AUDIT COMMITTEE

Thursday 20 October 2022
at 6.30 pm
Committee Room 2, Hackney Town Hall

The live stream can be viewed here:

Main - https://youtu.be/wJ1SNhfHVks

Backup - https://youtu.be/eOrrLMNYpBs

Members of the Committee:

Councillor Frank Baffour
Councillor Polly Billington
Councillor Zoe Garbett
Councillor Margaret Gordon
Councillor Shaul Krautwirt
Councillor Anna Lynch (Chair)
Councillor Ian Rathbone
Councillor Gilbert Smyth
Councillor Lynne Troughton (Vice-Chair)
Councillor Sarah Young

Mark Carroll
Chief Executive
Wednesday 13 October 2022
www.hackney.gov.uk

Contact: Peter Gray
Governance Officer
governance@hackney.gov.uk

Audit Committee
Thursday 20 October 2022
Agenda

Public Attendance

Following the lifting of all Covid-19 restrictions by the Government and the Council updating its assessment of access to its buildings, the Town Hall is now open to the public and members of the public may attend meetings of the Council.

We recognise, however, that you may find it more convenient to observe the meeting via the live-stream facility, the link for which appears on the agenda front sheet.

We would ask that if you have either tested positive for Covid-19 or have any symptoms that you do not attend the meeting, but rather use the livestream facility. If this applies and you are attending the meeting to ask a question, make a deputation or present a petition then you may contact the Officer named at the beginning of the Agenda and they will be able to make arrangements for the Chair of the meeting to ask the question, make the deputation or present the petition on your behalf.

The Council will continue to ensure that access to our meetings is in line with any Covid-19 restrictions that may be in force from time to time and also in line with public health advice. The latest general advice can be found here - https://hackney.gov.uk/coronavirus-support

Rights of Press and Public to Report on Meetings

The Openness of Local Government Bodies Regulations 2014 give the public the right to film, record audio, take photographs, and use social media and the internet at meetings to report on any meetings that are open to the public.

By attending a public meeting of the Council, Executive, any committee or sub-committee, any Panel or Commission, or any Board you are agreeing to these guidelines as a whole and in particular the stipulations listed below:

- Anyone planning to record meetings of the Council and its public meetings through any audio, visual or written methods they find appropriate can do so providing they do not disturb the conduct of the meeting;
- You are welcome to attend a public meeting to report proceedings, either in 'real time' or after conclusion of the meeting, on a blog, social networking site, news forum or other online media;
- You may use a laptop, tablet device, smartphone or portable camera to record a written or audio transcript of proceedings during the meeting;
- Facilities within the Town Hall and Council Chamber are limited and recording equipment must be of a reasonable size and nature to be easily accommodated.
- You are asked to contact the Officer whose name appears at the beginning of this Agenda if you have any large or complex recording equipment to see whether this can be accommodated within the existing facilities;
- You must not interrupt proceedings and digital equipment must be set to 'silent' mode;
- You should focus any recording equipment on Councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to

respect the wishes of those who do not wish to be filmed or photographed. Failure to respect the wishes of those who do not want to be filmed and photographed may result in the Chair instructing you to cease reporting or recording and you may potentially be excluded from the meeting if you fail to comply;
- Any person whose behaviour threatens to disrupt orderly conduct will be asked to leave;
- Be aware that libellous comments against the council, individual Councillors or officers could result in legal action being taken against you;
- The recorded images must not be edited in a way in which there is a clear aim to distort the truth or misrepresent those taking part in the proceedings;
- Personal attacks of any kind or offensive comments that target or disparage any ethnic, racial, age, religion, gender, sexual orientation or disability status could also result in legal action being taken against you.

Failure to comply with the above requirements may result in the support and assistance of the Council in the recording of proceedings being withdrawn. The Council regards violation of any of the points above as a risk to the orderly conduct of a meeting. The Council therefore reserves the right to exclude any person from the current meeting and refuse entry to any further council meetings, where a breach of these requirements occurs. The Chair of the meeting will ensure that the meeting runs in an effective manner and has the power to ensure that the meeting is not disturbed through the use of flash photography, intrusive camera equipment or the person recording the meeting moving around the room.

Advice to Members on Declaring Interests

If you require advice on declarations of interests, this can be obtained from:

- The Monitoring Officer;
- The Deputy Monitoring Officer; or
- The legal adviser to the meeting.

It is recommended that any advice be sought in advance of, rather than at, the meeting.

Disclosable Pecuniary Interests (DPIs)

You will have a Disclosable Pecuniary Interest (*DPI) if it:

- Relates to your employment, sponsorship, contracts as well as wider financial interests and assets including land, property, licenses and corporate tenancies.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to DPIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner.
- Relates to an interest which should be registered in that part of the Register of Interests form relating to DPIs, but you have not yet done so.

If you are present at <u>any</u> meeting of the Council and you have a DPI relating to any business that will be considered at the meeting, you **must**:

- Not seek to improperly influence decision-making on that matter;
- Make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent; and
- Leave the room whilst the matter is under consideration

You **must not:**

- Participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business; or
- Participate in any vote or further vote taken on the matter at the meeting.

If you have obtained a dispensation from the Monitoring Officer or Standards Committee prior to the matter being considered, then you should make a verbal declaration of the existence and nature of the DPI and that you have obtained a dispensation. The dispensation granted will explain the extent to which you are able to participate.

Other Registrable Interests

You will have an 'Other Registrable Interest' (ORI) in a matter if it

- Relates to appointments made by the authority to any outside bodies, membership of: charities, trade unions,, lobbying or campaign groups, voluntary organisations in the borough or governorships at any educational institution within the borough.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to ORIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner; or
- Relates to an interest which should be registered in that part of the Register of Interests form relating to ORIs, but you have not yet done so.

Where a matter arises at any meeting of the Council which affects a body or organisation you have named in that part of the Register of Interests Form relating to ORIs, **you must** make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Disclosure of Other Interests

Where a matter arises at any meeting of the Council which **directly relates** to your financial interest or well-being or a financial interest or well-being of a relative or close associate, you **must** disclose the interest. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Where a matter arises at any meeting of the Council which **affects** your financial interest or well-being, or a financial interest of well-being of a relative or close associate to a greater extent than it affects the financial interest or wellbeing of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you **must** declare the interest. You **may** only speak on the matter if members of the public are able to speak. Otherwise you must not take part in any discussion or voting on the matter and must not remain in the room unless you have been granted a dispensation.

In all cases, where the Monitoring Officer has agreed that the interest in question is a **sensitive interest**, you do not have to disclose the nature of the interest itself.

Hackney

AUDIT COMMITTEE

WEDNESDAY 8 JUNE 2022

The meeting was live streamed and and can be viewed here;
Main: https://youtu.be/TMv_7XoDxzw
Backup: https://youtu.be/ripItE5byLM

Present: **Councillors:**

In Person:

Cllr Anna Lynch in the Chair
Cllr Frank Baffour, Cllr Polly Billington,
Cllr Zoe Garbett, Cllr Gilbert Smyth,
Cllr Lynne Troughton (Vice-Chair) and
Cllr Sarah Young

Virtually: Cllr Margaret Gordon

Officers:

Tracy Barnett (Head of Audit), Peter Gray (Governance Officer), Dawn Carter-McDonald (Director of Legal, Democratic and Electoral Services), Michael Sheffield (Corporate Head of Audit, Anti-Fraud and Risk Management), Matthew Powell (Corporate Risk Adviser), Ian Williams (Group Director of Finance and Corporate Resources)

Suresh Patel (Mazars - External Auditors)

1. **Apologies for absence**

1.1 There were no apologies for absence.

2. **Declarations of Interest**

2.1 There were no apologies for absence.

3. **Minutes of the previous meeting on 28 April 2022**

RESOLVED:

That the minutes of the meeting on 28 April 2022 be agreed as a true and accurate record of the proceedings.

Matters Arising

3.2 Councillor Smyth asked for an update on minute 8.5 relating to work carried out on the increase in interest rates. The Group Director of Finance and Corporate Resources reported that the work was ongoing as part of the medium term planning forecast.

4. **Appointment of Chair and Vice Chair for the municipal year 2022/23**

RESOLVED:

To note that Annual Council on 25 June 2022 appointed Councillor Anna Lynch and Councillor Lynne Troughton as Chair and Vice-Chair of the Audit Committee for the municipal year 2022/23

5. **Audit Committee - Terms of Reference**

5.1 The Chair introduced the report. In response to a question from Councillor Young, the Governance Officer confirmed that no changes had been made to the terms of reference.

5.2 The Group Director for Finance and Corporate Resources presented to the Committee, highlighting the following:

- Audit Committee and the governance framework;
- The core functions of the Audit committee;
- The need for a robust risk management framework;
- Internal control and governance;
- Financial Management. A key role of the Audit Committee is to approve the Annual Accounts;
- Internal Audit is an independent assurance function that may review any of the council's activities;
- Role of the External Auditors – Mazars;
- Current developments in External Audit;
- Details of training resources for Audit Committee members.

5.1 Councillor Troughton asked for clarification on the difficulties around recruiting auditors.

5.2 Suresh Patel (Mazers) told the Committee that these roles referred to were less attractive because the sector was heavily regulated and the difficulties related to both Local Government and the Corporate Sector.

RESOLVED:

To note the terms of reference.

6. **Finance Update - Presentation**

6.1 Ian Williams presented the finance update, highlighting the following:

General Fund Forecast 2021/22/ Forecast variance against budget (After reserves) - £4630m

2021/22 – General Fund Forecast

- Neighbourhoods and housing are forecasting a significant overspend of £2.9m of which £2m is COVID related;
- The forecast as at the end of February 2022 showed an overspend of £4.9m after the application of COVID-19, Social Care and the Cyber-attack;

2021/22 Housing Revenue Account (HRA) Position

- Forecast of a breakeven position on the HRA but there was a forecast overspend of £4.7m which included impact from COVID-19 of £3.2m;

Medium Term Financial Plan (MTFP)

- Balanced Budget for 2022/ 23 was agreed by Council in March 2022;
- The MTFP indicated a budget gap of between £14m and £29m for the next year;

Assumptions and Risks

- Risks around inflation, fairer funding, recovery from the cyber-attack, increase in demand for services and worsening economic position;

Budget Timeline

- The Council is legally required to balance the budget each year;
- Work on the impact of inflation was ongoing;

The London Picture

- High staff/ running costs. In particular, Leisure Centres were under much financial pressure;

Account Update

- 2020/21 Council and Pension Fund statement of accounts are substantially completed;
- Plan to publish the draft 2021/22 statement of accounts by the end of June.

6.2 Councillor Troughton asked if the overspend, referred to, related to one of costs that would not carry over into the next financial year

6.3 The Group Director of Finance and Corporate Resources reported that some costs were recurrent while others would require ongoing provision. Work was ongoing to support those who were in financial difficulties in their occupations. Further, there were costs arising from the cyber-attack. More detail on these costs and the location of overspends would be included in the Overall Financial Position to be submitted to Cabinet in July 2022.

6.4 Councillor Young asked if the SEN overspend was reflected in the financial figures presented.

6.5 The Group Director of Finance and Corporate Resources told the Committee that there were difficulties in funding SEN nationally. A deep dive had been carried out and a report produced. It was agreed to circulate this report.

Action: The Group Director of Finance and Corporate Resources

It was noted that SEN funding was included in the dedicated schools grant area and was not included in the figures presented.

6.6 Councillor Garbett asked for clarification on the £2m COVID-19 related spend.

6.7 The Group Director of Finance and Corporate Resources referred to the challenge of income lost by the Council as a result of the pandemic, in particular affecting the Leisure Service.

6.8 Councillor Gordon asked for clarification on how the fairer funding proposals would impact Hackney Council.

6.9 The Group Director of Finance and Corporate Resources told the Committee that fairer funding was a term given to a review of how funding is distributed to Local Authorities, calculated on a formula driven by factors such as population, deprivation, demographics and the cost of providing the service. The formula used was now considered to be dated and it was not expected that funding would increase significantly with the fear that increased resources would be allocated to the north-east of the country. Active lobbying to secure increased funding was carried out.

6.10 Councillor Chapman referred to the politically led agenda in this regard and reiterated that lobbying would continue in this area.

6.11 The Chair referred to the fact that when considering the budget and fairer funding worst case scenario should be considered. She asked that presentation slides be circulated to members prior to meetings.

6.12 Councillor Gordon asked how the current pressure on the HRA would impact on the Council's capital spending.

6.13 The Group Director of Finance and Corporate Resources reported that the HRA business plan was being reviewed to ensure that the Council was in a position to fund and maintain stock with the ability to invest in new homes and retrofit.

6.14 Councillor Smyth expressed concern at the financial forecast and asked what measures would be used to manage this position, in particular in the light of the challenge of inflation.

6.15 The Group Director of Finance and Corporate Resources referred to financial challenges arising from the current external factors. An experienced finance team existed in the Council and over the past months new planning arrangements were put in place to balance the budget for 2023/24. Work was being carried out with colleagues across London Councils to identify opportunities and lobby the government. The medium term financial plan was being reviewed with updates to Cabinet, Audit Committee, relevant chairs and members drop in sessions, to ensure effective engagement.

6.16 Councillor Billington asked what the available options were to the council given the new external drivers and how the impacts on residents would be ascertained. She asked if groundwork should be in place as some individuals can pay more.

6.17 Councillor Troughton asked what percentage of the General Fund was spent on salaries and estate. She asked how the current circumstance would impact planned programmes.

6.18 Councillor Young asked about the relationship between the cost of sustainable retro-fitting challenges and the new build programme.

