asset allocation and investment performance.
- A policy of security and manager diversification.

On a daily basis Investment Managers will manage market risk in line with policies and procedures put in place in the Investment Manager Agreement and ensure the agreed limit on maximum exposure to any one issuer or any class of asset is not breached.

Other Price Risk

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

Price risk is managed by constructing a diversified portfolio of investments traded in various markets. The Pensions Committee regularly reviews its asset allocation policy and seeks to diversify the assets that it holds. Diversification helps to ensure that the Fund has a balance of investments which offer different levels of risk and return. Pooled Funds are used where these represent the most efficient means of investing in an asset class. The breakdown between managers and asset class can be seen in Note 13.

Other Price Risk – Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on the funds' asset allocations.

Asset class	1 year expected volatility (%)	% of Fund
UK Equities	16.7	8.4
Global Equities (ex UK)	17.4	44.2
Emerging Market Equities	22.1	5.3
Property	14.2	8.5
Corporate Bonds (short term)	3.2	4.7
Corporate Bonds (medium term)	8.0	2.1
Corporate Bonds (long term)	9.9	1.2
UK Fixed Gilts (short term)	2.2	0.5
UK Fixed Gilts (medium term)	7.3	1.9
UK Fixed Gilts (long term)	9.9	2.1
UK Index Linked Gilts (medium term)	7.5	0.3
UK Index Linked Gilts (long term)	9.5	2.6
Cash	0.3	4.1
Diversified Growth Fund	11.9	9.4
Senior Loans	4.6	4.7
Total fund volatility	**10.3**	**100**

The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

The volatilities for each asset class and correlations used to create the total fund volatility have been estimated using the Economic Scenario Service, a proprietary stochastic asset model maintained by Hymans Robertson LLP. The model uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. The overall fund volatility has been calculated based on the asset valuations provided by the Fund's custodian, HSBC, and market values (bid) provided by the Administering Authority, as at 31 March 2021. The calibration of the model is based on a combination of historical data, economic theory and expert opinion. Liability values are not taken into account in calculating the volatilities.

31 March 2021		Percentage change	Value on Increase	Value on Decrease
	£'000	**%**	**£'000**	**£'000**
Net Investment Assets	1,844,250	10.3	2,034,208	1,654,292
	1,844,250	**10.3**	**2,034,208**	**1,654,292**

31 March 2020		Percentage change	Value on Increase	Value on Decrease
	£'000	**%**	**£'000**	**£'000**
Net Investment Assets	1,480,119	14.8	1,699,177	1,261,061
Total assets available to pay benefits	**1,480,199**	**14.8**	**1,699,177**	**1,261,061**

The calculations assume that these changes occur immediately. In practice any changes will occur over time and the actual funding level will therefore also be affected by a number of factors including further benefit accruals, contributions and differences between expected and actual investment returns. The calculations assume that all other factors and assumptions, in particular exchange rates, remain unchanged.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmark. Investment Managers will also manage interest rate risk in line with policies and procedures put in place in the Investment Manager Agreements. Pension Fund cash held by the Administering Authority is invested in accordance with the Pension Fund's Treasury Management Strategy as agreed by the Pensions Committee.

The Fund's direct exposure to interest rate movement as at 31 March 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Balance at 31 March 2021	Balance at 31 March 2020
	£'000	**£'000**
Cash Deposits	10,606	12,328
Cash Balances	14,522	9,343
Fixed Interest Securities	291,051	264,560
Total	**316,179**	**286,321**

Interest Rate Risk – Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis points (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effects in the year on the net assets available to pay benefits of a +/- 100 bps change in interest rates:-

Asset Type	Carrying amount as at 31 March 2021	Change in year in the net assets available to pay benefits +100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	10,606	106	(106)
Cash Balances	14,522	145	(145)
Fixed Interest Securities*	291,051	(31,201)	31,201
Total	**316,179**	**(30,950)**	**30,950**

Asset Type	Carrying amount as at 31 March 2020	Change in year in the net assets available to pay benefits +100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	12,328	123	(123)
Cash Balances	9,343	93	(93)
Fixed Interest Securities*	264,560	(28,176)	28,176
Total	**286,231**	**(27,960)**	**27,960**

* Note that an increase in the interest rates results in a decrease in the value of the bond portfolio and vice versa. Unlike for cash and its equivalents the change is due both to the impact of the duration (on average between 10-11 years) period of the bonds and the inverse relationship between bond prices and interest rates.

Currency Risk

The Pension Fund may invest in financial instruments and transact in denominated currencies other than its functional currency (GBP). As a result the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse impact on the portion of the Fund's assets or liabilities denominated in currencies other than sterling.

Investment Managers will manage foreign exchange risk by the means of passive hedging and enter into forward currency contracts to protect assets which have exposure to currencies other than sterling (further details are in Note 14).

The following table summarises the Fund's fair value exposure to assets denominated in currencies other than pound sterling as at 31 March 2021 and as at the previous period end:

Currency Exposure – asset type	Asset Value as at 31 March 2021	Asset Value as at 31 March 2020
	£'000	£'000
Equities	0	0
Fixed Interest Securities	20,560	19,023
Indexed Linked Securities	0	8,563
Pooled Investment Vehicle	54,041	38,248
Cash and Deposits	573	6
Total	**75,174**	**65,839**

Currency Rate Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment consultant, the estimated volatility for individual currency was assessed and used for the following sensitivity analysis.

31 March 2021		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	75,174	9.8	82,541	67,807
Total change in assets			**7,367**	**(7,367)**

31 March 2020		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	65,839	10	72,423	59,255
Total change in assets			**6,584**	**6,584**

This analysis assumes that all other variables, in particular interest rates, remain constant and that these changes occur immediately. In practice any changes will occur over time.

b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The market value of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by reviewing the Managers' annual internal control reports. This ensures that Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers, clearing houses, counterparties and other appointees with whom transactions on behalf of the Fund take place.

A counterparty rating is one measure of credit risk. The carrying amounts of investment assets best represent the maximum credit risk exposure at the Net Asset Statement date.

A majority of the assets of the Fund are held by the Fund's custodian, HSBC Global Services. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. Cash not forming part of the investment assets is held in the Fund's current accounts with Lloyds Bank.

The Pensions Committee and senior officers monitor this risk by keeping under review the credit rating and financial positions of the custodian and banks the Fund uses.

Any excess cash from the Fund's bank accounts is invested in accordance with the Pension Fund's Treasury Management Strategy, prepared in accordance with the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Fund's exposure. In addition, excess cash held with the custodian is swept into a liquidity fund to provide further diversification.

The Fund's holdings under the arrangements described above were held with the following:

Summary	Rating (Fitch)	Balance at 31 March 2021	Balance at 31 March 2020
		£'000	£'000
Cash (Current Assets)			
Lloyds Plc	A+	14,522	9,343
Cash Deposits (Investment Assets)			
Cash held outside fund managers and custodian			
Money Market Funds (Various)	AAA	3,100	5,500
Cash held by fund managers and custodian			
Cash	AA-	7,506	6,828
Call Accounts (Various)	AA- to A	-	-
Total		**25,128**	**21,671**

c) Liquidity Risk

Liquidity risk corresponds to the pension fund's ability to meet its financial obligations when they come due with sufficient and readily available cash resources.

The Fund's investments are substantially made up of listed securities which are considered readily realisable as they are listed on major security exchanges. The Fund's key exposure to illiquid assets is via its private debt mandate, currently valued at £101,263K. Whilst the Fund has no direct property exposure, it is invested in a single-priced, open-ended property fund. Whilst the Fund itself offers daily liquidity, the illiquid nature of the underlying assets exposes the Fund to a degree of liquidity risk

The Fund maintains investments in cash and cash equivalents outside of the investment assets held by the custodian that are highly liquid and can be used for payables and expenses such as pension payments, transfers out, etc. The Fund's cash position is monitored on a daily basis by both the pension administrator and the pensions team.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Pensions Committee in collaboration with the Fund's actuary regularly review the Funding Strategy which considers the results of the triennial valuations to ensure the long-term solvency of the Fund as a whole, and that sufficient funds are available to meet all benefits as they fall due for payment. This ensures that sufficient cash reserves are available to meet forecasted cash outflows.

18. FUNDING ARRANGEMENTS

The actuarial valuation of the Pension Fund is carried out every three years, in line with the Local Government Pension Scheme Regulations 2013. The purpose is to set employer contribution rates for the forthcoming triennial period. This is carried out by an independent actuary appointed by the Fund and the last valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The contribution rates are set at a level sufficient to meet the cost of future benefits accruing and to eliminate, over a period of time, the deficit arising from past service. The valuation is carried out in accordance with the Fund's Funding Strategy Statement (FSS) a copy of which can be found on the Pension Fund website https://hackneypension.co.uk/ and a copy is also included in the Pension Fund Annual Report and Accounts.