6.19 Councillor Garbett stressed the need to consider the wellbeing of Council staff who in some cases were also residents, providing support together with the prioritisation of services that impact on residents.

6.20 The Director of Finance and Corporate Resources told the Committee that:

- In relation to inflation, the Council was working with advisers to ascertain the most accurate forecasts with work commissioned on where inflation was used as a proxy for change in relation to fees and charges and contracts being clear on whether there were any opportunities, for instance, in considering the possibility of renegotiating a contract. Consideration was given to the ability to collect any increase in rent and council tax. Work was ongoing with various forums including the Audit Committee and Scrutiny Commissions to properly understand any unintended consequences of decisions made. Work was ongoing on understanding the necessary decisions that would need to be made in relation to capital programmes and considering different ways of procuring given changes of circumstances. There was a need to be agile in this regard, including around retro-fitting, new homes and other capital programmes. It was noted that, with shifts in energy prices some business cases had changed with a need now to consider the Capital Programme in this regard;
- Payroll was the biggest area of controllable expenditure and accounted for £200m expenditure including National Insurance and Employer Pensions contributions;
- Much work was ongoing in relation to policy based budget setting. Slides on this would be shared with members of the Committee.

Action: The Director of Finance and Corporate Resources

- The Council recognised the contributions made by staff to its work. A Wellbeing Package was available and would be circulated to members of the Committee. Staff were supported and helped during the challenges of COVID-19.

Action: The Director of Finance and Corporate Resources

6.21 Councillor Gilbert stated that the Council had made a commitment to 'Fire and Re-Hire' and asked whether there were proposals to change this reconfiguration.

6.22 Councillor Gordon asked for further detail on policy led budget setting in relation to how it worked and considerations.

6.23 The Director of Finance and Corporate Resources told the Committee that:

- There were no proposals to change the 'Fire and Rehire' configuration. This related to contracts that may contain clauses on inflationary uplift, of which there were few in the council. Those contracts that contained these clauses were being reshaped;

- On policy led budget setting, areas of council expenditure had been identified together with inputs and outcomes. This could not sit alone from the development of the strategic plan and had to be embedded in transformation work, ensuring a balanced financial plan for the coming 3 years. Relevant Committees and Members would be updated on balancing the budget for 2023/14 and setting a framework for a medium term forecast through the current administration.

RESOLVED:

To note the finance update.

7. Corporate Risk Register

7.1 The Corporate Risk Adviser introduced the report updating the Committee on the current Corporate Risk Register of the Council as at June 2022. The report also identified how risks within the Council are identified and managed throughout the financial year and the approach taken to embedding risk management. The Corporate Risk Adviser highlighted the following:

- 2 additional risks on the register: the current cost of living crisis and the recruitment difficulties, particularly in the area of ICT;
- The pensions risk had been de-escalated to directorate level because of improvements with a new interface;
- The pandemic risk had fallen;
- The cyber-attack risk remained;
- Risks related to Council owned companies remain on the register;
- Other risks remained in place;
- Climate change remained a high risk;

7.2 Councillor Troughton referred to the positive initiative around the Single Income Maximising Service. She asked for clarification on mitigation in place to prevent fraud and stressed the need for a fraud risk. She asked whether there was a gateway to the service. Councillor Troughton asked what the Council's position was on staff vaccinations and keeping staff well.

7.3 The Head of Audit, Anti Fraud and Risk Management referred to the changes that Hackney had undergone as a result of the pandemic, the cyber-attack and the cost of living crisis. He confirmed Anti-Fraud involvement in new mechanisms for the delivery of support to residents, in terms of the design of services and the allocation of resources to deal with concerns identified once the new schemes are in place.

7.4 The Group Director of Finance and Corporate Resources stressed the importance the Single Income Maximisation Service and of residents getting all the support they can get. He stressed that teams worked closely to ensure that necessary arrangements are in place to avoid fraud. and that the approach that the council was taking benefited residents. He referred to the good work of the council's housing needs section in this area

7.5 Councillor Billington questioned the term 'temporary accommodation' as many people remained in this accommodation for long periods of time. She asked for clarification on the associated long term risks and whether numbers were expected to rise and what mitigation was in place. Councillor Billington suggested a deep dive into climate change, in particular, in relation to flooding and mitigation. She confirmed that there had been presentations to the Scrutiny Committee on this matter but this was still at the early stages and there was a need for the Audit Committee to ensure that climate change was addressed in a more systematic way. The Group Director of Finance and Corporate Resources agreed to arrange a Member drop in session on this matter.

Action: Group Director of Finance and Corporate Resources

7.6 The Chair agreed that a climate change deep dive be discussed under the Audit Committee's work plan. She asked for clarification on whether 'temporary accommodation' was a statutory term. It was confirmed that this was a statutory term. The Group Director, Finance and Corporate Resources suggested a member drop-in session on temporary accommodation.

7.7 Councillor Young suggested that fuel poverty be a separate risk because of the relationship with climate change and sustainability and the government's definition of fuel poverty, allowing for risks to be assessed separately with different solutions. She asked about the ongoing impact of the cyber attack on enforcement actions within the Council, e.g, people receiving notices to quit. She asked whether this formed part of the risk register.

7.8 The Corporate Risk Adviser told the Committee that the Corporate Register was a strategic document and the other risk registers would contain more examples of sub risks. He agreed that fuel poverty could be considered as a separate risk, or a clear sub risk. He confirmed that the enforcement issues were being dealt with by the Strategic Director, Customers and Workplace.

7.9 The Group Director of Finance and Corporate Resources agreed to arrange a private session on the cyber attack for the committee. He said that any issues that arise around enforcement are triaged and after investigation it becomes clear that housing benefits is not always a material factor.

Action: Group Director of Finance and Corporate Resources

7.10 Councillor Garbett stressed the need to reach those most in need, ensuring that the council tax rebates are paid to those who need them and referred to the difficulties for those who do not have direct debit and can not access the internet. She stressed that residents should be made aware of changes to services and how to access them. Councillor Garbett stressed the importance of SEN funding and that the voices of children, carers and parents are included in the process. She asked about action taken to return children in care back to the Borough and referred to the high costs of these placements. Councillor Garbett referred to the need for a deep dive into climate change and considered that the likelihood rating for climate change should be higher. She asked about the cost of Hackney Light and Power and its ambitions.

7.11 The Corporate Risk Adviser confirmed that the Risk Register was reviewed on a quarterly basis and the ongoing likelihood of climate change should be higher.

7.12 The Group Director for Finance and Corporate Resources confirmed all the direct debits accounts had been paid the rebate and work was on going on finalising ways of how residents who do not pay be direct debit can apply. Residents had been encouraged to sign up for direct debit as this facilitated faster payment and there had been significant uptake. The Council was now moving to paying the rebate to those who do not have direct debit. He referred to the reliance on software providers to provide the relevant updates on systems.

7.13 Councillor Gordon referred to the cyber-attack and the unknown risks. She stressed that the cyber-attack still impacted residents.

RESOLVED:

To note the report and the attached risk registers.

9 Internal Audit Annual Report

8.1 The Corporate Head of Audit, Anti-Fraud and Risk Management presented the report providing details of the performance of Internal Audit during 2021/22 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council. The following were highlighted:

- Based on audit work carried out during the year it was clear that the Council Control Framework was found to be adequate, continuing to achieve the required level of assurance;
- Less audits had been carried out over the previous 2 years as a result of the pandemic and the cyber-attack;
- A number of audits had to be deferred because of the cyber-attack with the majority of the work rescheduled to the current year. Assurances had been drawn on previous work and other methods of assurance;
- All Key Performance Indicators had been met;
- There had been a low percentage of adverse audit opinions, comfortably within the previous year's threshold;
- There were similar levels of good audit opinion to previous years, albeit, based on a small sample;
- A high number of recommendations arose from audit work, fewer were higher priority recommendations;
- There was a risk based audit plan in place that determined what was considered but there were no direct comparisons year on year;
- There had been no significant changes to the Charter from the previous year.

8.2 Councillor Selman asked for clarification on the distinction between deferral and cancellation of audits.

8.3 The Corporate Head of Audit, Anti-Fraud and Risk Management confirmed that deferrals resulted from issues such as the cyber-attack while cancellations resulted from changes to services such that the audit was no longer necessary.

8.3 Councillor Smyth asked what lessons had been learned from the pandemic and the cyber-attack and what could be built on to ensure a better service.

8.4 The Corporate Head of Audit, Anti-Fraud and Risk Management confirmed that the Audit Plan was subject to change during the year and was a risk based plan with input from the Audit Committee and Senior Officers. A number of audits had been combined to consider the Council's response to the pandemic, providing positive feedback. It had not been possible to take these steps in relation to ICT, given current demands on the team. However, the current Audit Plan contained audits in the area of ICT.

RESOLVED:

1. To note the report of the Internal Audit's performance and opinion of the Council's framework of governance, risk management and internal control;

2. To approve the updated Internal Audit Charter and Strategy.

9. Fraud and Irregularity Annual Report 2021/22

9.1 The Corporate Head of Audit, Anti-Fraud and Risk Management presented the status report on the Annual Fraud and Irregularity 2021/22, highlighting the following:

- The volume of referrals of fraud matters had increased in the current year, in particular, blue badge and tenancy fraud;
- In regard to No Recourse to Public Funds (NRPFs), there had been less applicants in the current year;
- 34 housing units were recovered;
- The service had recovered in excess of 900 properties which are provided to those on the temporary accommodation waiting list since 2010/11;
- Blue Badge fraud is important because of the impact on disabled people.

9.2 Councillor Garbett asked if there was a permanent team for NRPFs. She asked what measures were taken to prevent Blue Badge fraud.

9.3 Councillor Young asked if the purpose of 'NRPFs' was to identify alternative sources of support in circumstances where there was no recourse to public funds and whether the team supported access to charitable support.

9.4 The Head of Audit, Anti-Fraud and Risk Management told the committee that the Audit Service worked in partnership with children services assisting in carrying out enquiries. He confirmed that the 'NRPFs' team was permanent. Funding for investigations was received each year. If support was available elsewhere, then it was not the Council's responsibility to provide support. In circumstances where there is no other support, the Council would assist, signposting to other services. The Council was proactive in the prevention of Blue Badge fraud. The parking enforcement office referred matters to the Audit team and ensured that misuse was targeted.

9.5 Councillor Selman asked for clarification on the decision to characterise NRPF as a fraud work stream and what was done to mitigate risk of this becoming a deterrent. She asked for clarification on the figures in relation to claims cancelled after a positive finding or due to those withdrawing from the process as a result of anxiety about verification.

9.6 Councillor Troughton asked if the Council utilised the Proceeds of Crime Act and employed Finance Intelligence Officers to support investigations.

9.7 The Head of Audit, Anti-Fraud and Risk Management advised that the overwhelming majority of NRPF results reported to the committee followed an investigation process. Only one case was withdrawn in the previous year following the applicant becoming aware of the level of checking involved in the process. He confirmed that the Audit Section made use of the skill set of the team to access information and systems that provide a fuller profile of an individual's circumstance when there were grounds to suspect that the information provided was not truthful. The fact that individuals were in a difficult situation was recognised. He confirmed that the council utilised the Proceeds of Crime Act when appropriate to support investigations. Further, the council employed financial investigators.

9.8 The Chair asked that NRPFs scenarios be presented to the committee to enable it to better understand the system in place.

Action: Corporate Head of Audit, Anti-Fraud and Risk Management

9.9 The Director of Legal and Governance told the committee that the assessments carried out by Adults and Social Care were carried out in a supportive and helpful way and were only referred to the Anti-fraud team when questions arose from the information and documentation provided by the individual.

RESOLVED:

To note the report

10. Work Programme

10.1 The Chair referred to the need for deep dives into areas of concern, including fuel poverty and cost of living.

10.2 The Group Director for Finance and Corporate Resources reported that regular updates on the cost of living crisis would be made to the Committee with a deep dive carried out in this area.

RESOLVED:

To note the report

11. Any other business that the Chair considers urgent

11.1 There was no other urgent business.

Meeting closed at 8:30pm

Chair: Councillor Anna Lynch

Contact;
Peter Gray
Governance Services
peter.gray@hackney.gov.ik

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Title of Report	**CHIEF EXECUTIVE'S DIRECTORATE RISK REGISTER - COVERING REPORT**
For Consideration By	Audit Committee
Meeting Date	October 20th 2022
Classification	Open
Ward(s) Affected	All Wards
Group Director	**Mark Carroll, Chief Executive**

1. CORPORATE DIRECTOR'S INTRODUCTION

1.1 This report advises the Committee of the key risks facing the Chief Executive's Directorate in 2022/23 and the actions being taken to reduce the likelihood and impact of those risks. This is all part of the Committee's role in overseeing Corporate Governance.

1.2 A review of the risk environment and management actions that the Directorate has lead responsibility for has been undertaken. This will inform the review of the highest level Corporate Risk Register which is presented to the Audit Committee at every other meeting and is next due at the first meeting of 2023.

1.3 This report reflects for the first time the new service structure within the Chief Executive's Directorate. Earlier in 2022, Economy, Policy and New Homes (EPNH) incorporating the council's Regeneration responsibilities, moved to become a part of the new Directorate - Climate, Homes and the Economy. Risks related to Human Resources are now included in the Finance and Corporate Resources Risk Register.

2. RECOMMENDATION(S)

2.1 There are no specific recommendations arising from this report.

2.2 The Audit Committee is requested to note the contents of this report and the Chief Executive's Directorate Risk Register attached at Appendix 1, and provide any feedback on the management of those risks identified.