The objectives of the Fund's funding policy include the following:

- To ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers.
- To ensure that sufficient funds are available to meet all benefits as they fall due for payment.
- Not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk.
- To help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate.
- To minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations.

- To address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.
- To maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The 2019 valuation was based on a market value of the Fund's assets as at 31 March 2019, which amounted to £1,575 million and revealed a pension deficit of £131 million, representing a funding level of 92% of the pension liability.

The valuation takes account of the amount of current and future pension liabilities of the Fund, the expected contributions received by the Fund and the expected rate of investment returns held by the Fund. Other factors which influence the valuation and are taken into account by the actuary include anticipated pay, pension inflation, and mortality rates. The whole fund primary contribution rates applying from 1 April 2020 until 31 March 2022 and based on the 2019 valuation report are as follows:

Year	Employer Contribution rate
2020/21	18.7%
2021/22	18.7%
2022/23	18.7%

The rates payable by the London Borough of Hackney and other participating scheduled and admission bodies vary from the contribution rate for the Fund as a whole according to the employer's individual circumstances.

The Fund's actuary, Hymans Robertson, has calculated the contribution rate using the Projected Unit Method. This assesses the cost of benefits (as a percentage of pay) accruing to existing members during the year following the valuation, allowing for future salary increases.

The minimum required contributions (both primary and secondary) payable by each employer are set out in the Rates and Adjustments Certificate. Each employer must pay the percentage rate or monetary amount specified in the certificate, whilst the frequency of payment is prescribed by the Local Government Pension Scheme Regulations 2013.

The principal 2019 valuation report assumptions which informed the contributions payable from 1 April 2020 were:

Financial Assumptions based on 2019 Valuation Report

Assumption	Rate	Explanation
Investment return (discount rate)	3.85%	Based on 25-Year bond returns extrapolated to reflect the duration of the Fund's liabilities
Inflation	2.3% − CPI	
Salary increases*	2.6%	0.3% pa over CPI
Pension increases	In line with CPI	Assumed to be 0.9% less than RPI

*plus an allowance for promotional pay increases.

Mortality Assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Mortality assumptions at age 65	Male	Female
Current pensioners	21.2	23.4
Future pensioners (assumed current age 45)	22.4	25.1

Commutation Assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes an accounting valuation of the Fund's liabilities on an IAS 19 basis every year. This uses membership data from the funding valuation with economic assumptions adjusted for the current financial year. This valuation is used for statutory accounting purposes and uses different assumptions from the triennial funding valuation, (see Note 18), which is used to determine the contribution rates payable by employers.

The actuarial present value of promised retirement benefits at the accounting date 31st March 2021, calculated in line with IAS 19 assumptions, is estimated to be £2,742 million (£2,123 million in 2019/20). This incorporates an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 2019/20 and has continued to be allowed for within the liabilities in 2020/21.

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The financial assumptions used for the IAS19 2021 valuation have been revised from the 2019 valuation report as set out in the table below:

Assumption	2021	2020
Pension increase rate assumption	2.75%	1.9%
Salary increase rate*	3.05%	2.2%
Discount rate	1.95%	2.3%

20. CURRENT ASSETS

The following is an analysis of the **non-investment** debtor and cash balances carried on the Net Asset Statement.

	31 March 2021 £'000	31 March 2020 £'000
Debtors:		
Contributions due	6,272	6,225
Sundry debtors	1,792	3,206
Cash Balances	14,522	9,343
VAT	155	112
Total	**22,741**	**18,886**

20a. LONG TERM DEBTORS

The lifetime allowance (LTA) is the overall limit on tax free pension funds a member can accrue during their lifetime. Where a member exceeds the LTA a tax charge is incurred.

The annual allowance (AA) is the overall limit on tax free pension funds a member can accrue during the year. Where a member exceeds the AA a tax charge is incurred.

Members can elect to pay the charge themselves or have the fund pay on their behalf to be recovered through increased contributions or reduced benefits. The following figure represents the total amount paid over to HMRC for those members who have exceeded the life-time or annual-allowance pension tax free allowance.

	31 March 2021 £'000	31 March 2020 £'000
Long-Term Debtors	158	25
Total	**158**	**25**

21. CURRENT LIABILITIES

The following is an analysis of the non-investment creditors balance carried on the Net Asset Statement.

Creditors	31 March 2021 £'000	31 March 2020 £'000
Benefits Payable	(1,031)	(1,013)
Sundry Creditors	(2,142)	(4,669)
Total	**(3,173)**	**(5,682)**

22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund provides an AVC scheme for its contributors, the assets of which are invested separately from the Fund, in accordance with regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The scheme provider is Prudential, where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions.

The total value of sums invested in the AVC funds as at 31 March 2021 was £5.037 million (£5.338 million as at 31 March 2020). Contributions received into the AVC facility during the year amounted to £0.203 million (£0.287 million in 2019/20). The efficiency and effectiveness of the provider is monitored on a periodic basis to assess performance.

23. RELATED PARTY TRANSACTIONS

London Borough of Hackney

The Fund is administered by the London Borough of Hackney. The Council is also the single largest employer of members of the pension fund and contributed £59.34 million to the Fund in 2020/21 (2019/20: £59.51 million). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.36 million in 2020/21 (£0.38 million in 2019/20) in relation to administration of the Fund and was consequently reimbursed by the Fund for these expenses. Part of the Pension Fund cash holdings are invested on the money markets by the treasury management operations of the London Borough of Hackney in line with the Treasury Management Strategy.

London Collective Investment Vehicle

The London CIV is a collective investment vehicle established by London Councils on behalf of the London Boroughs and the City of London Corporation. It consists of an ACS (Authorised Contractual Scheme) Operator, which is a limited company wholly owned by the 32 participating authorities, and the ACS fund itself. The Council is therefore a shareholder in the operating company. During 2015/16, the Pension Fund made an investment of £150k in the CIV to provide it with sufficient regulatory capital.

The Fund incurred costs of £110k in 2020/21 (£90k in 2019/20) in relation to charges from the London CIV Ltd (the operating company).
The Fund incurred costs of £32k in 2020/21 (£30k in 2019/20) in relation to the custody of investments held within the London CIV regional asset pool.

Governance

The following Pensions Committee Members were deferred members of the Local Government Pension Scheme (LGPS) during the year; Cllr Michael Desmond (Vice-Chair).

The following Pensions Committee Members were pensioner members of the Local Government Pension Scheme (LGPS) during the year; Cllr Robert Chapman (Chair)

Jonathan Malins-Smith, Scheme Member Representative, is also a deferred member of the Pension Scheme

24. KEY MANAGEMENT PERSONNEL

Several employees of the London Borough of Hackney hold key positions in the financial management of the Fund. As at 31 March 2021 these employees included:

Group Director of Finance and Corporate Resources, Director of Financial Management, Head of Pensions, Pensions Manager and Group Accountant

All of these employees were also members of the pension scheme. The financial value of their relationship with the Fund (in accordance with IAS 24) is set out below:

	31 March 2021 £'000	31 March 2020 £'000
Short term benefits	192	188
Long term/post-retirement benefits	36	29
Total	**228**	**217**

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of the London Borough of Hackney.

25. CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2021 were £327.153m (31 March 2020: £119.241m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private debt parts of the portfolio and pooled renewables infrastructure fund. The amounts 'called' by these funds are irregular in both size and timing over a period of between one and three years from the date of each original commitment.

Outstanding Capital Commitment	31 March 2021 £'000	31 March 2020 £'000
Pooled Private Debt Funds	237,153	119,241
Pooled Renewables Infrastructure Fund	90,000	0
Total	**327,153**	**119,241**

A contingent liability of £97k was a possible obligation as at 31 March 2021 as a result of cessation surplus from an actuarial valuation of an employer that ceased from the Fund. Under Regulation 64(2ZAB) of the Local Government Pension Scheme Regulations 2013 , the Administering Authority must make a determination as to the level of any exit credit, which may be zero, to be paid to the Employer.

26. IMPAIRMENT LOSSES

During 2020/21 there were £0k impairment losses to recognise (2019/20: £2k) for non-recovery of pension overpayments. Investment-related losses related to the Covid-19 pandemic are accounted for through the change in market value of investments.

Accounting policies: Specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accruals basis: An accounting principle whereby income and expenditure are recognised in the financial statements in the period in which they are incurred, regardless of when cash payments or receipts take place.

ACOP: Accounting Code of Practice.

Actuarial gains and losses: Gain or loss arising from the difference between estimates and actual experience in the pension plan.

Actuarial valuation: An appraisal of the assets of a fund (e.g. Pension or Insurance Fund) against an estimate of its liabilities made using various economic and demographic assumptions.

Agent: Where the Council is acting as an intermediary and does not therefore recognise agency transactions in its financial statements.

Amortisation: Amortisation is the depreciation of intangible assets such as purchased software licences.

Amortised cost: The carrying amount on initial recognition plus the interest taken to the Comprehensive Income and Expenditure Account less the cash paid or received for both interest and principal.

Asset: Something of worth which is measurable in monetary terms and relates to items in the Balance Sheet. Assets can be non-current (tangible or intangible) or current.

Associate: An entity, including an unincorporated entity such as a partnership, over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Capital charge: Charge to revenue for the use of non current assets in providing services, consisting of depreciation, amortisation of intangible assets and/or impairment of non current assets.

Capital expenditure: Expenditure on items which have a long term benefit for more than one financial year, e.g. the purchase of land and property, design and construction of buildings, purchase of major equipment and vehicles etc.

Capital Financing Requirement: The difference between the total value of non current assets in the Balance Sheet and the revaluation and capital financing accounts. This represents the Council's ability to borrow for capital purposes and is the basis for the minimum revenue provision charge to revenue.

Capital receipts: Income from the sale of capital assets, mainly Council dwellings but including all sales of land, buildings and plant. Capital receipts can be used to repay the debt on outstanding loans (the reserved part of capital receipts) or to finance new capital expenditure (the usable part of capital receipts).

Carrying amount: The amount at which an asset is recognised in the Balance Sheet.

Cash and cash equivalents: Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Contingent asset: A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

Contingent liability: A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

Control: The power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.

Cost of borrowing: Interest and other costs that the Council incurs in connection with the borrowing of funds.

Council tax base: An amount calculated by the Council by applying the band proportions to the total properties in each band to ascertain the number of band D equivalent properties in the Council's area. The tax base is used by the precept and levying bodies in determining their charge to the area.

Council tax: A system of local taxation introduced from 1st April 1993 as a replacement for community charge. It is set by both the billing and precept authorities at a level determined by the council tax base for the area.

Credit Default Swap: A swap contract in which the buyer makes a series of payments to the seller and, in exchange, receives a pay-off if the credit instrument (typically a bond or loan) undergoes a credit event (often described as a default).

Credit rating: An estimate of the ability to fulfil financial commitments, based on previous dealings.

Creditor: Amounts owed by the Council (for work done, goods received or services rendered). Sundry creditors relate to those amounts owed by the Council, which are outstanding at the end of the financial year.

Current asset: An asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the authority expects to realise the asset within 12 months after the reporting date.

Current service cost: The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Curtailment: The cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

De Minimis: The level set below which items are considered too insignificant to be included in related financial disclosures.

Debtor: Amounts owed to the Council. Sundry debtors reflect those debts that are collectable or outstanding at the end of the financial year.

Depreciated replacement cost: A cost based method of arriving at a value for assets which are normally never exposed to the open market.

Depreciation - The loss in value of, or cost of using, an asset over its useful life.

Derecognition: The removal of a previously recognised financial asset or financial liability from an entity's Balance Sheet.

Derivative: A security whose price is dependent upon or derived from one or more underlying assets, its value being determined by fluctuations in the underlying asset(s).

Earmarked reserves: Funds set aside for special purposes, intended to meet future requirements.

Effective interest rate: The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Employee benefits: All forms of consideration given by an entity in exchange for service rendered by employees.

Enhancement: Work considered substantially lengthening the life of an asset, increasing open market value or increasing the extent to which the asset can be used for the purpose of the Council.

Events after the reporting period: Those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Fair value: The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Finance lease: A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Financial instrument: Any contract that gives rise to a financial asset (e.g. bank deposits, loans receivable) of one entity and a financial liability (e.g. trade payables, financial guarantees) or equity instrument (e.g. derivatives) of another.

Financing activities: Activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

Funding benefits: The timing of payments of contributions made with the aim of meeting the cost of a given set of benefits under a defined benefit scheme.

General Fund: The account which summarises the revenue costs of providing services which are met by the Council's demand on the Collection Fund, specific government grants and other income unrelated to housing services provided for Council tenants.

Grants and contributions: Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.

Gross expenditure: Total expenditure before deduction of income.

Group Accounts: The financial statements of a group, plus the investments in associates and interests in joint ventures (jointly controlled entities), presented as a single economic entity.

Heritage asset: An asset with historical, artistic, scientific, geophysical or environmental qualities.

Historical cost: Deemed to be the carrying amount of an asset as at 1st April 2007 (i.e. b/f from 31st March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent capital expenditure, depreciation or impairment (if applicable).

Housing Revenue Account (HRA): An account that includes the expenditure and income arising in connection with the provision of housing. All items in the account are prescribed by regulations and are as determined by the Local Government and Housing Act 1989.

Impairment loss: The amount by which the carrying amount of an asset exceeds its recoverable amount.

Interest cost: The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

International Accounting Standards (IAS): An older set of standards issued by the International Accounting Standards Committee, superseded by IFRS from 2001, stating how particular types of transactions and other events should be reflected in the Council's financial statements.

International Financial Reporting Interpretations Committee (IFRIC): The body which has issued interpretations to complement IFRS since 2001.

International Financial Reporting Standards (IFRS): A set of accounting standards and interpretations developed by the International Accounting Standards Board. These replaced the previous regime (UK GAAP) applicable to the Council with effect from the transitional date of 1st April 2009.

International Public Sector Accounting Standards (IPSAS): IPSAS are based on IFRS but address specific key not-for-profit issues applicable to the public sector and allow the Council to deviate from IFRS where commercial based aspects of IFRS are not relevant to local government.

Inventories: Items held for sale or use in the normal course of business.

Investing activities: Are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Investment property: Property (land or a building, or part of a building, or both) held by the Council as owner (or lessee under a finance lease) to earn rentals or for capital appreciation, or for both.

Joint venture: A contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Lease: An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. In considering the accounting arrangements for a particular agreement, authorities shall take into account the requirements of SIC 27 and IFRIC 4. The definition of a lease includes hire purchase contracts.

Levies: The Council is required to pay levies to a number of statutory London-wide bodies e.g. Environment Agency.

Liability: A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the authority of resources embodying economic benefits or service potential.

Materiality: Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

Minimum Revenue Provision (MRP): The minimum amount that a local authority must statutorily charge to its income and expenditure account each year, for the repayment of borrowing. See Note 1. Accounting Policies (XXXII Minimum Revenue Provision, page 49).

National Non Domestic Rates (NNDR): NNDR are collected by each Council. NNDR is now shared between Government, the Council and Greater London Authority in the following proportions 50:30:20. When an Authority's NNDR baseline is greater than its funding baseline, it pays tariff payments to Government. If an Authority's NNDR baseline is less than its funding baseline it receives top-up payments from the Government.

Net expenditure: Gross expenditure less income.

Non-current asset: An asset that does not meet the definition of a current asset.

Operating activities: Activities of the entity that are not investing or financing activities.

Operating Lease: Any lease that is not a finance lease.

Past service cost: The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Pooled investment vehicles: The term used to describe structures including hedge funds, private equity funds, venture capital funds, real estate funds and hybrid combinations of the above.

Precepts: The amount paid from the Collection Fund to the Council's General Fund and the Greater London Authority in accordance with those authorities' demands.

Premature repayment: The early redemption of a loan on a date before the maturity (end) date of the original loan agreement.

Principal: Where the authority is acting on its own behalf.

Private Finance Initiative (PFI): This is one of the mechanisms that central government supports for involving the private sector in public sector projects. Under PFI schemes the Council buys the services of a private company or consortium to design, build, finance and operate a public facility e.g. a technology and learning centre. The private sector borrows the money for the scheme and then the Council pays an annual fee to the consortium under a long term operating contract for the services.

Property, plant and equipment: Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and expected to be used during more than one period.

Provision: A liability of uncertain timing or amount.

Prudential Framework: As part of the Local Government Act 2003 the detailed rules that controlled local authority borrowing were replaced by the Prudential Framework which is a self regulating system based upon CIPFA's Prudential Code. The Code defines a number of Prudential Indicators which the Council must annually determine and monitor.

Rateable value: The District Valuer assesses the rateable value of non-domestic properties and business rate bills are calculated by multiplying rateable value by one of two annual NNDR specified amounts set by the government.

Receipts in advance: Grants, contributions and payments received in advance of providing a good or service or meeting conditions attached to the receipt, shown as a liability on the Balance Sheet to reflect the unearned income.