3. BACKGROUND

3.1 The Council is exposed to a wide number of risks in its ordinary activities. This report focuses on the key risks within the Chief Executive's Directorate, which includes the following service areas:

- Legal and Governance Service (inc. Elections)
- Policy and Strategic Delivery
- Engagement, Culture and Organisational Development.

3.2 The changing risk environment and progress in managing down risks have been assessed by the Chief Executive's Group Directorate Management Team at its annual review. The team each take individual responsibility for managing and reporting on their associated risks, in line with their overall remit within the Council and this work has informed the review.

4. SUMMARY OF KEY RISKS

4.1 Full details on the key risks facing the Chief Executive's Directorate and associated controls are detailed in Appendix 1.

Legal and Governance

4.2 The key risks facing the Legal and Governance Service remain ensuring that directorates seek timely legal advice and follow the advice received; that all decisions are made in a lawful and transparent manner; that key decisions are properly recorded on the EMKDN at the appropriate time; that the statutory publication dates are met for all agendas and reports; that meetings of the Council are conducted in accordance with the relevant procedure rules; and that the Legal & Governance Service have the requisite ICT software (legal case management and Mod.Gov) to undertake their roles in a timely and productive manner. Failure to manage these risks will have legal, financial and reputational risks to the Council.

Policy and Strategic Delivery

4.3 Risks relating to the borough's Community Strategy have been reviewed and updated. The main identified risk is that external factors such as the current cost of living crisis and the fall-out from Covid limit our potential to deliver on priorities and that this presents strategic and reputational risks. The likelihood of this happening remains high because of Covid and the pace of economic and demographic change in Hackney, coupled with the pace of institutional and fiscal change.

4.4 The continuing management of risks associated with key partnerships focuses on the priorities of the Council's Community Strategy and on the risk that partners' plans diverge from these priorities. Our controls place an emphasis on formal partnership, providing 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.

4.5 An additional risk has been added that focuses specifically on the challenges concerning the Chief Executive's Directorate with regards to the Cost of Living Crisis, particularly building on existing work on Poverty Reduction.

Engagement, Culture and Organisational Development

4.6 The main communications risk remains around effective community engagement, in particular the effect of Covid on face to face contact with residents. Community Engagement is a key driver of the Communications Strategy alongside Council Corporate Plan; all consultation adheres to the standards of the Council's consultation charter and community engagement plans align with corporate priorities.

5. POLICY CONTEXT

5.1 The Directorate's management of risk reflects the Council's framework for managing risk.

6. EQUALITY IMPACT ASSESSMENT

6.1 This report is for information only and as such does not require an Equality Impact Assessment.

7. SUSTAINABILITY

7.1 This report contains no new impacts on the physical and social environment.

8. CONSULTATIONS

8.1 This report is for information only and as such does not require any consultation.

9. RISK ASSESSMENT

9.1 This report deals with the overarching management of risk in the Chief Executive's Group Directorate.

10. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

10.1 Whilst consideration of the risk register has no direct financial impact, many of the risks identified therein would have financial impact if they were realised. They therefore continue to be monitored to ensure that they are controlled to an acceptable level and that future actions to manage the risks are on track.

11. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES

12.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk, as set-out in regulation 3. This Report fulfils this requirement and ensures that the appropriate controls are in place and fully effective.

APPENDICES

Appendix 1- Chief Executive's Directorate Risk Register (October 2022)

BACKGROUND PAPERS

None

Report Author	Eoin Quiery ☎020-8356 4340 eoin.quiery@hackney.gov.uk
Comments of the Group Director, Finance and Corporate Resources	Jackie Moylan ☎020-8356 3032 jackie.moylan@hackney.gov.uk
Comments of the Director of Legal and Governance	Dawn Carter-McDonald ☎020-8356 2029 dawn.carter-mcdonald@hackney.gov.uk

Chief Executive's Directorate Risks October 2022

Report Type: Risks Report
Generated on: October 2022

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note

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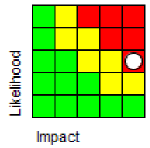
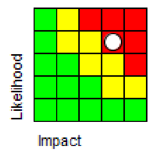
CE PSD 003 A range of key external factors that have the potential to undermine our ability to deliver against the priorities of our Community Strategy 2018-2028.	Due to the complexity of the wider environment, there are external factors which can 'blow off course' the delivery of the Community Strategy 2018-2028. The main external factors are: Ongoing impacts of the pandemic, population churn and change, economic uncertainty (particularly with the current cost of living crisis), growing and entrenching poverty and inequality, housing affordability, increased complexity of need in communities and eroded trust and confidence. There are a growing number of refugees and asylum seekers, including through planned schemes. This becomes more difficult, however, when reacting to growing demands and pressures and a growing budget gap to our core revenue grant and housing revenue. This is before we factor in inflation, fuel costs and a recession on the horizon. This cost of living crisis and recession will impact the Council and partners' ability to deliver services as well as their staff, and will put some organisations at risk. Nationally the policy environment is likely to lead to a continued move of resources away from London directly and indirectly.	Policy and Strategic Delivery		 Risk matrix updated September 2022–Risk of impact high due to external context and continuing uncertainty around ongoing Cost of Living Crisis and capacity. Likelihood high without mitigation. Risk description updated in line with latest analysis in draft strategic plan 2022-26.

Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**

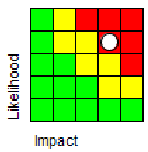
CE PSD 003a Analysis and proactive forward planning to support the management of the increased complexity of the external environment.	Adopt a suite of frameworks and strategies, and the corporate planning and delivery infrastructure needed to respond to uncertainty and complexity - helping us focus on long term goals, and maximising the benefits and mitigating the impacts as they arise. The Community Strategy was developed with extensive external and internal dialogue, and was approved by Council in 2018 along with a Single Equality Scheme. We continue to clearly articulate what is within local authority control and what we can deliver and what is outside our control and what we need to influence. We maintain an overview of community impacts and continue to progress our single equality scheme which sets out how we will tackle key equality and cohesion issues. We have also adopted a poverty reduction framework which is now in place. We are taking actions to shape a more inclusive economy as set out in our strategy adopted in November 2019. A new strategic plan will be presented to Cabinet in November 2022 which sets out the key risks to the community strategy vision and sets out priorities for the Council and partners for the next four years. This is based on refreshed analysis of data and impacts (including the latest Census and residents' survey data), takes account of the financial context and the political commitments of this administration.	Mark Carroll	Sonia Khan	March 2023	Control description updated in September 2022 to reflect: Community Impact Assessment to identify direct and indirect impacts of pandemic- refreshed in Jan 2022 and now an underpinning tool to support new strategic plan. Poverty reduction framework developed and in use. New strategic plan to be adopted in November 2022 takes on board key risks outlined in this register.

CE PSD 003b Focus of CE support to manage the impact and opportunities associated with reduced resources.	The directorate capacity is closely aligned to supporting CLT to identify and deliver solutions to manage the impact of reduced funding. The establishment of Strategic Business Managers (SBM) within the Policy and Strategic Delivery Service has increased the capability of the Directorate to influence strategic programmes across the organisation. There is also an established CE directorate management team to corporately manage and monitor impacts and opportunities.	Mark Carroll	Sonia Khan	March 2023	Updated September 2022 Control amended to reflect change of team. SBMs continue to be in place, are working with Directorates across the Council as well as providing corporate support to CLT and have played a key role in supporting the pandemic, cost of living and cyber attack related governance.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE PSD 004 Key LB Hackney partners' strategies and implementation plans diverge from the overall vision and	LB Hackney partners' strategies and implementation plans diverge from the agreed approaches leading to: • a failure to deliver new cross cutting priorities in the Community Strategy that address the strategic risks and opportunities in Hackney	Policy and Strategic Delivery		

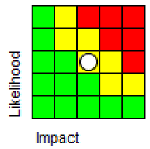
strategy for Hackney - as articulated in the Community Strategy 2018-2028, undermining the cross cutting priorities which require partners to work collectively rather than institutionally.	• an ineffective or misdirected use of resources, with individual partners approaching issues in a piecemeal or siloed way. • short termism and a lack of join up around long term preventative strategies • the value of Hackney's Voluntary and Community Sector (VCS) and their potential to leverage in external resources is not maximised • Risk of partners not being able to progress with longer-term aspirations due to increased demands and costs etc. Potential closure of VCS orgs.			Updated September 2022 - Risk has risen with an increased likelihood due to the likely closure of VCS organisations. The Council cannot fully mitigate in these situations or have a rescue package each time an impactful organisation struggles. This is still a risk because of capacity -the pandemic has highlighted the importance of long term goals that promote fairness, equality and cohesion. Having a strategy and partnership in place has demonstrated that Hackney had a level of preparedness to respond to the pandemic and to develop our strategic response. Partners are therefore valuing this infrastructure and engaging with it, as a way to focus on cross cutting priorities, which ultimately will help us address the immediate demands on services and inequalities in communities.	
Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**
CE PSD 004a Strategic partners own and drive cross cutting priorities identified in the Community Strategy.	Strategic Partnership working is under review and new arrangements will be in place early in 2023, in line with the Council's Strategic Plan and informed by partner plans and aspirations for partnership working.	Mark Carroll	Sonia Khan	March 2023	Updated September 2022 The Community Strategy Partnership set four priorities in February 2019. Since then they have met on average twice a year to focus on: inclusive leadership and workforce diversity anchor institutions local employment Control description updated to reflect review underway .
CE PSD 004b The Council's partnership with the voluntary and community sector is underpinned by a shared strategy that defines how we will work together and our shared priorities, framed by the Community Strategy	The Voluntary and Community Sector Strategy sets out actions we will take over the next three years to support effective partnership working with the sector.	Mark Carroll	Sonia Khan	March 2023	Updated September 2022 Voluntary Sector Strategy was adopted in March 2019 and is providing the frame for priorities which are now being progressed on: ways of working together investment property volunteering and community action This work has been accelerated by the pandemic, confirming that it was the right area to focus on.

					We are now using the work to embed into longer term approaches to volunteering and community action and developing a new grants programme, lettings policy. Strategy should remain in place for next four years as the framework to inform partnership working.
CE PSD 004c The Council's investment and support of the voluntary and community sector is framed by the current institutional and external contexts and ultimately supports the long term goals in the Community Strategy.	A review of grants and other investment in the voluntary and community sector has taken place. The key issues were identified in the Voluntary and Community Sector Strategy. The outcome of the review is informing future investment.	Mark Carroll	Sonia Khan	March 2023	Updated September 2022: Review complete and informing investment from 2023 with new grants supporting community infrastructure, an increase proportion of grants going to advice, and a more detailed review of specialist grants underway. Changes to the way we invest and the processes used have also been implemented and have satisfied internal audit. .

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE PSD 005 Cost of Living.	The current cost of living crisis continues to present risks which could impact on the Directorate in multiple ways, whether from the perspective of residents, services, businesses or partners. All of these will ultimately affect the overall cohesion and stability of the Borough. There is a risk of residents in private accommodation being unable to pay bills or keep up rent/mortgage payments as well as the most vulnerable households. This poverty could result in social problems and even civil unrest. Internally, staff experiencing poverty could impact on attendance levels (with possible increased sickness, or staff not able to afford travel) or result in potential industrial action	Policy and Strategic Delivery		 September 2022 - There is an overarching Corporate risk on this, but this version focuses specifically on the challenges concerning the Chief Executive's Directorate with regards to this. The themes here are particularly building on existing work on Poverty Reduction

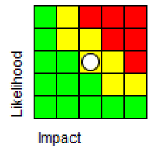
	Increased poverty is likely to increase demand on advice, food banks and other voluntary sector partner services.With increased costs for VCS partners - could lead to cutting of services and/or staff (could lead to job losses for local residents). Increased competition for council funding as well as funding generally. All of this would impact severely on overall service delivery.				
Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**
CE PSD 005	Most vulnerable residents are already under the scope of Poverty Reduction Framework: Responding to the cost of living crisis and worsening levels of poverty in Hackney. This will continue to be applied Cost of Living Resident Leaflet are going to be issued to those affected. Winter Fuel Poverty Action Plan is being developed Communications campaign to destigmatize benefits and explain how the council is in the best position to help residents maximise their benefits. Livestream with Senior leaders. Signposting to advice via internal comms channels Promote wellbeing offer, Employee Assistance Programme and hub of tools for staff to deal with crisis.	Mark Carroll	Assorted CEx Directors	March 2023	September 2022 These are a new range of controls being developed to tackle this assortment of financial problems. Responsibility for these lies amongst the various divisions of the Chief Executive Directorate. Clearly this risk spreads across the whole Council, but these actions focus on what lies under the CEx's control.

ENGAGEMENT, CULTURE, AND ORGANISATIONAL DEVELOPMENT

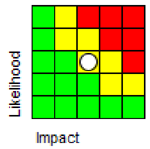
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE CC 0004 Involvement: uncertainty regarding residents feeling involved in Council key projects and view on achieving the goals of the community strategy.	Consultation and community engagement activity not providing relevant information and/or not reaching or getting feedback from a wide and diverse range of people in Hackney. People do not feel listened to and cannot relate their views, priorities and interests to work being delivered to deliver the goals of the community strategy and do not feel that the local growth and change in the borough is benefiting them. The Covid pandemic has exacerbated this risk as many people find it difficult to participate in digital engagement, but face to face participation opportunities are still limited. The events of the past 2 years have strengthened communities in some ways but have also served to create a number of divisive narratives which have led to some people feeling further excluded from participation and decision making. If the Council fails here, an inclusive approach will not have been achieved, and without proper community engagement, the credibility of work undertaken is adversely affected. The organisation's reputation would also be damaged.	ENGAGEMENT, CULTURE, AND ORGANISATIONAL DEVELOPMENT		Updated September 2022 – Risk is stable This risk is ongoing.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CECC 0004 Consultation and community engagement strategy and individual consultation and engagement plans	Community Engagement is a key driver of the Communications Strategy alongside Council Corporate Plan; all consultation adheres to the standards of the Council's consultation charter and community engagement plans align with corporate priorities. Communications strategy is informed by a community insight gathering and engagement, which considers the priorities and interests of Hackney's diverse communities. This includes regular surveys and engagement work by the Council and with partners. Our resident's survey has been a major exercise to engage with local people about the key benefits and opportunities arising from growth and how these can be maximised. This exercise provides the basis for the council's long term engagement strategy. The Council had not carried out a full residents survey for more than two years. Covid had affected both the timing and the funding for this. A survey was carried out in Summer 2022 and results are now being analysed.	Mark Carroll	Polly Cziok	March 2023	Updated September 2022

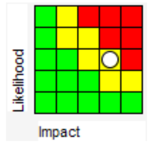
	The Council continues to develop and implement an insight and engagement led approach to communications and to work across the Council to ensure that residents are given the chance to influence the decisions that most affect them. Matrix management has been established to strengthen links between the Tenant Participation Service in Housing, and the corporate team, to ensure we are effectively reaching and engaging residents in social housing.				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
CE CC 0005: Organisational Development: risks to the workforce strategy aims of an engaged, motivated workforce, and inclusive workplace.	The next phase of the Covid pandemic, and the implementation of future workplace programmes could lead to staff feeling disengaged and unsupported, lack of cohesion within hybrid teams, disproportionate impacts on some groups of staff, and growing perceived disparities between fieldbased and office/home based staff. Staff working remotely for the majority of their time could feel excluded from development opportunities. The consequence of this could be a seriously negative impact to the Council's overall delivery of Services.	ENGAGEMENT, CULTURE, AND ORGANISATIONAL DEVELOPMENT		Updated September 2022 – Risk is stable This risk is ongoing.	
Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**
CECC 0005a Ongoing programme of staff engagement and insight, OD board focusing on emerging needs of workforce	The Council is piloting training for all managers with home/office staff to help them gain the skills to effectively manage a hybrid workforce. 65 took part in the pilot in Sept/Oct 21 with the aim to use their feedback to further adapt and tailor the course content for Hackney and deliver organisation wide. An organisation wide staff survey has been completed to test staff engagement/morale/infomed levels. Data has been provided at directorate and dept level and support provided for Directors to shape action plans. Regular staff insight work was carried out throughout the pandemic and has shaped the organisational response and future workforce plans. The workforce strategy has been updated in the light of the pandemic.	Mark Carroll	Polly Cziok	March 2023	Updated September 2022

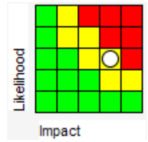
LEGAL & GOVERNANCE SERVICES

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE LS 0016 No Legal Advice Sought or Given	Directorates and services fail to seek timely advice on the right decision-making process and to seek legal advice on contracts or litigation resulting in adverse court rulings and increased costs or compensation. Clear reputational and financial risks.	Legal & Governance Services		Risk remains static, regular client training, client liaison meetings and quarterly team updates will continue to provide mitigation. In addition, training is being delivered by the Governance Service around Constitutional matters.

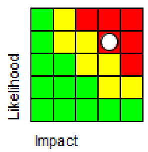
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE LS 0016 No Legal Advice Sought or Given	Governance training for Legal Services and Directorates. Decision making procedure note prepared and provided to clients and staff; regular advice provided to clients on governance and decision making; close management and monitoring of decision making requests on urgent items. Consider and review team training, including reporting and authority limits and accuracy checks on high risk activities and briefings of arrangements to other directorates. Training on procurement procedures to mitigate the risk of service departments following the incorrect procedure. Also ensure effective communication is carried out between teams, and effective templates are distributed by Legal Services.	Mark Carroll	Dawn Carter-McDonald	March 2023	The Governance Service has carried out, and continues to offer, training on the role of the Service and decision-making generally. The Excellence in Governance Group now has representation from each Directorate across the Council and carries out thematic reviews of service areas / topics.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE LS 0019 Legal and Governance compliance	Failure of Lawyers and Governance Team to identify in a timely manner Legal and Governance Risks that arise in case management and non-compliance with Governance procedures, this also includes providing legal advice and governance support on matters instructed upon by clients and directorates. This would present legislative, reputational and financial risks to the Council.	Legal & Governance Services		Risk remains static, albeit that in some areas, such as childcare, litigation, procurement and housing there has been an increase in the volume of instruction in a non-timely manner.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE LS 0019 Legal and Governance compliance	Ensuring that appropriate authority for the legal action proposed is sought at the outset of instructions. Lawyers to review cases at commencement to identify potential risk. Matters and areas of concern relating to identified risks are escalated. Regular review of the Legal Risk Register by all lawyers and senior management. Monitor the submission timetable for reports in advance of the due dates. Monitor late submission to identify trends and escalate where necessary.	Mark Carroll	Dawn Carter-McDonald	March 2023	Workloads and cases are monitored closely by line managers via supervisions / check-ins / team meetings. Concerns are escalated to SMT where appropriate. The internal Legal Risk Register is carefully monitored

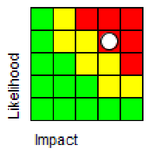
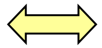
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE LS 0020 Meetings	Return to physical meetings - lack of resources to support hybrid or live streamed meetings, and issues with Town Hall infrastructure (i.e. microphones, ICT and other elements). Risk of reputational damage as result, or legal challenge due to meeting procedures not being followed correctly.	Legal & Governance Services		This continues to be a risk while stop-gap solutions are in place and resolutions being sought.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE LS 0020a Meetings	Regular meetings between ICT, Facilities and Governance Services to identify issues and solutions. Continued support for staff and Councillors for virtual/hybrid settings.	Mark Carroll	Dawn Carter-McDonald	December 2023	Procurement of a permanent ICT solution is in progress.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE LS 0021 Risk to Resources	Demand for Legal Services is greater than the service can deliver due to lack of sufficient resources (i.e. legal staff), leading to decrease in staff morale, higher workplace stress levels and associated risk of absence due to ill-health. Alternative service provision via external lawyers would place increased financial pressure upon the Council at a time when its budget is constrained.	Legal & Governance Services		Updated September 2022 – Risk is stable This risk is ongoing.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE LS 0021a Risk to Resources	Early engagement with Legal Services should be encouraged to enable matters to be more effectively managed throughout and to enable advice to be provided which could obviate difficulties arising later on, such as avoidable legal proceedings.	Mark Carroll	Dawn Carter-McDonald	December 2022	Added September 2022

	Where pressures have been identified, business cases will be presented to client services where more resources are required.				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE LS 0022 Case Management System	Following the cyber attack in October 2020, the Legal case management system became unavailable. An alternative system was in process of being implemented which had to be accelerated even though the system was not fully functional. Some 10 months later, the system remains 'in development' and is not fit for purpose. Impact on staff morale and productivity with having a system which is not fully functional. Risk of loss of Lexcel (Law Society) accreditation due to non-compliance with the Lexcel standards.	Legal & Governance Services		 Updated September 2022 – Risk is stable This risk is ongoing.

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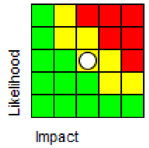
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE LS 0022a Case Management System	Discussions are underway with ICT about an alternative case management system, but we are hampered by the Council being a G-Suite authority as there are insufficient suppliers within the marketplace who have systems which integrate fully with G-Suite. A significantly greater number of options would be available if the Legal Service was permitted to utilise Windows / MS products. This continues to be a priority for the Legal Service.	Mark Carroll	Dawn Carter-McDonald	December 2022	Risk ongoing- controls in place

Risk Title *	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note

CE LS 023 Breach of Statutory Requirements on Elections / Electoral Registration	Non-compliance with the Statutory Requirements for Elections may lead to invalid processes resulting in legal action and the need to re-hold elections incurring additional costs and reputational damage.	Chief Executive’s		Reviewed September 2022 - Any breaches or problems will impact severely on the authority and Returning Officer. Risk score remains static.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE LS 23 A Breach of Statutory Requirements on Elections and Electoral Registration	Electoral Services to monitor and maintain procedures for all Electoral Requirements to ensure compliance with new and existing processes using appropriate advice and guidance. Regular review of systems and infrastructure particularly with future legislative electoral changes in the next 3 years, particularly in relation to the annual canvass	Mark Carroll	Bruce Devile	March 2023	Reviewed September 2022 The latest proposed Government Elections Bill is being closely monitored for implications
CE EPNH 009b Breach of Statutory Requirements on Elections / Electoral Registration	Regular review of systems and infrastructure for both electoral registration and elections	Mark Carroll	Bruce Devile	March 2023	Reviewed September 2022
CE EPNH 009c Breach of Statutory Requirements on Elections and Electoral Registration	Continue to review team resources to ensure continued accurate and consistent delivery of priorities.	Mark Carroll	Bruce Devile	March 2023	The team successfully delivered elections in recent years, including the local elections in May 2022 which required additional Covid-19 requirements (although less than those in 2021). The team structure will continue to be monitored. Additional staff will be brought in at election times.

Title of Report	**FINANCE AND CORPORATE RESOURCES RISK REGISTER - COVERING REPORT**
For Consideration By	Audit Committee
Meeting Date	October 20th 2022
Classification	Open
Ward(s) Affected	All Wards
Group Director	**Ian Williams, Group Director Finance and Corporate Resources**

1. INTRODUCTION AND PURPOSE

1.1 This report updates members on the current Finance and Corporate Resources Directorate Risk Register of the Council as at October 2022 (attached). It also identifies how risks within the Council are identified and managed throughout the financial year and our approach to embedding risk management.

1.2 This report assists the Committee in its role of overseeing corporate governance and is presented for information and comment.

2. RECOMMENDATION

Audit Committee is recommended:

2.1 To note the contents of this report and the attached risk registers and controls in place.

3. REASONS FOR DECISION

3.1 Risk management is fundamental to effective business management and it is vitally important that we know, understand and monitor the key risks and opportunities of the Council. Officers and members are then able to consider the potential impact of such risks and take appropriate actions to mitigate these as far as possible. Some risks are beyond the control of the Council but we nevertheless need to manage the potential impact or likelihood to ensure we deliver our key objectives to the best of our ability. For other risks, we might decide to accept that we are exposed to a small level of risk because to reduce that risk to nil is either impossible or too expensive. The risk management process helps us to make such judgements, and as such it is important that Audit Committee is aware of this.

4. BACKGROUND

4.1 This current Directorate risk profile was reviewed by the Directorate Management Team in September 2022 in advance of it progressing to October's Audit Committee. The register has been updated by all relevant Heads of Service and Directors. In discussions and meetings with various senior managers in different services, ideas and proposals on new risks and the current risks have been discussed, before the review being brought to FDMT (Finance and Corporate Resources Directorate Management team). Numerous risks have changed or now exist in different circumstances compared to the last review, especially in light of the current cost of living crisis, the COVID-19 pandemic and the Cyberattack which the Council suffered.

4.2 **Policy Context**

All risk related reporting is in line with the Council's Risk Policy, ratified biennially by Audit Committee, and also fully supports the framework and ideology set out in the Risk Strategy.

4.3 **Equality Impact Assessment**

For the purposes of this report, an Equality Impact Assessment is not applicable, although in the course of Risk Management (and associated duties) all work is carried out in adherence to the Council's Equality policies.

4.4 **Sustainability**

This report contains no new impacts on the physical and social environment.

4.5 **Consultations**

In order for Risk Registers to progress to Committee, they will already have been reviewed by the relevant Senior Management team within the corresponding Directorate. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

4.6 **Risk Assessment**

The relevant Risk Register is attached at Appendix one.

5. DIRECTORATE RISK REVIEW

5.1 The Directorate Risk Register is comprised of risks that cut across the numerous divisions of Finance and Corporate Resources. The risks recognised at Directorate level would usually be of notable content, and often scored highly whilst impacting on overall Council strategic objectives.

5.2 The contents of the attached register tend to focus on the more negative, potentially threatening sides of risk to the Council – looking at the consequences that might happen if a particular event occurs. However, with risk management there is often an opportunity connected with a potential risk where an upside can be exploited. This is referred to explicitly in our Risk Strategy where it is stated: “if we focus on opportunities when assessing the merits of different possible solutions, this often allows us to look at bolder, more creative or innovative solutions - essentially to take greater risks, but calculated risks.” In the case of the Council, there have been situations (as referred to in the Risk Register) where potentially negative events like funding cuts have occurred, or new legislation has been issued. In fact, this has often led to improved efficiencies, and has served as an opportunity to sometimes streamline services, and encourage new and more effective approaches to an area of work. It should be stressed that the Council, in managing risks, strives to look for this positive angle within risk management.

5.3 Regarding the contents of this latest Directorate register, important areas to note are:

- Numerous external events and influences are having a considerable impact on the Council and this Directorate's objectives, notably the fragile economy and accompanying cost of living crisis, the continuing impact of the Coronavirus pandemic, along with the Cyberattack which although it occurred in October 2020, continues to have an impact on Services. Each of these three areas impacts directly on Finance and Corporate Resources. Areas like finances (with budget cuts, and especially current challenges like the volatile energy market and rapid increases in cost of living) were already problematic before the pandemic, and they have seriously intensified now, and the Cyberattack has severely affected the operation of some Services. The current international instability following Russia's invasion of Ukraine has increased financial pressures, with multiple new risks being posed in the future regarding food, energy, supply chains and overall peace. There are overarching risks on the Corporate register relating to this, and the cost of living crisis is featured throughout this iteration; from risks on budgets to those on temporary accommodation, supply chains and commercial rents. A distinct risk here is unnecessary as this theme permeates throughout the register.