Redemption yield: The return on an investment if it is held to its maturity date, reflecting the annual interest it pays and an annualised amount to account for any profit or loss when it is redeemed.

Related party: Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Remuneration: Any consideration or benefit derived directly or indirectly by key management personnel from the authority for services provided in their capacity as elected members or otherwise as employees of the authority.

Revenue expenditure: The regular day to day running costs a Council incurs in providing services.

Settlement: Pension settlements take account of outgoing bulk transfers and will show the difference between the FRS 17 liability and the amount paid to settle the liability.

Significant influence: The power to participate in the financial and operating policy decisions of the investee but not control or have joint control over those policies.

Soft loan: Loans made by the Council at less than market rates (including zero interest), where a service objective justifies such concessions.

Standing Interpretations Committee (SIC): The body which issued interpretations to complement IAS prior to 2001.

Subsidiary: An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

Support services: These are back-up activities of a professional, technical and administrative nature which are not direct local Council services (i.e. services in their own right like Social Services or Housing) but which give technical, organisational and administrative support to those services.

Surplus or Deficit on the Provision of Services: The total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.

Termination benefits: Amounts payable as a result of an employee's decision to accept voluntary redundancy.

Transaction costs: Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability

Treasury Management Strategy – A document setting out the Council's approach to borrowing, investment and cash management.

Unfunded pension payments: Payments from the employer's current income whenever required by retiring employees or beneficiaries, rather than out of money put aside on a regular basis regardless of current need.

Useful life: The period which an asset is expected to be available for use by an entity.

VAT: An indirect tax levied on most business transactions and on many goods and some services.

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Hackney

Financial Statements Audit 2020/21 – Audit Update Report (Council) & Audit Completion Report (Pension Fund)

AUDIT COMMITTEE MEETING DATE 2021/22 **20th April 2022**	**CLASSIFICATION:** **Open** **If exempt, the reason will be listed in the main body of this report.**
WARD(S) AFFECTED **All**	
GROUP DIRECTOR **Ian Williams, Finance and Corporate Resources**	

1. GROUP DIRECTOR'S INTRODUCTION

1.1 The Audit Update Report (Council) and the Audit Completion Report (the Pension Fund) from the Council's external auditors set out the position on the audit of the Council's and Pension Fund's financial statements.

2. RECOMMENDATION

2.1 The Audit Committee is recommended to note the contents of the reports.

3. REASONS FOR DECISION

3.1 The external auditors are required to report to "those charged with governance" any matters arising from the annual audit of the Council's Financial Statements and those of the authority's Pension Fund before they are able to issue audit opinions on those statements.

4. BACKGROUND

4.1 The Audit Completion Reports discharge the external auditor's responsibility under the International Standards of Auditing (ISA) (UK & Ireland) 260, communication of audit matters with those charged with governance.

4.3 **Equality Impact Assessment**
For the purposes of this report, an Equality Impact Assessment is not applicable.

4.4 **Sustainability**
Not applicable - This report contains no new impacts on the physical and social environment.

4.5 **Consultations**
Not applicable

4.6 **Risk Assessment**
Details of the auditor's assessment of risk associated with the audit of the accounts will be outlined in the ISA260 Report.

5. EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT (ACR)

5.1 At the time of writing this report, work on the audits of both the Council's main accounts and the Pension Fund accounts for 2020/21 is in the final stages. The auditors have determined that the report attached at Appendix one on the Council's accounts is an Audit Update Report as there is still work to complete and internal review to be undertaken. An Initial Audit Completion Report, has however been issued in respect of the Pension Fund.

5.2 In both reports the auditor notes that to date they have not identified any issues which would result in them proposing to issue a modified audit opinion.

5.3 Audit Committee members will be aware that work has been delayed this year due to the Council's draft accounts being published late as a result of the additional work required following the cyber attack. The audit opinion will now be further delayed as a result of the national issue which has arisen in relation to infrastructure assets. The auditor states that they are unlikely to be in a position to issue an opinion until June as a result of this matter.

5.4 The auditors work in relation to the Council's value for money (VFM) arrangements also remains in progress and to date they have not identified any significant weaknesses in the arrangements that have required them to make a recommendation. It is anticipated that their commentary on our VFM arrangements will be provided in their annual report in June.

5.5 To date the Council has received no objections to the 2020/21 accounts. Work in relation to an objection to the 2016/17 accounts is now concluded and officers are working with respective auditors to enable final certification of the open years of account.

5.6 Audit fees currently stand at £174k for the Council audit, and £16k for Pension Fund audit, however the Council audit fee is anticipated to increase for the following;

- PPE & IP valuations
- Impact of Covid -19
- Group accounts
- Increased regulatory requirements
- Code changes to value for money
- Revised auditing standard on accounting
- Additional work to address significant risks, new enhanced risks and reduction in the level of performance materiality

5.7 The external auditors will present their reports at the Audit Committee meeting and take any questions from members of the Committee regarding the audit of the accounts.

6 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

6.1 The contents of the final Audit Completion Reports for both the Council's Accounts and the Pension Fund Accounts from the external auditor will be agreed with myself and the appropriate Officers.

6.2 As set out above, the work to finalise the audit of the Council's Accounts and the Pension Fund Accounts is at the time of writing near completion.The cyber attack on the Council in October 2020 presented significant challenges for the preparation of the 2020/21 statements and therefore more than ever it is pleasing to note that, subject to the finalisation of some audit work and the resolution of the issue regarding infrastructure assets, it is anticipated that the auditor will be able to issue an unmodified opinion in respect of both sets of accounts.

6.3. This is the third year that Mazars have audited the Councils account following the reprocurement of external auditing services via the Public Sector Audit Appointments Ltd (PSAA). It is pleasing to note that a good working relationship has continued with the auditors and officers of the Council. However, there is some concern that delays have been experienced towards the tail end of the audit process which has put back the issuing of the Audit Completion Report on the Council's accounts. It is accepted that this may in part be due to the risks associated with the cyber attack and Mazars and officers are working to ensure that we do not end up in a similar protracted process as was the case for the 2019/20 audit.

6.5. I would like to place on record my thanks to the auditors for the way they have worked with my Officers in the unique circumstances of the cyber attack.

6.6. I would also like to thank all those officers involved with the preparation of the Statement of Accounts for the hard work that they have undertaken .

7. COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

7.1 Section 151 of the Local Government Act 1972 provides that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.'

7.2 The proper administration of the Council's affairs includes the obligation on the Council to have its accounts audited in accordance with the Audit Commission Act 1998.

7.3 The Council's Constitution gives the Audit Committee responsibility for adopting the annual statement of accounts and for considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit which need to be brought to the attention of the Council.

7.4 Consideration of this report by the Audit Committee is in pursuance of the above mentioned obligations and is part of the Council's fulfilment of its duties.

APPENDICES

1 Audit Update Report (the Council)
2 Initial Audit Completion Report (the Pension Fund)

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

Description of document (or None)

None

Report Author	Jackie Moylan	020 8356 3003
Comments of the Group Director of Finance and Corporate Resources	Ian Williams	020 8356 3332
Comments of the Director of Legal, Democratic & Electoral Services	Dawn Carter-McDonald	020 8356 4817

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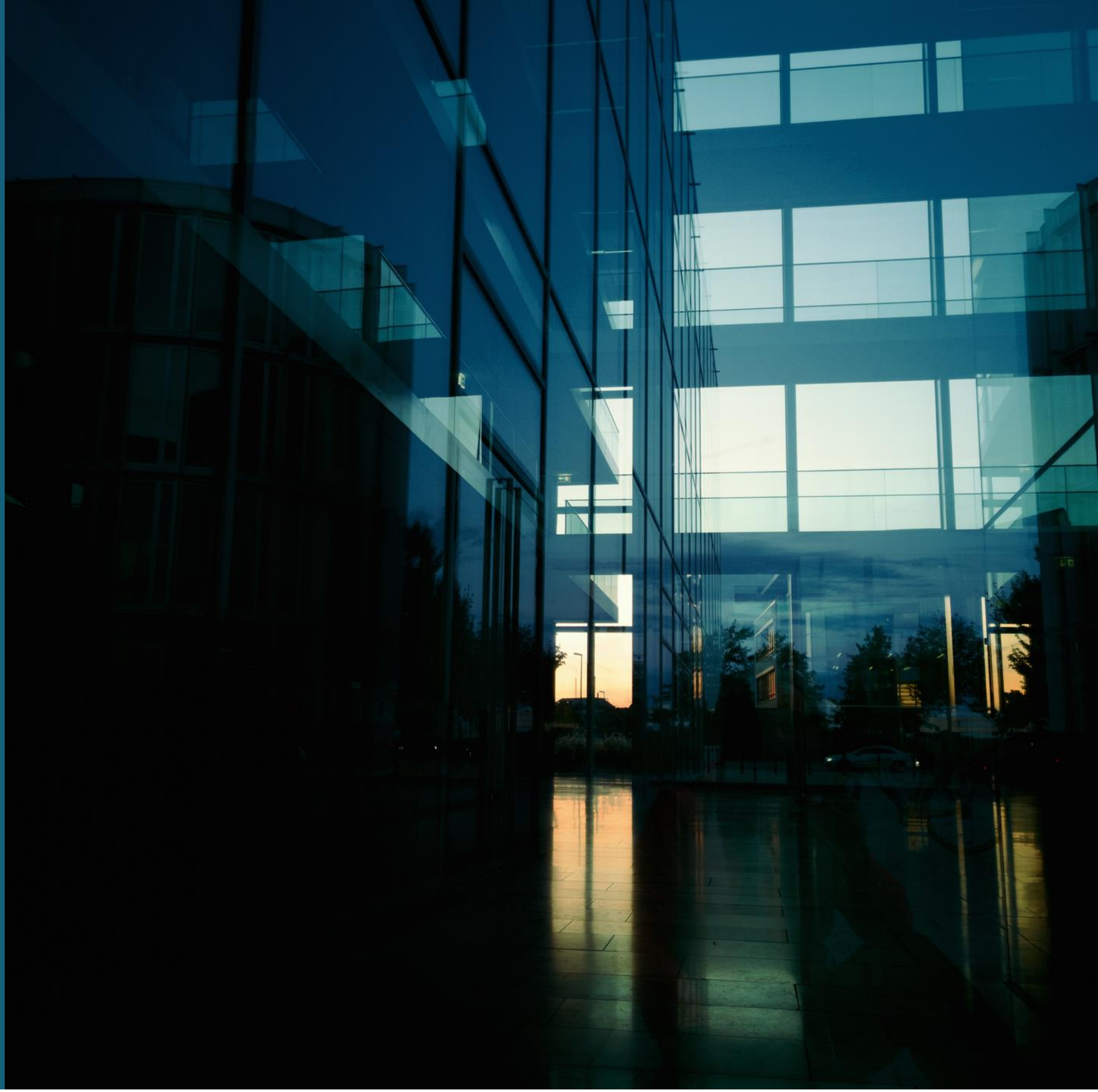
Audit Update Report

London Borough of Hackney – Accounts year ending 31 March 2021

12 April 2022



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Contents

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E8 1EA

Mazars LLP
Tower Bridge House
St Katharine's Way
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E1W 1DD

12 April 2022

Dear Committee Members

Audit Update Report – Hackney's accounts year ending 31 March 2021

We are pleased to present an Audit Update Report for the audit of the Council's accounts year ending 31 March 2021. At the date of this report our audit remains in progress and we anticipate completing audit testing by the end of April. Our final conclusion and reporting is subject to the resolution of a national issue relating to the accounting of infrastructure assets. We will aim to issue a formal Audit Completion Report and the audit opinion as soon as possible thereafter. We note in section 01 the current status of the audit and issues that are currently impacting on our ability to issue the audit opinion.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 5 January 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07977 261873.

Yours faithfully

Suresh Patel

Mazars LLP

Mazars LLP – Tower Bridge House, St Katharine's Way, London, E1W 1DD
Tel: 020 7063 4000 – Fax: 020 7063 4001 – www.mazars.co.uk

01

Section 01:

Status of the audit

1. Status of the audit

At the date of this report there remains audit testing in progress, audit testing that is subject to internal review which includes the Engagement Lead and Engagement Quality Control Reviewer (EQCR) completing their respective reviews of audit work.

Audit testing complete but subject to internal review

• Housing Revenue Account	• Review of posted journals	• HRA	• Long term liabilities	• Pensions

Audit testing in progress

The majority of the audit testing in progress relates to where we are reviewing and confirming the evidence received from the Council to support sampled items we have selected.

• Movement in reserves statement	• Payroll	• PPE valuations	• Investment property valuations	• Debtors
• Debtors provisions	• Income and Expenditure testing	• Cash & Bank	• Leases	• Reserves
• Collection Fund	• Provisions			

We will update the Audit Committee on the status of the audit.

In addition to the above, as expected, at the date of this report we have yet to complete our concluding audit procedures.

National issue

In late February 2022 a national issue has arisen in respect of the accounting treatment of highways infrastructure assets. In short, there is a risk that the majority of councils with highways assets (including Hackney) have been overstating the gross cost and accumulated depreciation (in note 13 of the accounts) by material sums for several years. The issue is currently being discussed by CIPFA, the NAO and technical representatives of audit firms. Until this matter is resolved we, like all other firms auditing councils, are pausing issuing any audit opinions on council accounts with material highways assets.

1. Status of the audit

Summary

Audit area	Status	Description of the outstanding matters
Property, plant and equipment and Investment Property valuation testing		Our work on land and building valuations, in particular review of the information being provided by the Council's valuer, and the impact of valuations not completed on a 5 year cycle, is in progress.
Revenue grants, Payroll, Debtors and Creditors		We are awaiting final pieces of supporting evidence from management (invoices, payslips, etc.) for the remaining samples selected for testing in respect of revenue grants, payroll, debtor and creditor samples.
Collection fund NNDR bad debt provision		We are continuing to review and internally evaluate the available data to conclude on our assessment of the provision in respect of NNDR debt.
Events after the reporting period		Review of events after the reporting period, up to the point at which we sign our audit report.
Final review procedures		We are currently completing our file review. We cannot complete our closure procedures until all outstanding points are resolved and the revised accounts are received.
File closure procedures		Following completion of our review process , we will need to complete our file closedown procedures, including receipt of communications from management and consideration of post balance sheet events up to the date of final sign-off.
Whole of Government Accounts (WGA)		Our work on the WGA return will take place later in the year once we have received the appropriate guidance from the NAO.

Auditor assessment of potential impact

- Likely to result in material adjustment or significant change to disclosures within the financial statements.
- Potential to result in material adjustment or significant change to disclosures within the financial statements.
- Not considered likely to result in material adjustment or change to disclosures within the financial statements.

02

Section 02:

Significant findings to date

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2. Significant findings to date

In this section we outline the significant findings from to date our audit, including:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- Any internal control issues identified.

Significant risks

Management override of controls

Description of the risk

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

- Testing accounting estimates impacting amounts included in the financial statements;
- Considering any identified significant transactions outside the normal course of business; and
- Testing a sample of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

As noted, our work in this area is in progress but to date there have been no significant findings arising from our review of management override. We will update the Committee further on 20 April.

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2. Significant findings to date

Property, plant and equipment valuation

Description of the risk

The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five year cycle, and may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value.

In respect of Council Dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by government.

Due to the high degree of estimation uncertainty associated with valuations, we have determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end are not materially misstated, and considered the robustness of that approach. We also assessed the risk of the valuation changing materially in year, considering the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that fair values have moved materially.

In addition, for a sample of those assets which had been revalued during the year we:

- assessed the valuer's qualifications;
- assessed the valuer's objectivity and independence;
- reviewed the methodology used; and
- performed testing of the associated underlying data and assumptions.

We also followed up on recommendations made during the 2019/20 audit regarding PPE valuations.

Audit conclusion

Our work to date on revaluations is in progress. We are continuing to liaise with the Council and its valuer and are awaiting some further evidence to support individual valuations. We will provide an update to the Audit Committee at the meeting.

As noted, our work in this area is in progress but to date there have been no significant findings arising from our audit procedures to review the Council's revaluation of its PPE. We will update the Committee further on 20 April.

Note 4 of the Council's accounts currently discloses that there is a material valuation uncertainty included in the valuation report. We have confirmed from our work that no such uncertainty has been included and requested that he council remove the disclosure from its financial statements.

2. Significant findings to date

Net defined benefit pension scheme liability valuation

Description of the management judgement

The latest triennial valuation of the Hackney Pension Fund was completed as at 31 March 2019. As an admitted body within each fund, the valuation also provides the basis of the associated net pension liability for the Council as at 31 March 2021.

The valuation of the Council's net liabilities includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council's employees and other appropriate data.

Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.

How our audit addressed this area of management judgement

As the Council is the Fund administrator, we have addressed this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary, Hymans Robertson.

We have also:

- assessed the skill, competence and experience of the Fund's actuary;
- challenged the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation; and
- carried out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

Audit conclusion

Subject to final review of the work completed we have no significant findings arising from our audit procedures to review the defined benefit pension scheme liability valuation.