- Even before the pandemic, the effects of economic uncertainty had been present for a considerable time, especially for the Council with the austerity measures of the last decade. In the last couple of years however, matters have tightened even further with the combined impacts of the pandemic, the cyberattack and Brexit. The current crisis concerns the rapidly rising cost of living which impacts both on the Council as an organisation, residents of the Borough, staff and local businesses. This is further adding to internal budgetary pressures and presenting additional external risks to the wider communities of Hackney, as high inflation causes increased poverty and overall deprivations. Again this is reflected in a broader economic risk on the Corporate register.

- There remains a risk regarding the audit of the 2021/22 accounts not being completed by the deadline of the end of November and this is primarily due to a national issue regarding the capacity of external audit firms. In addition, the opinion on the 2020/21 audit remains outstanding due to national issues regarding the accounting for infrastructure assets. There had also been a new escalation to this register from the Council's Internal Audit team. The risk of the Audit plan not being successfully completed has now returned to Division level, reflecting more of a return to business as usual following some of the most difficult phases of the pandemic.

- The Cyberattack (in October 2020) has had a serious impact on ICT, and the Council as a whole. Although the actual attack and a lot of the subsequent recovery is in the past, there remain risks related to it and the increased vulnerabilities the Council continues to face. As recovery of systems and data continues, the Council's ICT team and service teams are working closely together to coordinate the planning and delivery of service recovery.

5.4 Since the attached register was updated, we have, of course, experienced the fall out from the mini-Budget. Announcements have included the need for public services to make real term cuts in expenditure of £18bn which does not bode well for local government funding going forward.

5.5 We have also seen headlines regarding the impact on pension funds who hold a particular type of investment, called leveraged liability driven investment, or LDI. These investments are quite common amongst pension funds in the private sector, where many funds are closed to new members and cannot tolerate much volatility in their investments. The Hackney Pension Fund has not been affected by this issue. Like all local government pension funds, it is open to new members and can afford to invest for the very long term, and tolerate more volatility than most private sector funds. The Fund has therefore chosen not to use LDI approaches to manage its investments and was not affected by the problems last week.

6. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

6.1 Effective risk management is a key requirement for good financial management and stability. This becomes more significant as funds available to the Council are reduced and budget reductions are made.

6.2 Whilst consideration of the risk register has no direct financial impact, many of the risks identified therein would have financial impact if they were realised. They therefore continue to be monitored to ensure that they are controlled to an acceptable level and that future actions to manage the risks are on track.

7. COMMENTS OF THE DIRECTOR, LEGAL

7.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This Report is part of those arrangements and is designed to ensure that the appropriate controls are effective.

7.2 Continuous review of the Risk register and impending legislation referred to is key to ensuring that the Council remain in control of the management of risk.

APPENDICES

Appendix 1 - Finance and Resources Directorate Register

BACKGROUND PAPERS

None

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Comments of the Group Director, Finance and Corporate Resources	Jackie Moylan ☎020-8356 3332 jackie.moylan@hackney.gov.uk
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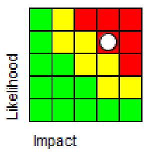
Finance and Corporate Resources Directorate Risk Register September 2022

Generated on: 29 September 2022

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR AC 001 Budget Setting - Budgetary stability in relation to both budget setting and budgetary control and medium term financial planning ***INTERNAL & EXTERNAL RISK*** ***FUTURE RISK***	Due to ineffective planning, (or external events) the Council spends more money than it can finance through planned income streams and the annual financial settlement from central government. This then results in a budget deficit or an unacceptable call on reserves. In the aftermath of the Coronavirus pandemic and the current cost of living crisis, this risk has seriously intensified with incomes reducing and costs dramatically increasing.	Finance & Corporate Resources		Updated and amended September 2022. COVID-19 & the criminal cyber attack of October 2020 continues to have a significant impact on the Council's finances both in terms of additional costs and income collection. This is now compounded by the cost of living crisis and in particular rising energy costs. Additionally, the 22/23 pay offer (yet to be accepted) will place a further strain on finances. The July OFP reported to Cabinet in September forecasts a net overspend of £13.3m for 2022/23 which is reduced to £7.8m after the application of specific provisions and reserves set aside for the ongoing impact of the cyber attack and other pressures. Furthermore the pending pay award for the current year will exceed the provision made for in the budget. The Corporate Leadership Team will continue to consider further measures to reduce spend and report back in future OFPs. It is noted, for example, that specific measures have been identified in the high-spending areas of Adult's and Children's to bring down costs and the impacts will be factored into the forecast as and when then these materialise. Furthermore, additional one-off provisions were made as part of the budget setting process in relation to demand-led pressures and pressure on suppliers as a result of the NIC

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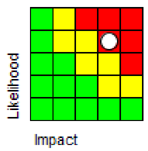
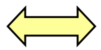
				increase. At this stage these have not been applied in their entirety to the overspend position. Further consideration will be given to this as we get a better picture of the forecast as the year progresses The impending Fair Funding Review has over several years been reported as a risk to the finances of the Council as it almost certainly involves a loss to funding (possibly significant) which could have a severe impact on overall service delivery and strategic objectives. 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 until 2025/26 at the earliest. So the risk remains albeit in the longer term. However one more immediate risk is that the Government may tinker with the grants system in 2023-24 and 2024-25 which could involve an unfavourable redistribution of resources away from Hackney. Other consequences of the risk being discharged may include: • Adverse impact on future Council Tax levels in direct contradiction to Council policy. • Reductions in allocations to front-line services with consequent negative impact on service delivery. • Local community dissatisfaction with the overall financial management arrangements of the Council.

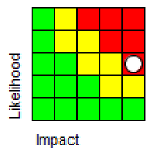
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR AC 001A Accuracy of corporate financial planning	Long-term financial plans for capital and revenue are maintained by Central Accountancy function, which takes account of all known and material financial sources and changes for both income and expenditure (cost drivers), across all aspects of the Council (General Fund, HRA, HLT). . Medium-term financial plan is maintained by Central Accountancy function, and is reported to members regularly through appropriate forums (annual budget report) . Up to date Treasury Management Strategy is maintained and reported to members regularly through appropriate forums . Senior financial managers ensure they are well informed on changes to key financial issues, e.g. business rates retention pilot.	Jackie Moylan	Mizanur Rahman	Ongoing	Forecasts indicate the ongoing impact of COVID-19, the cyber attack, inflation and demand pressures on the Council’s budgets with a forecast overspend of £7.8m as at the end of July. Finance are working with the services to mitigate this pressure, however, unless additional Government funding is made available and/or there are significant reductions in spend levels, this position is likely to impact on the Councils reserve which have already been affected by both COVID-19 and the cyber attack.

FR AC 001B Corporate savings delivery	The Accounting function provides accurate information to budget holders to inform appropriate decision making around corporate savings requirement.	Jackie Moylan	Mizanur Rahman	Ongoing	Control updated Sept 2022 Note the Council's main accounting system was not impacted by the cyber attack.
FR AC 001C Delivery of annual budget setting process	Corporate Accountancy manages and coordinates mechanics of budget setting process for the council, in conjunction with directorate finance teams, ensuring services are allocated budgets as agreed through full Council.	Jackie Moylan	Mizanur Rahman	Ongoing	Control updated Sept 2022 Budgets set for the current financial year at Council in March 2022. Budget setting process for 2023/24 is well underway but is proving challenging with the ongoing impact of the cyber attack, inflationary pressures and demand pressures.
FR AC 001D Elected members are well informed on council's financial position both current and future	Members regularly informed and updated on financial position and landscape through both formal meetings and more informal channels (training sessions)	Jackie Moylan	Mizanur Rahman	Ongoing	Control updated Sept 2022. Monthly reports to Cabinet (the OFP). Regular catch up meetings held between the S151 officer and the Mayor and the Lead Member for Finance as well as routine updates to Scrutiny and the Audit Committee.
FR AC 001E Changes to Prudential Code , and new Financial Management Code and also MRP guidance	Senior finance management keep themselves informed of changes to CIPFA Prudential Code, Also the new FMC was issued towards the end of 2019, and provides important guidance of the way forward with budget setting. CLG MRP guidance and ensure council's finances and processes take into account those changes which are formalised.	Jackie Moylan	Mizanur Rahman	Ongoing	Control updated Sept 2022. Key officers aware of changes to guidance and these are reflected in financial planning and the statutory accounts.

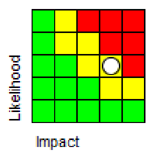
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR AC 003 Accounts Closure ***INTERNAL RISK*** ***FUTURE RISK***	Accounts are produced late, and the subsequent management of the audit then results in late production of the Council's accounts. The new deadlines introduced for 2017/18 closure of accounts have intensified this risk. Although this was a couple of years ago, it remains something to watch out for. If accounts are not closed on time, it would have legislative and reputational consequences and inhibit effective service delivery. Risk also applies to the (external) auditors	Finance & Corporate Resources		 Risk score has stabilised after the likelihood having risen at the last review.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	not meeting their own challenging deadline at the end of July, with additional regulatory scrutiny adding to the pressure.				Reviewed September 2022 - control ongoing. In the light of COVID-19, deadlines were relaxed for 2019/20, 2020/21 and 2021/22. The Accounts were produced late for 2020/21 due to the cyber attack. The audit of 2020/21 is substantially complete with the audit opinion delayed by a sector-wide issue in relation to infrastructure assets. The draft accounts for 2021/22 were published in line with the statutory deadline of the end of July 2022, however the external audit of the accounts is not due to commence until this month and there is a risk that the auditor will not have given their opinion by the deadline of the end of November 2022. This risk is driven by well- rehearsed issues in the external audit market.
FR AC 003A Annual statement of accounts process meets new, shorter statutory deadlines (31 May for publication of draft accounts and 31 July for publication of audited accounts).	. Appropriate staff expertise and resource are in place to meet needs of process . Detailed plan which meets new statutory timetable is in place which covers all parts of process and all stakeholders . Audit timetable is agreed with key stakeholders and monitored through process, with appropriate escalation processes where necessary . External Auditors are involved throughout, and well before the beginning of, the process . Interim audit is planned and agreed with external audit . Audit timetable for closing is agreed with external auditors which reflects need and appropriate scheduling of tasks relative to complexity (i.e. complex items the sooner the better). Lessons learned exercise from previous year takes place and informs timetable and processes for the following year.	Jackie Moylan	Mizanur Rahman	Ongoing	Controls updated September 2022- Statutory deadline for publication was met for 2021/22. Risk remains re the audit as set out above.
FR AC 003C Annual statement of Accounts meet latest CIPFA accounting code guidance	The Central Accountancy function keeps up to date with CIPFA codes through subscription to the latest version, liaison with external audit and peers.	Jackie Moylan	Mizanur Rahman	Ongoing	Controls updated September 2022 Note, no significant issues raised with 2020/21 audit to date, other than sector-wide infrastructure issue.
FR AC 003D Production of wholly owned subsidiary	Relevant officers given appropriate training Professional advice sought as necessary Appropriate accounting and audit processes, across LBH and subsidiaries are arranged well in	Jackie Moylan	Mizanur Rahman	Ongoing	Controls updated September 2022 Note, no significant issues raised with 2020/21 audit to date, other than sector-wide infrastructure issue.

accounts and group accounts	advance of closing period, with any issues resolved in time. Relevant processes and interactions built into closing timetable.				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0002 Management of Capital Programmes / Schemes ***EXTERNAL RISK*** ***FUTURE RISK***	From a financial perspective, as a result of substantial external borrowing to fund the ambitious capital programme, the Council moves from a debt free position and become more vulnerable to changes in the market (potential volatility of the housing market affecting sales volumes / value and increasing building costs as a result of weaker GBP against other currencies). This could lead to financial pressures as unexpected costs of borrowing would be incurred. Additionally, Major Capital Schemes may not be managed or targeted effectively to maximise use of resources available and ensure delivery according to expectations. This poses a risk to the successful completion of such schemes, incurring losses and dissatisfied stakeholders.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Neighbourhoods & Housing		**September 2022** - This risk is ongoing and intensifying somewhat in light of the quantity of high level programmes across the Council. Particularly in regards to property development, the ambitious capital programme requires forward funding, pending future sales of private residential units on completion of regeneration and other mixed use development schemes. In terms of this financial year, the capital programme for 2022/23 is currently £244.3m (non-Housing schemes totalling £120.3m and Housing schemes totalling £124m). A commitment to building affordable homes is part of the Mayor's priorities, so multiple building projects will be required to achieve this. The plans for Britannia go beyond Housing, which makes this scheme all the more important, and one of the most ambitious in the programme. There are detailed separate risk registers for projects such as Britannia. Britannia has a commercial lead and has contracted construction specialist cost advice and financial viability advice for the project. This has meant that phase one (the school and leisure centre) have been delivered on budget. This approach will continue for phase two of the project, enabling more informed decision making by the Officer Steering Group and Project Board established to govern it. This should also provide extra assurance about how a major project is being managed. All major projects (another example being the long term plans for the Tesco site on Morning Lane) contain detailed break clauses, which essentially provide guarantees that (even with the initial investment) the council cannot suffer serious losses. This risk has remained the same since the last period as there are no major changes to the project profile.