2. Significant findings to date

Investment property valuation

Description of the risk

The CIPFA Code requires that the carrying value of investment properties should reflect fair value. For the Council's £199m of investment properties this is using market value. Due to the high degree of estimation uncertainty associated with market valuations and the issues we reported in the prior year, we have determined there is a significant risk in this area.

How we addressed this risk

We reviewed the Council's approach to revaluing its investment property portfolio as at 31 March 2021. For a sample of those assets which had been revalued during the year we engaged our own expert to :

- assess the valuer's qualifications;
- assess the valuer's objectivity and independence;
- review the methodology used; and
- perform testing of the associated underlying data and assumptions.

We also followed up the recommendations made during the 2019/20 audit regarding investment property valuations.

Audit conclusion

Our work to date on revaluations is in progress. We are continuing to liaise with the Council and its valuer and are awaiting some further evidence to support individual valuations. We will provide an update to the Audit Committee at the meeting.

We are currently liaising with the valuer regarding the classification of one item of investment property. We will update the Committee further on 20 April.

2. Significant findings to date

Collection Fund estimates	Description of the risk	Audit conclusion
	The cyber attack in October 2020 significantly impacted the Academy system which provides the Council with information to prepare the Collection Fund. Although the method and principles remain consistent with prior years, the loss of data from Academy and the recovery actions that are still in progress mean that the Council has been required to make more material estimates in the Collection Fund. As a result we determined that the material estimation within the Collection Fund represents a significant audit risk.	We have completed our review of the estimates used by the Council in respect of the Council Tax and NNDR balances within the accounts. The Council has made assumptions around the future recoverability of outstanding amounts at year end as a result of both the pandemic and the cyber attack. This has resulted in an increase in the impairment loss being set against outstanding balances for both NNDR and Council Tax. As part of the audit we have reviewed and challenged the assumptions made by the Council in setting the level of impairments in respect of these debts. Whilst these amounts are estimates, they should be supported by available evidence and analysis to support the assessment. We have noted that the pandemic and cyber attack have both impacted on the recovery rates achieved for the values of NNDR and Council tax outstanding from prior years, with the Council being able to complete minimal recovery of the older debt. However, the significant increase in the impairment assessed for NNDR from 15% to 65% does not appear to be appropriately supported by suitable information. The small increase in respect of council tax is broadly in line with available information. We are continuing to discuss the assessment with the Council and will provide a more detailed update to the Committee.
	How we addressed this risk We reviewed the estimation techniques used by officers to derive the material estimates within the Collection Fund. We considered the revised requirements of the auditing standard in respect of accounting estimates and sought to: • Understand and document the estimation methods applied; • Consider and challenge the appropriateness of the data used; • Consider and challenge the reasonableness of assumptions made; and • Apply professional scepticism to the above.	

2. Significant findings to date

Housing benefit expenditure

Description of the risk

The cyber attack in October 2020 significantly impacted the Academy system which provides the Council with information to assess housing benefit expenditure. Although the method and principles remain consistent with prior years, the loss of data from Academy and the recovery actions that are still in progress mean that the Council has been required to make more material estimates. As a result we determined that the material estimation within Housing benefit expenditure is a significant audit risk.

How we addressed this risk

We reviewed the estimation techniques used by officers to derive the material estimates of housing benefit expenditure. We considered the revised requirements of the auditing standard in respect of accounting estimates and sought to:

- Understand and document the estimation methods applied;
- Consider and challenge the appropriateness of the data used;
- Consider and challenge the reasonableness of assumptions made; and
- Apply professional scepticism to the above.

Audit conclusion

We have completed our review of the estimates made by the Council in respect of the Housing Benefit expenditure included within the financial statements. We have assessed the approach to the assessment, and the use of available information from prior to the cyber attack to support the value of payments made in the remainder of the year.

The Council has been unable to process the majority of the expected changes to records, which has impacted on its ability to assess the value of any overpayments made and potential recovery. This assessment is being completed as the system is brought up to date.

Entries within the financial statements have been based on payments made to date and an updated analysis as far as it is available. We have reviewed the entries within the financial statements and consider the entries to be reasonable.

While our work is subject to ongoing internal review, we have no issues to bring to the attention of the Committee at this time.

2. Significant findings to date

Housing Revenue Account

Description of the risk

The cyber attack in October 2020 impacted the Universal Housing system which provides the Council with information to prepare the HRA. Whilst we are aware that the Council is replacing the UH system and has been able to recover information there remains an increase in the extent of estimation used in preparing the HRA. As a result we have determined that the material estimation within the HRA represents a significant audit risk.

How we addressed this risk

We reviewed the estimation techniques used by officers to derive the material estimates within the HRA. We considered the revised requirements of the auditing standard in respect of accounting estimates and sought to:

- Understand and document the estimation methods applied;
- Consider and challenge the appropriateness of the data used;
- Consider and challenge the reasonableness of assumptions made; and
- Apply professional scepticism to the above.

Audit conclusion

We have completed our review of the estimate made by the Council in respect of the Housing rent information included within the financial statements, and in particular the value of the rental income recorded within the financial statements.

The Council has made use of data from immediately prior to the cyber attack as the basis for assessing income across the remainder of the year, reconciling this with the value of receipts to confirm the details included within the financial statements. We have reviewed the assessments completed and consider them to be reasonable.

While our work is subject to ongoing internal review, we have no issues to bring to the attention of the Committee.

2. Significant findings to date

Key areas of management judgement

Grant accounting	**Description of the management judgement** In common with other councils, the Council received a significant level of Covid-19 related government grants during the financial year. Some of these grants have specific conditions for their use and others the Council has discretion on its use. As a result, the Council had to make a judgement on how it accounts for each type of grant and in particular a judgement on whether the Council is acting as the principal (which impacts the Councils accounts) or agent (which has less of a financial reporting impact) in respect of each grant.
	How our audit addressed this area of management judgement We reviewed the Council's approach to considering the terms and conditions associated with each of the grants received, and its associated proposals for accounting, ensuring these accounting proposals were in line with the requirement as set out in the CIPFA Code.
	Audit conclusion Our work in this area is in progress but to date there have been no significant findings arising from our audit procedures to review grant accounting. We will update the Committee on 20 April.

Bank Reconciliation	**Description of the management judgement** Our final report to those charged with governance on the 2019/20 audits, identified internal control recommendations regarding the bank reconciliation. Given the complexity of the process, the risk of human error in manual transactions and the importance of controls operating effectively over cash, we have identified an enhanced risk in this area.
	How our audit addressed this area of management judgement • Follow up of the agreed recommendations from the 2019/20 audit; • Review of the processes and controls in place for documenting the bank reconciliation, ensuring there is a clear trail of how the bank balance ties back to the Council's ledger; and • Substantively testing the balances per the bank statement and the ledger and confirm reconciling items have been appropriately accounted for.
	Audit conclusion Our work in this area is subject to final internal review but to date there are no significant findings arising from our review of the bank reconciliation process. We will update the Committee on 20 April.

2. Significant findings to date

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances. The accounts have been prepared on a going concern basis and we have not identified any reasons why this would not be appropriate or any material uncertainties that the Council would be required to disclose.

Draft accounts were provided by the authority on 6 December 2021 and were of a good quality. Supporting working papers were made available prior to the commencement of the audit. Staff members were generally timely in response to evidence requests and audit enquiries.

Internal control matters

To date we have identified one matter that we wish to bring to the Committee's attention. During our review of the related party disclosures within the financial statements, we noted that the Council had not obtained declarations of interest forms from two Members. Whilst we have satisfied ourselves through other procedures that there are no interests that warrant disclosure, the Council needs to ensure that it has sufficient evidence to support the completeness of its own disclosures.

Significant matters discussed with management

We have discussed the following significant matters with management:

- The impact of covid-19 on the council and the associated impacts this may have on the risks of material misstatement to the valuation of property, plat and equipment, the assessed provision for expected credit losses and the potential overall impact on the council's financial position.
- Going concern and the basis of management's assessment of its current position. We have reviewed management's initial assessment and considered this against budget forecasts and cabinet finance papers to support the judgement.
- The continued impact of the cyber attack suffered by the council on its operations and ability to provide support for figures within the financial statements.
- Amendment to the Council's prior year Cash Flow Statement and disclosures to adjust for an item incorrectly recorded within the 2019/20 financial statements.

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

To date we have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any objections for 2020/21.

Modifications required to our audit report

To date we have not identified any issues which would result in us proposing to issue a modified audit opinion.