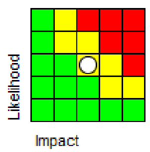
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0002A Management of Capital Programmes / Schemes	All capital schemes are subject to review via the capital budget monitoring process. Slippages can be identified via this process and appropriate action taken. Following the Audit Committee Deep Dive, services have agreed to a target spend versus profile. The quarterly monitoring that is included in the regular Overall Financial Position (OFP) Report to Cabinet is also included in performance review report to Audit Committee.	Ian Williams	Jackie Moylan	Ongoing	September 2022 - The capital budget for 2022/23 is £244.3m (Non-Housing budget £120.3m and Housing budget £124m). The first re-profiling exercise of the year with a revised capital budget of £177.3m (Non-Housing budget £86.3m and Housing budget £91m).
SRCR 0002B Management of Major Capital Schemes	Major schemes are managed via project boards to ensure appropriate actions are taken to ensure delivery of scheme to expected standards.	Ian Williams	Jackie Moylan	Ongoing	September 2022 - Governance for major projects include next step gateway processes which ensure affordability of projects are subject to periodic review which is a significant risk in a time of high construction inflation.
SRCR 0002C Management of Major Capital Schemes	The Capital programme is currently subject to overall review in order to reduce the overall call on available resources and to ensure their use is prioritised in line with member decisions.	Ian Williams	Jackie Moylan	Ongoing	September 2022 - Following the Capital Management Review we are currently transitioning to new governance arrangements in respect of the Capital Programme. Via the new 'Capital Asset Steering Board' monitoring and oversight of the capital programme at member and chief officer level will be enhanced.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR DR 0002 Failure and Poor Performance of Suppliers and Contractors / Partnerships ***EXTERNAL RISK*** ***CURRENT RISK***	The Council's mixed-sourcing model includes provision of essential services by third party providers, and these are used within Finance and Corporate Resources, especially ICT. Non-delivery by these suppliers would negatively impact the services LBH can deliver. This could also result in notable financial losses for the Council (with additional resources spent on rectification of areas of non-compliance); also there would be high costs associated with re-letting contract if re-tender required. There is also the potential for there to be legal challenges	Finance & Corporate Resources		**September 2022** - The risk remains stable, but liable to change due to challenging and continuing external events (notably the cost of living crisis). For ICT, the service contracts register and commissioning plan is helping to ensure that commissioned services are managed proactively. The strategic move to greater use of cloud and open source technology, with greater use of SMEs is mitigating the risk of supplier failure. Internal reintegrations (e.g. Hackney Homes coming back 'in-house' to become Hackney Housing, and the Learning Trust becoming Hackney

	from contractors dissatisfied with Council processes and decisions. All these risks are serious for the Council as it is supported by many of these bodies, or it is implicitly responsible for their financial soundness. Also more generally, many bodies are closely associated with the Council but are subject to separate governance and management structures (eg CCGs / building contractors, IT suppliers). They play an important role directly or in support of the corporate objectives of the Council. If these contracting and / or partnering arrangements fail, it could have serious impacts re cost, service delivery, and reputation. The risk has intensified during the pandemic, as supply chains have been threatened by some organisations having to temporarily cease work or furlough staff. This could lead to an impact on service delivery for areas that are reliant on external contractors.			Education) have gone well and been managed successfully providing good assurance as to how these relationships / arrangements are managed. The Council is also generally looking to Insource & bring more services back in-house, as a Manifesto commitment put forward by the Mayor in 2018. Council services worth nearly £12million every year are being reclaimed from private companies as part of a new strategy to deliver better, more reliable public services in-house rather than outsourcing them. Hundreds of cleaning, maintenance and parking enforcement staff were transferred to Council employment between January 2020 and March 2022, under a plan to bring in services from for-profit companies approved by the Council's Cabinet. This included over 130 parking wardens being brought back "in house" after previously having to contract for an external company (APCOA). This reduces risks related to external reliances. Brexit has also added to the uncertainty and risks in this area, but things have settled a little since the UK's formal departure. Risks still remain however. Across the Council, once Coronavirus became an urgent issue in March 2020 (and remains so over 2 years later), Contract managers were advised to review and have a clear understanding of contractual terms and conditions, in particular the force majeure provisions their contracts, to ensure that they could adequately deal with potential disruption to service should suppliers choose to trigger this clause. Key suppliers will need to be considered by all. Contracts registers have been updated and reviewed by all, with training /support provided. Use of the UK Government Digital Marketplace and Technology Code of Practice continues to open up the Council's supplier base.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0002 Procurement to include definition of performance indicators and viability checks.	Ensure that all procurements include definition of required performance indicators for the contract and financial viability checks before contracts are entered into. This will be an ongoing activity (no fixed end date).	Ian Williams; Rotimi Ajilore	Service Managers	Ongoing	September 2022- : no further update or significant change - this is part of BAU. . Adoption of Technology Code of Practice provides a clear basis for assessment of future technology providers.
FR IT 0002b Carry out regular reviews of identified key suppliers, including reviewing their financial viability.	Ensure that supplier service reviews include supplier performance and independent validation of suppliers' financial viability (eg through credit checking). This should be used to identify any concerns re: the risk of supplier failure and poor performance so that appropriate mitigation plans can be made.	Ian Williams; Rotimi Ajilore	Service Managers	30 Oct 2022	September 2022- : No further significant change. The ICT contracts register and commissioning plan is being used to support contract managers in proactive management of their contracts.

FR IT 0002c Identify opportunities for joined up supplier management with other Council services and external partners.	Work with other Council services who share common suppliers and also with external partners to maximise the impact of supplier relationship management activity. This will be an ongoing activity (no fixed end date).	Ian Williams; Rotimi Ajilore	Service Managers	Ongoing	Ongoing – continues as business as usual. September 2022. No further significant change. The contracts register is being used as the basis for action to mitigate this risk.
FRDR 0015 A Contracting / partnering	Council's financial management procedures extended to partners where possible (e.g. financial regulations)	Ian Williams	Jackie Moylan	30 Oct 2022	Reviewed September 2022- ongoing.
FRDR 0015 B Contracting / partnering	Monitoring of financial position by Section151 Officer and Director (Fin Man)	Ian Williams	Jackie Moylan	30 Oct 2022	Reviewed September 2022- ongoing.
FRDR 0015 C Contracting / partnering	Post-implementation reviews carried out. Also a new Insourcing Guidance paper drafted.	Ian Williams	Rotimi Ajilore	30 Oct 2022	Reviewed September 2022- ongoing. Substantial progress made across the Council at insourcing more services.
FRDR 0015 D Contracting / partnering	Compliance with Contract Standing Orders.	Ian Williams	Rotimi Ajilore	30 Oct 2022	Reviewed September 2022- ongoing.
FRDR 0015 E Contracting / partnering	Substantial Legal Services input into contract formulation and on-going advice.	Ian Williams	Rotimi Ajilore; Legal services	30 Oct 2022	Reviewed September 2022- ongoing.
FRDR 0015 H Contracting / partnering	Improve and open information flows between the Council and its partners.	Ian Williams	Rotimi Ajilore	30 Oct 2022	Reviewed September 2022- ongoing.
FRDR 0015 I Contracting / partnering	Additional training on contract negotiation skills, contract management.	Ian Williams	Rotimi Ajilore	30 Oct 2022	Reviewed September 2022- ongoing.
FRDR0015J - Immediate Coronavirus response - but co ntinued good practice 2 years later.	Contract managers should review and have a clear understanding of contractual terms and conditions, in particular the force majeure provisions their contracts, to ensure that they can adequately deal with potential disruption to service should suppliers choose to trigger this clause	Ian Williams; Rotimi Ajilore	All Contract Managers	30 Oct 2022	Reviewed September 2022- ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR DR / AAF 015 Major fraud not identified ***INTERNAL RISK*** ***FUTURE RISK***	The Council's response to a serious fraud is inadequate because either – (1) Management do not have adequate arrangements in place to identify irregularity in their service area;	Finance & Corporate Resources and Cross Council		September 2022

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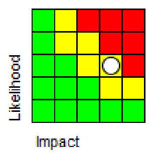
	(2) Concerns are identified but they are not reported to AAF in accordance with the Anti-Fraud & Corruption Strategy; or (3) There is a failure in the investigation process. This has not happened previously but it continues to be a risk we must guard against. Regarding the impact to the Council, any of the above could result in financial loss, severe reputational damage and an avoidable drain on resources through taking action to fix the problem. A failure to investigate a case in compliance with the prescribed legislation and Anti-Fraud & Corruption Policy could lead to damaging accusations against the Anti-Fraud Service and the possible prosecution of innocent parties or failure to prosecute fraudsters, which would negatively impact on the Council's reputation. There is also a risk in the wake of the Coronavirus, that criminals may capitalise on the disruption to public sector operations and plan fraudulent activities, leading to further loss of money for the Council.			The Covid pandemic and cyber attack resulted in new services being delivered at short notice and existing services being delivered in new ways. In particular, Hackney has administered high value business grants, investigators have been working closely with business rates officers to assist with enquiries where discrepancies arise and the outcomes of this work are monitored and reported back to central government. We have also made extensive use of data matching to verify claims to identify concerns. It is widely acknowledged that fraud is likely to increase at times of rapid change, as a result the likelihood score remains at a 3, although new fraud types have not emerged as yet and the number of fraud cases is lower than pre-pandemic levels. New business systems have been introduced following the cyber attack, resulting in new processes and ways of working. Despite this progress there continue to be some legacy data issues which impact on multiple services, including AAF. AAF continue to provide advice to services about sensible precautions and adjustments to procedures to ensure effective service delivery in difficult circumstances, while still protecting the Council's resources. No single management or audit control is likely to completely mitigate against a serious fraud, instead the overarching control environment must function effectively. Hackney has invested in its Audit and Anti-Fraud resources which has led to some notable recent achievements to prevent and minimise the impact of fraud.	

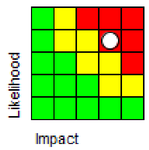
Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**
FR AAF 015A – Cross organisation working & proactive approach of managers.	Fraud doesn't recognise geographical boundaries and the Council's approach to fraud is supported by good working arrangements between other organisations, including the police, local authorities, Cabinet Office (NFI), Borders Agency, HMRC etc.	Cross Council / Partnerships	All relevant managers	1 Dec 2022	August 2022 – ongoing.

	SLAs are in place with RSLs. Also all managers need to be aware of their duties regarding suspicious activity, and how to comply with the Council's overall approach.				
FR AAF 015B – Robust Policy framework	The Council has in place a number of key policy documents setting out the Council's approach, standards and expectations when dealing with suspected fraudulent activity. These include: • Anti-Fraud and Corruption Strategy • Whistleblowing Policy • Codes of Conduct (staff and members) • Anti-Money-Laundering Policy • ICT policies & procedures • Financial Procedure Rules These are reviewed on a regular basis. In addition, Audit and Investigations teams have policy and procedure documents which map the specific methodologies with which they carry out their work.	Ian Williams	Michael Sheffield	1 Dec 2022	August 2022 - Recommendations arising from fraud reports are tracked in the same way as those arising from audit reviews, so that progress toward rectifying any areas of concern that are identified can be monitored. The whistleblowing policy was updated in April 2022 and re advertised to all staff.
FR AAF 015C – Communication and awareness	Communication, both internally between teams and externally with other partners is crucial in developing a clear overall picture. This occurs through meetings and joint visits. If procedural issues are identified through AAF reviews, they are reported as widely as necessary within Hackney. Staff induction stresses the requirement to comply with the Code of Conduct. Particularly close links are maintained between investigators and service areas that are targets for fraudsters, for example, parking, housing, NRPF, contracts, etc. Specific high risk areas have received bespoke training. Notable investigation successes are reported to the Audit Committee and are advertised through the Comms team.	Ian Williams	Michael Sheffield	1 Dec 2022	August 2022 In light of COVID-19, AAF are providing advice to services about sensible precautions and adjustments to procedures to ensure continued effective service delivery in difficult circumstances, while still protecting the Council's resources. Fraud intelligence is shared with service departments to raise awareness and identify issues at the earliest opportunity.
FR AAF 015D – Approach and training.	Teams maintain a rigorous approach to their investigations, operating a clear system of diligently reviewing evidence and feeding back through the reporting framework. Performance in key areas is regularly reported to a senior level within the Council, including the Audit Committee.	Ian Williams	Michael Sheffield	1 Dec 2022	August 2022 A new case management system was introduced in April 2022 following the cyber attack, providing greater capacity to interrogate investigation data and improved case management.