03

Section 03:

Value for Money

3. Value for Money

Approach to Value for Money (VFM)

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

VFM risk assessment

We have now completed our VFM risk assessment. We have drawn on our understanding of the Council's VFM arrangements from prior year work, updated based on discussions with officers and review of updated policies and procedures. We have also reviewed papers from the Council's Cabinet and other relevant committees. We have not identified a risk of significant weakness for 2020/21.

Consideration of the Cyber Attack

We have considered the impact of the October 2020 cyber attack on our VFM risk assessment. We have reviewed our December 2021 Cyber Impact Assessment report and considered the findings and conclusions. On this basis, we are satisfied that there are no risks of significant weakness in the Council's VFM arrangements arising from the cyber attack.

Reporting

Our work remains in progress and to date we have not identified any significant weaknesses in the arrangements that have required us to make a recommendation.

As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in June.

04

Section 03:

Independence and fees

Section 03: Independence & fees

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors. We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Audit fees

We have reflected in the table below our estimate of the impact on scale fees set by PSAA of changes in the scope of our work arising from the new NAO Code, revisions to auditing standards and increased regulatory requirements We will quantify our final fees on conclusion of the audit, provide supporting information and seek agreement with the Group Director Finance and Corporate Resources and then approval by PSAA.

Notes

1. The 2020 NAO Code has increased the work required to understand the Council's VFM arrangements, assess the risk of significant weaknesses and prepare a VFM commentary. This work is in progress and the additional fee will fall within the range established by PSAA.
2. The auditing standard in respect of auditing accounting estimates (ISA 540) was revised requiring auditors to carry out enhanced risk assessment procedures and increasing the focus on professional scepticism. We have used the minimum additional fee published by PSAA for the bottom of our range and the upper end takes into account the risks we have identified.
3. The additional time taken to deal with correspondence from the public and responding to objections results in additional fees. When we have completed our work on certifying outstanding audit years we will quantify the additional time and audit fee.

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Code Audit Work (Scale fee)	£174,266	£174,266
Fee variations:	-	-
- VFM Code requirements (note 1)	£11,500	-
- ISA 540 (revised) accounting estimates (note 2)	£10,000-18,000	-
- Correspondence / objections (note 3)	TBC	-
- Regulatory requirements	£5,225	£5,075
- Group accounts	£5,200	£5,062
- Valuation expert	£3,600	£6,016
- Cyber attack assurance report	n/a	£10,085
- Impact of Covid-19	n/a	£4,512
TOTALS	TBC	£205,016

Suresh Patel, Partner

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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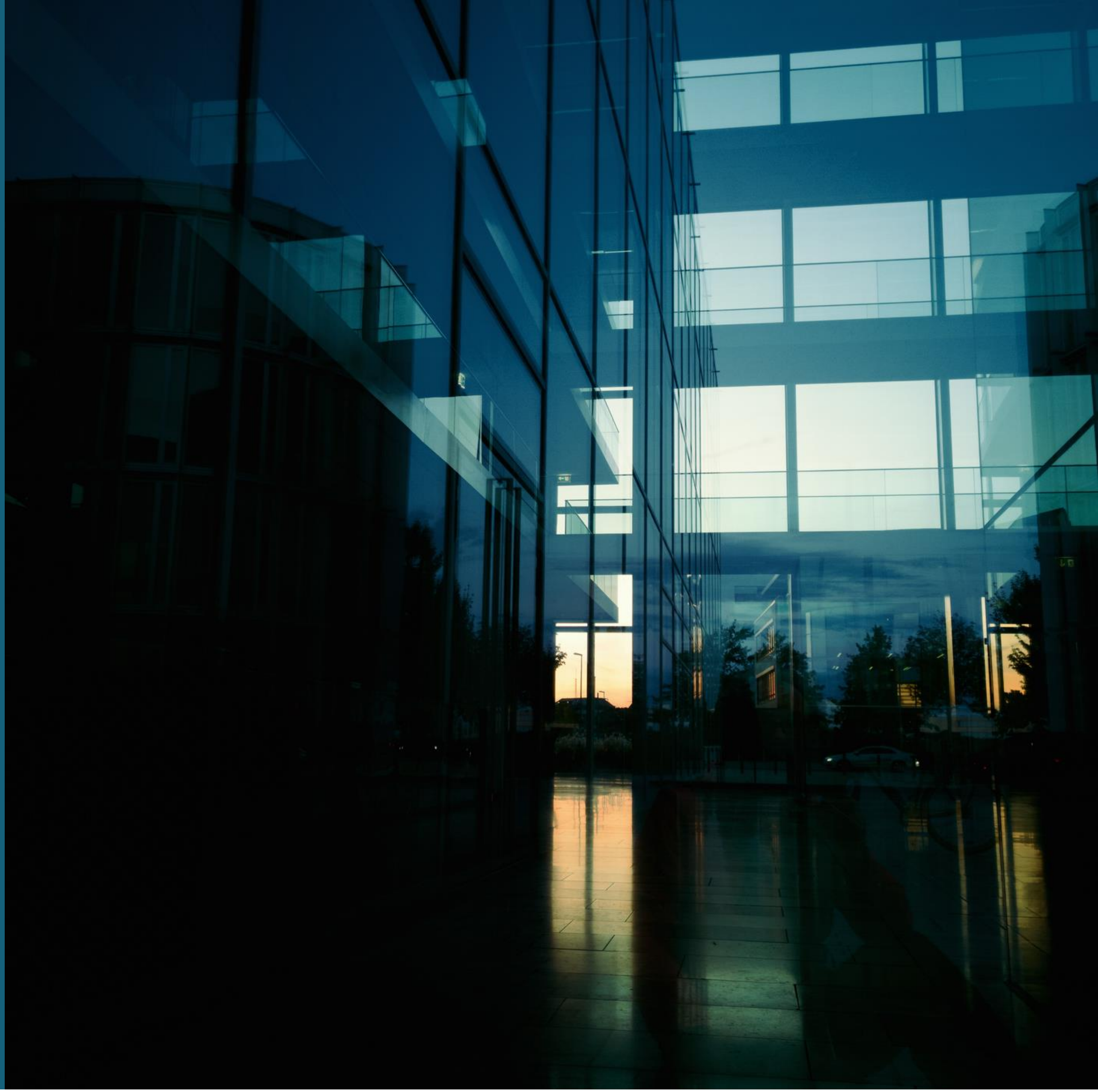
Initial Audit Completion Report

London Borough of Hackney Pension Fund – Year ended 31 March 2021

12 April 2022



Contents

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Audit Committee
London Borough of Hackney
Hackney Town Hall
Mare Street
London
E8 1EA

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

12 April 2022

Dear Committee Members

Initial Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Initial Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions. At the date of this report our audit is in progress but we aim to complete our audit procedures by the end of April.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 5 January 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 07977 261873.

Yours faithfully

Suresh Patel
Mazars LLP

Mazars LLP – Tower Bridge House, St Katharine's Way, London, E1W 1DD
Tel: 020 7063 4000– www.mazars.co.uk

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and
- Valuation of unquoted investments

We currently have no internal control recommendations at Section 6. At Section 6 we set out audit misstatement and unadjusted misstatements which are currently nil.

Status and audit opinion

While we have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2021, our internal review and clearance process remains ongoing.

At the time of preparing this report, there are no significant matters outstanding.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Consistency report
We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of London Borough of Hackney. Our draft consistency report is provided in Appendix C.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Section 02:

Status of the audit

2. Status of the audit

At the date of this report there remains audit testing in progress, audit testing that is subject to internal review and our review processes which include the Engagement Lead completing their respective reviews of audit work.

Audit testing complete but subject to internal review

• Related parties	• Fund account – contributions and transfers	• Fund account – benefits and leavers	• Fund account – admin and other expenses
• Fund account – return on investments	• Investment assets	• Investment liabilities	• Current liabilities
• Estimates	• IAS 19	• IAS 26	

Audit testing in progress

The majority of the audit testing in progress relates to where we are reviewing and confirming the evidence received from the Council to support sampled items we have selected.

• Journals	• Current assets	• Cash and bank	• Financial instruments

We will update the Audit Committee on the status of the audit.

In addition to the above, as expected, at the date of this report we have yet to complete our concluding audit procedures, the Engagement Lead input and our final review procedures. We summarise the status of the audit overleaf.

2. Status of the audit

While we have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2021, our internal review and clearance process remains ongoing. Subject to the outstanding matters detailed below there are currently no matters of which we are aware that would require modification of our audit opinion.