	Investigators are all qualified. Team procedures are in place and casework is regularly reviewed and monitored by senior members of the team. Additional training is provided if a need is identified.				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR DR 0001 Building Availability ***INTERNAL RISK*** ***FUTURE RISK***	The Council is unable to conduct its business due to problems with the some buildings from which it operates. This could be caused by having to catch up on the historical lack of maintenance of buildings. This could result in incidents with severe financial or reputational impacts.	Finance & Corporate Resources		September 2022 – Risk reviewed by Strategic Property Services Management team. An important development is that Stoke Newington Town Hall and Municipal Offices are now beyond reasonable repair and urgent refurbishment is needed. Discussions are underway to move the current occupiers to alternative locations, whilst full surveying and solutions are carried out. No further bookings for this building should be taken.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRDR 001 A: Building Availability	Rolling programme of building surveys initiated to identify condition and risks.	Ian Williams	Chris Pritchard; Karon West-Clarke	30 March 2023	September 2022 - ongoing. Also, testing and inspection works to civic buildings under the Directorate's financial control are ongoing, as well as 95% of voluntary sector properties. As the above update shows, Stoke Newington Town Hall's building risks have been identified.
FRDR 001 B: Building Availability	Funding for reactive maintenance included in the Capital Programme.	Ian Williams	Chris Pritchard; Karon West-Clarke	30 March 2023	September 2022 - ongoing. This is managed by Corporate Property & Asset Management, (CPAM), for buildings under the Directorates financial control, along with the management of buildings for some other directorates.
FRDR 001 C Building Availability	Planned maintenance arrangements for new campus covering whole building lifecycle has been introduced.	Ian Williams	Chris Pritchard; Karon West-Clarke	30 March 2023	Ongoing September 2022 - Planned maintenance contract now procured and on site. CPAM able to cater for all statutory inspections subject to funding availability.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
FR DR 0004 Commercial Rental Income ***INTERNAL RISK*** ***FUTURE RISK***	As a result of a worsening economy and challenging economic conditions (particularly from the Coronavirus pandemic, and now cost of living crisis), rent from commercial properties is not received, leaving an income dependent service with a budgetary overspend. This creates a considerable risk of a higher incidence of tenant default, void properties, and lower rents being achieved for new lettings, rent reviews and lease renewals. This could have very damaging financial implications for the Council.	Finance & Corporate Resources		 September 2022 - Risk reviewed by the Acting Head of Commercial Estates. While the impact of Covid-19 on rental income has substantially reduced since the last update, we now have the cost of living crisis, which is expected to have a major impact on occupational costs and consequently property values. It is too soon to estimate accurately to what extent this will affect the Council's future rental income, but there is a strong risk of increased tenant default and longer void periods. During Covid, for the majority of tenants we were able to defer rent payments and agree repayment over an extended period. However, in many cases we were able to offer additional support in the form of rent free periods. Income forecasts were revised to now assume that rental income would be very significantly affected by Covid-19, and now from the cost of living crisis, which has noticeably worsened over the summer of 2022. The rent forecasts are being updated on a regular basis and this information is being taken into account in assessing the Council's overall financial position". Although we have some estimates of what the impact on rental income is likely to be it is best not to provide the figures in the note at this stage because they are constantly changing. However, the latest financial figures clearly illustrate the constrained circumstances the Council is operating in. Already, there had (pre Covid / cost of living crisis) been a considerable toughening in the commercial property market over the last 24 months, which was adding to this risk and increasing the likelihood. The team constantly keep this under review and will ensure that the impact is taken into account in rental income forecasts. Also Universal Credit roll out is impacting on domestic rentals, and this is being carefully tracked.	
Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**

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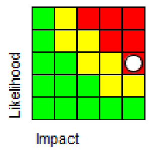
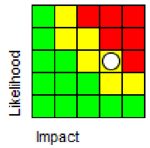
FRDR 004 A Rental Income (Commercial)	Cleansing historic debt as an ongoing process to address rental income	Chris Pritchard	David Rice-Oxley	30-Mar-2023	Sept 2022 - this remains ongoing. The Council is continuing to chase historic debts and write off those considered as unrecoverable.
FRDR 004 B Rental Income (Commercial)	Debt collection function located within property service to chase debt and escalate where necessary. Also current rent free periods being offered in light of Coronavirus.	Chris Pritchard	David Rice-Oxley	30-Mar-2023	Sept 2022 - ongoing. We are continuing to chase debt as an ongoing function of commercial property management. Numerous rent concessions were agreed as part of our support for our Covid-19 support for tenants. In some cases rent was deferred and this is now being monitored through the debt recovery process. Cost of living crisis is further having to be considered within this now.
FRDR 004 C Rental Income (Commercial)	Regular reporting as part of the OFP on income levels and historic debt.	Chris Pritchard	David Rice-Oxley	30-Mar-2023	Sept 2022 - There is regular reporting of commercial property income and debt to the Head of Finance and this is reported periodically as part of the OFP.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 0040 Pensions - Assets Risk ***EXTERNAL RISK FUTURE & CURRENT RISK***	Asset risks (which would be the failure to meet overall objectives through poor asset performance) include: . Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives. . Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. . Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities). . Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate long-term returns. . Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates. . Asset Pooling risk - that pooling prevents the Fund achieving its objectives. Excessive cost in the transition might contribute to this, as well as the potential of an excessive concentration of assets amongst relatively few large institutions. Also Central Government changes could destabilise things	Finance & Corporate Resources		Reviewed September 2022 - ongoing. Asset risk includes a number of significant threats to the financial health of the fund. Likelihood reduced slightly, although conditions for investment markets over the long term remain uncertain,. Impact remains high , given the potential threat to the Fund's ability to pay benefits as they fall due if any of these events did occur. Asset risks are covered in more detail in the Fund's Investment Strategy Statement.

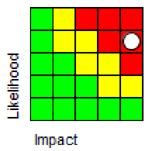
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 0040 A Investment in a range of asset classes	. The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes . Rebalancing arrangements in place to ensure the Fund's "actual allocation" does not deviate substantially from its target - The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.	Jackie Moylan	Rachel Cowburn	07-April-2023	Reviewed September 2022 - ongoing.
FR FSV 0040 B Regular cash flow monitoring	. Investment across a range of assets, including liquid quoted equities and bonds, as well as property . Majority of the Fund's assets realisable at short notice . Medium term future cash flow position assessed at least triennially to indicate likely future income requirements. - Actual cash flows monitored on a regular (quarterly) basis to provide early warning of any insufficient funds	Jackie Moylan	Rachel Cowburn	07-April-2023	Reviewed August 2022 - ongoing. Also, cash flow monitoring is being aligned to business objectives.
FR FSV 0040 C Currency hedging	. Investment in a range of overseas markets, providing a diversified approach to currency markets. - Maintenance of a 30% hedge to USD, EUR and JPY exposures within relevant mandates reflecting changes made to the overall investment strategy	Jackie Moylan	Rachel Cowburn	07-April-2023	Reviewed September 2022 - ongoing.
FR FSV 0040 D ESG Policy	The Fund has an ESG policy in place in its Investment Strategy Statement. More detail on the management of carbon specific ESG risks is provided in the 'Climate Change' risk section.	Jackie Moylan	Rachel Cowburn	07-April-2023	Reviewed August 2022 - ongoing. Review of the Fund's Responsible Investment Strategy currently underway.
FR FSV 0040 E Multiple Managers & Performance assessment	. Appointment of more than one manager . Having a proportion of the Scheme's assets managed on a passive basis. . Regular assessment of performance - Replacement of managers if underperformance persists. With Asset Pooling, the Council needs to monitor development / respond to consultations - responding where appropriate to influence outcomes. Also relationship management is key with the Fund being fully aware of developments at the pool level, and the pool being aware of and responding to the Fund's strategic requirements.	Jackie Moylan	Rachel Cowburn	07-April-2023	Reviewed August 2022 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note

FR FSV 0043 Pensions – Poor Membership Data Inaccurate or Late Pay Information Supplied to Hackney Pension Fund (LGPS)/Local Pensions Partnership (LGPS)/Teachers Pensions ***INTERNAL RISK*** ***CURRENT RISK***	Inaccurate payroll data supplied to the Hackney Pension Fund results in poor membership data. This poor administration (or inaccurate provision of data) could result in inaccurate data giving rise to financial and reputational risks. Without the correct figures and information, actuaries may be unable to set contribution rates, which could result in higher contribution rates and overall member dissatisfaction. Inaccurate benefit statements might be produced, which could result in the overpayment of benefits. Inaccurate data could be submitted for valuation, and there could be inaccurate McCloud reconciliation. Data provided late also impacts on the Fund's ability to pay correct benefits and set accurate contribution rates. There also remains the risk of enforcement action against the Council by the Pensions Regulator. A related risk lies with the reliance on external systems. That the Fund's assets, systems or data are compromised including financial / data loss or systems downtime. Finally, other external factors (including regulatory changes) could impact the administration of the Fund - eg - changes from the McCloud case could impact the quality / timeliness of administration of the Fund.	Finance & Corporate Resources		Reviewed September 2022 – the likelihood of this risk remains possible, although has slightly reduced given improved year-end data supplied over recent years. Significant problems with the payroll data being provided by the Council in the past has meant that the quality of membership data had deteriorated, particularly since the introduction of the 2014 CARE scheme. The complexity of the scheme has increased significantly and the Council's payroll provider has previously been unable to respond to these changes, resulting in consistently poor provision of vital data across the Fund's largest employer. A new payroll system was introduced in July 2017; although material progress has been made since the last review on developing pension reporting between the Council and Equiniti, there remain problems to work through. There are still issues on providing some data, but efforts at improving and obtaining better data for reports etc have started to be more successful, hence the slight improvement. A major project aimed at producing single source interface file for the current financial year has made significant progress with full test files having now been produced. These are currently being reconciled ahead of test runs into the pensions administration system.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0043 A Monitoring of membership data	Annual monitoring of membership records, valuation checks, external data validations (done by a third party administrator).	Jackie Moylan	Rachel Cowburn; Jacqueline King	30-Nov-2022	Reviewed September 2022
FRTP 0043 B Contributions monitoring	Monthly monitoring of contributions to ensure that employers are paying across correct contributions along with membership data being supplied (done by a third party).	Jackie Moylan; Stuart Thorn	Rachel Cowburn; Jacqueline King	30-Nov-2022	Reviewed September 2022 - Good communication with payroll, as accurate data is very important.

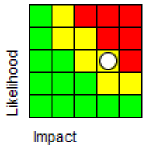
FRTP 0043 C Performance Monitoring	Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for substandard performance.	Jackie Moylan	Rachel Cowburn	30-Nov-2022	Reviewed September 2022-enhanced monitoring etc with implementation of new contract
FRTP 0043 D Support & Payroll development	Provision of employer support to ensure employers have the knowledge and understanding necessary to provide correct information. Ongoing work with the Council's payroll team to assist in developing Business As Usual processes for iTrent (payroll system) which are then owned and run by the payroll team. The Council’s payroll supplies data for the vast majority of the Fund – the Fund’s involvement with the implementation helps ensure the importance of good quality pension reporting is recognised.	Jackie Moylan; Stuart Thorn	Rachel Cowburn; Jacqueline King	30-Nov-2022	September 2022 - development of the employer portal continues with intention of being rolled out to all employees. Team is also liaising with Hackney payroll team to roll out a new contribution monitoring report. Also ensuring that Equiniti roll out the employer strategy in line with the contract.
FRTP 0043 E Payroll data service	Ongoing project to develop single source interface from Midland Itrent payroll to the pensions system. All stakeholders for part of the project team with oversight/project management from governance and benefits advisers, Aon.	Jackie Moylan; Stuart Thorn	Rachel Cowburn; Lucy Patchell	30-Nov-2022	September 2022 - Test files have now been run with manageable exceptions. This project is nearing completion with consideration of process/ownership of running files as part of BAU now in progress
FRTP 0043 F - Reliance on external systems	All teams complete a Business Impact Analysis to assess timescales and impact of system failure. Also, the Pension Investments and Pensions Administration Business Continuity detail actions to take in the event of a system failure. Finally, assurances of system security are sought from third parties, along with suitable firewalls.	Jackie Moylan	Rachel Cowburn	30-Nov-2022	September 2022 - this is ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 0053 Pension Funding Risk ***EXTERNAL RISK*** ***FUTURE RISK***	Funding risks to the Council’s finances include: . Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities. . Inflation risk. The risk that price and pay inflation is significantly more than anticipated, increasing the value of pension benefits accrued by active and deferred members of the Fund as well as increasing the value of pensions in payment.	Finance & Corporate Resources		Reviewed September 2022– likelihood of risk materialising remains high, given the continued volatility and

	. Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits. . Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Fund’s liabilities. The sudden emergence of COVID-19 (hitting the UK in March 2020), had an immediate and seismic impact on finances worldwide, with stock markets immediately falling substantially and before continuing to recover. A recent drop again presents these risks once again. Long term, the risk here is that the economy fails to recover sufficiently and the fund suffers considerable losses.			uncertainty in investment markets and the ongoing impact of changing demographics. Ongoing uncertainty remains as Covid/Brexit impact lingers - although initial dramatic fall experienced at start of pandemic recovered. Uncertainty remains regarding the future. Further detail on the treatment of funding risks can be found within the Funding Strategy Statement

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 0053B Pension - Valuation Monitoring	Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations helps identify: . financial mismatch . falling risk free returns on government bonds . higher than anticipated inflation. . Increasing fund maturity . Insufficient deficit reduction payments Consistent monitoring of asset allocation and investment returns. Also regular scrutiny of providers.	Jackie Moylan	Rachel Cowburn	30 Nov-2022	Reviewed September 2022 – ongoing. Currently reassessing liabilities and requirements for matching assets at the triennial valuation.
FRFSV 0053C Diversified Portfolio	The Fund seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading. Some assessment in bonds assists in liability matching. Also, stabilisation modelling at whole fund level allows for the probability that risk free returns on government bonds will fail.	Jackie Moylan	Rachel Cowburn	30 Nov-2022	Reviewed September 2022 – ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note