Audit area	Status	Description of the outstanding matters
Cash and Bank		Review of final bank confirmation letters to confirm the value of cash within the statements.
Financial Instruments		We are waiting to receive responses to queries relating to risk disclosures.
Journal entry testing		Journal entries testing is near completion, we are currently waiting on evidence to support 4 sampled items.
File closure procedures		Following completion of review procedures, we need to complete file closedown procedures, including receipt of management's letter of representation and complete our consideration of post balance sheet events to the date of final sign-off.
Review of Annual Report		Our review of the content of the detailed Pension Annual report to confirm consistency with the financial statements has yet to be completed.

Likely to result in material adjustment or significant change to disclosures within the financial statements.

Potential to result in material adjustment or significant change to disclosures within the financial statements.

Not considered likely to result in material adjustment or change to disclosures within the financial statements.

Executive summary | Status of audit | Audit approach | Significant findings | Internal control recommendations | Summary of misstatements | Appendices

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in January 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £15.8m using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £7.8m at the planning stage of the audit using a benchmark of 10% of benefits payable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using the same benchmarks:

- Statement materiality £15.8m.
- Fund account specific materiality £7.8m.

Use of experts

Item of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO consulting actuary PwC
Valuation of investments within level 3 of the fair value hierarchy and related disclosures	Investment managers engaged by the fund that prepare valuations	We have not engaged our own expert for the valuation of level 3 investments to support the valuation of unusual or complex level 3 investments.

Management makes use of experts in specific areas when preparing the Pension Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
The calculation and payment of pension benefits, assessment of funding levels based on existing pensioner data.	London Borough of Hackney	We will seek appropriate confirmation that the Council's controls and procedures have operated as designed throughout the year and that no weaknesses have been identified that would have a material impact on the information provided to the Pension Fund by fund managers.
Investment valuations and income and all related disclosures	Investment managers	Obtain direct confirmations from the fund managers and substantively test transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures	Custodian	Obtain direct confirmations from the fund managers and substantively test transactions occurring in the year and the valuations applied to investments at the year end.

04

Section 04:

Significant findings

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

We are currently making enquiries about the Funds exposure to any issue arising from the war in Ukraine.

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We are currently waiting for final support for some of the items tested. To date there have been no significant findings arising from our review of areas of potential management override of controls thus far. We will update the committee further on 20 April.

4. Significant findings

Valuation of unquoted investments

Description of the risk

As at 31 March 2021 the Pension Fund held investments with a fair value of £257.1m which were identified as level 3 (those where at least one input that has an impact on the valuation is not based on observable market data). These assets account for 14% of the Fund's net investment assets.

Inherently these assets are harder to value, as they may not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.

As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.

How we addressed this risk

We addressed this risk by completing the following additional procedures:

- agreeing holdings from fund manager reports to the custodian's report;
- agreeing the valuation to supporting documentation including investment manager valuation statements and cash-flows for any adjustments made to the investment manager valuation;
- agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available; and
- where audited accounts are available, check that they are supported by a clear opinion.

Valuation of unquoted investments

Audit conclusion

Subject to completing our review processes our audit testing has provided sufficient assurance over the valuation of the Fund's unquoted investments held at level 3.

Within the £257m balance, the pension fund holds £155.7m of investments in pooled property funds at 31 March 2021. In view of the pandemic and the reduction in the associated market transaction to be used as a basis for assessing up to date valuations for these assets, we concur with the Pension Fund that these assets should continue to be disclosed as level 3 within the financial statements.

There are no other significant findings arising from our review of the valuation of unquoted investments.

4. Significant findings

Qualitative aspects of the Fund’s accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances. Draft accounts were received from the Fund on 6 December 2021 and were of a good quality. Staff members were timely and extremely thorough in response to evidence requests and audit enquiries.

Significant matters discussed with management

- Investment Valuations. We discussed the impact of Covid-19 on the Pension Fund, including potential impact on risks of material misstatement. This included obtaining confirmation that investment valuations received were based as at 31 March 2021 and not based on estimates. All valuations were appropriately dated for 31 March 2021. Where estimates have ben applied, we have requested further information surrounding controls in place at fund managers in order to assess the reasonableness of such estimates.
- Uncertainty of property valuations. RICS guidance was issued in April and May 2020 to professional valuers, which highlighted the potential valuation uncertainties as at 31 March 2021 as a result of the Covid-19 pandemic. We discussed management’s assessment of their specific property related investment funds. The pension fund have previously accounted for the property fund investment as level 3 and therefore no reclassification was required.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Modifications required to our audit report

We have identified no issues which have resulted in us proposing to issue a modified audit opinion. Our draft audit report, in full, is set out in Appendix B.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

To date there have been no matters that we have identified during our normal audit procedures.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

Adjusted and unadjusted misstatements

During the audit we have not identified any unadjusted or adjusted misstatements above the trivial threshold.

Disclosure amendments

The following disclosure amendments have been discussed:

- General: A number of minor presentational and typographical changes made to the financial statements that do not require individual analysis.
- Disclosures: A number of improvements to disclosures in the financial statements.

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Appendices

A: Draft management representation letter

B: Draft audit report

C: Draft consistency report

D: Independence

E: Other communications

Appendix A: Draft management representation letter

Mazars LLP
Tower Bridge House
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London
E1W 1DD

Dear Suresh

London Borough of Hackney Pension Fund - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of London Borough of Hackney Pension Fund ('the Fund') for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Group Director Finance and Corporate Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Fund and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Fund in making accounting estimates are reasonable, including:

- Those measured at current or fair value

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Appendix A: Draft management representation letter

The Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Group Director Finance and Corporate Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Fund involving:
  - o management and those charged with governance;
  - o employees who have significant roles in internal control; and
  - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Unadjusted misstatements

I confirm that there were no uncorrected misstatements.

Appendix A: Draft management representation letter

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Ian Williams
Group Director Finance and Corporate Resources, Section 151 Officer

Date:

Appendix B: Draft audit report

Draft Independent auditor’s report to the members of the London Borough of Hackney Pension Fund

Report on the financial statements

Opinion on the financial statements of the London Borough of Hackney Pension Fund

We have audited the financial statements of London Borough of Hackney Pension Fund (‘the Pension Fund’) for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Lincolnshire Pension Fund during the year ended 31 March 2021, and the amount and disposition of the Pension Fund’s assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Group Director Finance and Corporate Resources’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Group Director Finance and Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Appendix B: Draft audit report

Other information

The Group Director Finance and Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Group Director Finance and Corporate Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Group Director Finance and Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Group Director Finance and Corporate Resources is also responsible for such internal control as the Group Director Finance and Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Group Director Finance and Corporate Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Group Director Finance and Corporate Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Appendix B: Draft audit report

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of the London Borough of Hackney, as a body and as administering authority for the Hackney Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel
For and on behalf of Mazars LLP

Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date

Appendix C: Draft consistency report

Independent auditor's statement to the members of London Borough Of Hackney on the pension fund financial statements included within the London Borough Of Hackney Pension Fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2021 included within the [name of Pension Fund] annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of [name of authority] for the year ended 31 March 2021 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Respective responsibilities of the Group Director Finance and Corporate Resources and the auditor

As explained more fully in the Statement of the Group Director Finance and Corporate Resources' Responsibilities, the Group Director Finance and Corporate Resources is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of London Borough of Hackney as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of London Borough of Hackney.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of London Borough of Hackney describes the basis of our opinions on the financial statements.

Use of this auditor's statement

This report is made solely to the members of London Borough of Hackney , as a body and as administering authority for the London Borough of Hackney Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of London Borough of Hackney those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Hackney and London Borough of Hackney's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Suresh Patel, For and on behalf of Mazars LLP

Appendix D: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Audit fees

We have reflected in the table our estimate of the impact on scale fees set by PSAA of changes in the scope of our work arising from revisions to auditing standards and increased regulatory requirements. We will quantify our final fees on conclusion of the audit, provide supporting information and seeking agreement with the Group Director Finance and Corporate Resources and then approval by PSAA.

Area of work	2020/21 Proposed fee	2019/20 Actual fee
Code work (scale fee)	£16,170	£16,170
Additional fees:		
- Triennial valuation work	n/a	£3,000
- Emphasis of matter (note 1)	£1,800	£1,746
- IAS19 assurances to the auditor of LB Hackney (note 2)	£5,000	-
- ISA 540 (revised) accounting estimates (note 3)	£2,000	-
TOTALS	£24,970	£20,916

Notes:

1. Additional work to determine the emphasis of matter paragraph in the audit opinion.
2. Additional procedures to provide assurance to the auditor of the LB Hackney on the IAS19 values for 2020/21.
3. Additional work arising from a revision to the auditing standard for accounting estimates.

Appendix E: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the Chief Financial Officer that London Borough of Hackney Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

Appendix E: Other communications

Other communication	Response
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Corporate Committee, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Suresh Patel, Partner

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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