FR IT 004 Risks arising from the (October 2020) Cyberattack ***INTERNAL RISK*** ***FUTURE RISK***	In the aftermath of the cyberattack (October 2020) on the Council's legacy internally hosted systems, there are continued impacts on services where work to recover systems and data is not yet complete (potentially heightened by the ongoing pandemic). Substantial progress has been made with investigation and recovery, but this is still expected to take a significant period of time (at least many months). This presents significant risks in terms of service delivery and the ability of the Council's staff to carry out their roles in full. Data stolen by the attackers was published to the dark web in early January 2021, which presents a further risk. There is also the risk that recovery work may introduce new vulnerabilities / reintroduce vulnerabilities which existed at the time of the attack / retain elements of the attack which could be reused in future.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes & Economy	 	September 2022 - Further progress has been made with recovery and more services are now operating normally. Some workaround processes remain while recovery / rebuild of systems continues. The position is much stronger than when last reviewed. The Council is continuing to progress the recovery of the systems and data that were affected by the cyberattack of October 2020. While there remains significant work to fully restore services, progress has been made across all of the Council's recovery priorities. As recovery of systems and data continues, the Council's ICT team and service teams are working closely together to coordinate the planning and delivery of service recovery. In some of the affected service areas the recovery work to process operational backlogs is expected to continue for many months. The Council's Cyber GOLD (recently stood down) / SILVER groups continue to meet to monitor and direct the recovery. Work is continuing to respond to the publication of stolen data in January 2021. The Council is continuing to cooperate closely with the Information Commissioner's Office to support their investigation into the attack.	
Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**
FR IT 004a Recovering data	The cyber attack has resulted in all internally hosted legacy systems being unavailable. The recovery work is complex and extensive, so priority will need to be given in line with the Gold priorities.	Ian Williams	Rob Miller	30-Mar-2023	**September 2022** The recovery work is continuing in line with the priorities set by Cyber Gold. The most critical services are: • Mosaic (social care) • Academy (benefits and revenues) • M3 (Planning and land charges) • Housing (delivery of modern digital tools to replace the legacy system)

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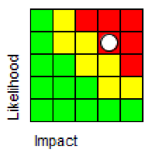
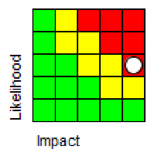
					In all cases significant progress has been made, but due to the severe and complex nature of the attack there is still further work needed to fully recover all services. System recovery work and backlog clearance in Revenues and Housing Benefits means that Council Tax and Business Rates are now operating in normal timescales and Housing Benefits is expected to reach the same position towards the end of the calendar year. The social care system has been restored for children's social care and work is in progress to migrate adults' social care to the system by the end of the year (with interim systems in place to ensure service continuity). There are some data sets where recovery work is still subject to technical investigation, so timelines for full recovery are not yet clear.
FR IT 004b Service continuity	The systems that have been impacted by the cyber attack are essential for the delivery of many of the Council's critical services including: social care; housing benefits; Council Tax and Business Rates; land charges; and housing services. These systems and data sets being unavailable has a major impact on those services and business continuity and contingency arrangements will be essential to delivery of the most critical parts of those services.	Ian Williams	James Groom	30-Mar-2023	**September 2022** Coordination of service continuity and recovery continues and is led by the Corporate Leadership Team / directorate leadership teams.
FR IT 004c Maximizing existing tools	While primary services systems are unavailable it is essential to explore alternative interim tools that can be made available to support service continuity arrangements. The Council has a number of tools it can deploy to provide this, including tools developed using the Amazon Web Services cloud platform and Google Workplace.	Ian Williams	Rob Miller	30-Mar-2023	**September 2022** Where practical the Council's existing investments have continued to be used to provide interim solutions for service continuity and longer term migration of data and services to the cloud.
FR IT 004d Communication to residents and staff	Many services that residents depend on have been impacted by the attack, and they need to be kept updated on the progress.	Ian Williams	Rob Miller, Comms team	30-Mar-2023	**September 2022** Services are continuing to maintain updated information about the recovery of their services on the Council website. Progress updates have been provided to Members and the Council is continuing to

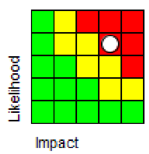
					engage positively with media enquiries about the continued impacts of the attack.
FR IT 004e Security of recovery work	The work to recover systems and deploy contingency tools needs to move at pace and involves a large number of pieces of work. This presents potential security risks from using tools in different ways and the pace of work. There are also potential security risks arising from restoring legacy systems, with the risk that pre-existing vulnerabilities and any remnants of this attack are returned into the operational environment.	Ian Williams	Rob Miller	30-Mar-2023	**September 2022** The recovery is in line with our pre-existing plans for migration to modern, cloud services and provides the best possible cyber protections for the Council's systems and data.
FR IT 004f Data exfiltration risk	Alongside the significant disruption to the Council's services, data stolen-by the attackers was published on the dark web in early January 2021. This presents a risk that the Council will need to control against-for an extended period of time (years), and a data response team has been established.	Ian Williams	Rob Miller	Ongoing	**September 2022** The Council has continued to work in line with the risk mitigation plans that have been developed.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR IT 0001 Information Assets ***INTERNAL RISK*** ***FUTURE RISK***	The Council holds a wealth of information assets across its services. It is essential that this is managed in compliance with requirements such as the Data Protection Act, the NHS IG Toolkit and also the General Data Protection Regulation (which came into effect from May 2018). Failure to do this creates serious regulatory / legislative risks for the Council. It is also essential that the Council is able to use these information assets effectively to commission and deliver high quality services, reduce costs and work in partnership with other agencies and providers.	Finance & Corporate Resources		**September 2022** No substantive change to the risk. Following the cyber attack in October 2020, the Council took swift action to notify national Government and also the Information Commissioner's Office. The Council is continuing to work closely with the Information Commissioner's Office to support their investigation into the incident. The Council's preparations for GDPR helped to support the incident response. Specifically, the Information Asset Register has been effective in providing the basis for assessing the risks of data exfiltration / publication to inform mitigation plans.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0001a Information management	Ensure effective information management policy and processes are in place so that the Council meets the requirements of the Data Protection Act / other legal and regulatory compliance arrangements. Ensure that the Council's information assets are managed robustly and used effectively to provide insight and to integrate Council and partner services, and deliver the maximum benefit to residents and businesses. This will be an ongoing activity (no fixed end date).	Ian Williams	Rob Miller	30-Mar-2023	**September 2022** Following the cyber attack on 11 October the Council took swift action to notify national Government and also the Information Commissioner's Office. The Council is continuing to work closely with the Information Commissioner's Office to support their investigation into the incident. The Council's preparations for GDPR have helped to support the incident response. Specifically, the Information Asset Register has been effective in providing the basis for assessing the risks of data exfiltration / publication to inform mitigation plans.
FR IT 0001d Third party information sharing	Ensure that we can do business efficiently and seamlessly by having appropriate data sharing agreements in place. It will be critical to ensure that control requirements are assessed and the implications for Hackney users are clear and proportionate (eg. some third parties require controls that would excessively restrict the Council's use of systems and buildings etc, and these may be barriers to information sharing).	Ian Williams	Rob Miller	30-Mar-2023	**September 2022** Review of third party information sharing is coordinated by the Information Management Team, who support services in applying the relevant Council policies to their information sharing arrangements.

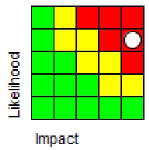
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0021 Cyber / Information Security ***INTERNAL /EXTERNAL RISK*** ***FUTURE RISK***	There is a risk that the security of Council's systems, network and devices could be compromised. This would have very damaging, widespread implications. Especially because reliance on these systems have increased in the aftermath of the COVID-19 crisis.	Finance & Corporate Resources		**September 2022** The recovery is in line with our pre-existing plans for migration to modern, cloud services and provides the best possible cyber protections for the Council's systems and data. Our recovery is consistent with the Council's pre-existing technology strategy, through which we have removed a number of underlying risk factors (eg replacement of Windows PCs with Chrome OS devices for almost all users).

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0006a Ensure compliance with the PSN Code of Connection and other applicable standards (including the ICT security requirements for compliance with the NHS IGSoC).	Ensure that good security practice is reflected in the Council's technical architecture and operational practices, including annual PSN Code of Connection compliance assessment (supported by IT health check). This will be an ongoing annual activity (no fixed end date).	Ian Williams	Rob Miller	30-Mar-2023	**September 2022** The Council has a current PSN compliance certificate, valid to January 2023. The Council worked with the Cabinet Office to prepare the submission for this PSN accreditation based on the new architecture for our recovered systems.
FR IT 0006b Ensure that all users of the Council's systems and data take appropriate measures to protect these.	Ensure that the Council has effective policies, guidance, training and measures to enforce compliance for all users (including Members). This will be an ongoing activity (no fixed end date).	Ian Williams	Rob Miller	30-Mar-2023	**September 2022** The Council's Data Awareness Training continues to be managed as a Business As Usual process for all users (including Members). Users are required to complete the training and access is removed if it is not completed.
FR IT 0006c Ensure that all hardware and software is supported for security updates.	Ensure that infrastructure and application lifecycle management practices are in place and functioning effectively so that the Council's systems remain supported. This will be an ongoing activity (no fixed end date).	Ian Williams	Rob Miller	30-Mar-2023	**September 2022** Our security assurance workstream is establishing our policies and processes for ongoing management and assurance of our systems and data. This includes compliance with NCSC guidance and other required standards.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0043 Recruitment and Retention / Workforce. ***EXTERNAL / INTERNAL RISK CURRENT RISK***	Within a competitive market, numerous Service Areas (particularly ICT) are struggling to successfully recruit for important positions, and seeing a high turnover adding to recruitment pressures. Failure to successfully tackle this could seriously impact service delivery. Also, with various restructures within the Directorate planned or ongoing, there is a period of uncertainty and adjustment which may affect the quality of service delivery and impact on overall objectives and targets.	Finance & Corporate Resources		**September 2022 - NEW** This has also been re-escalated to the Corporate register, reflecting its severity. Previously, it had remained a risk at Service level but was taken off this register following the successful completion of the ICT restructure in 2020. Significant market pressures and demand for digital skills, with high turnover within the Council (particularly at Senior level) and other employers who need similar skills, have necessitated

	Additionally, the ability to carry out work efficiently, on time and in compliance with applicable standards could be affected by the loss of experienced staff following the Corporate level restructure and the possible long term absence of key staff.				its inclusion again.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0043a Recruitment and Retention (ICT)	The ICT service will work with HR / OD to carry out the following suggested mitigations: - review recruitment strategy and identify other measures which can be taken to promote Hackney Council as a great place to work in technology and attract high quality candidates - review salary supplements to ensure that these are providing market competitive salaries and are also fair and transparent - review career development paths within the service and also ensure that apprenticeships / graduate trainee opportunities are being used effectively to develop internal talent.	Ian Williams	Rob Miller	31-March -2023	**September 2022** Work is in progress to finalise restructure proposals for the ICT service, including benchmarking of roles against the market and comparator councils. The new structure will continue the substantial commitment to apprenticeships (which has seen 2 cohorts of digital apprentices since it was launched, with over 50 apprentices). The Council is also working with the London Office of Technology & Innovation to develop a pan-London approach to developing digital skills and teams, including collaborative recruitment (https://loti.london/jobs/) and shared approaches to service development and career progression (https://loti.london/resources/jd-library/).
SRCR 0043b Training and development	Training and development needs for all staff have been captured from yearly appraisals and 1-2-1 documents. All HR procedures are followed correctly to ensure staff are valued and treated appropriately whilst at work. Where possible acting up and secondment opportunities are made available to staff. This helps contribute to an improved experience of working at Hackney and to an extent, mitigates the risks of absences and departures.	Ian Williams	All managers	31-March -2023	**September 2022** Staff training and development needs will be assessed as part of the work to deliver and embed the new service structure for ICT.

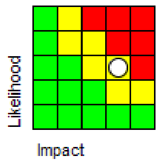
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0030 Pressures on Temporary Accommodation ***INTERNAL RISK*** ***CURRENT RISK***	The demand on temporary accommodation (TA) for homeless households exceeds the supply of property suitable for use, and also causes a clear shortfall between the subsidy provided and the actual cost of meeting TA need. This could result in serious difficulties in providing an effective provision for the accommodation of vulnerable children and adults, and also impact adversely on available budgets. This all produces financial, reputational and legislative (in terms of abiding by the Homelessness Reduction Act) risks. The risk is currently heightened by high numbers of homeless singles with multiple, complex and high risk needs, and often a dual diagnosis with no suitable accommodation offer.	Finance and Corporate Resources		 **September 2022** Local authorities have a statutory duty to provide accommodation for homeless households that have been defined as being in priority need and unintentionally homeless, and are obliged to secure temporary accommodation (TA) for that household as an interim measure whilst a longer-term alternative becomes available. The number of households seeking advice and support with homelessness in the borough has risen by 52% since March 2018 and the introduction of the Homeless Reduction Act. Since April 2022 we have seen a further 7% increase in households requiring temporary accommodation with an increase seen in those fleeing domestic violence and gang violence. Homeless households are still presenting on the day and are placed wherever there is accommodation available. The amount of temporary accommodation needed to fulfil demand for homeless households continues to increase. Current TA levels are on the increase, 3117 households, with 1000 placed outside the borough despite the use of all void properties and the creation of a number of new TA hostels and RTB buy back programmes to boost social housing availability. Despite c.2000 temporary accommodation units within the borough, demand far outstrips supply. We have seen four major changes this quarter: 1. Temporary Accommodation providers are now leaving the market with currently 30 properties requested back from Council usage and securing temporary accommodation, even outside London boundaries, is challenging. 2. Remaining TA providers are requesting steep increases in rates and officers are modelling a range of increases. In the meantime, the usage of commercial hotels is increasing. 3. Increased competition from the Home Office for their Asylum accommodation programme is affecting LA's ability to procure property and observe agreed Pan London rates across London. The Home Office recently procured a property of 60 rooms within the borough gazumping the Council by a suspected £437k pa. 4. Temporary accommodation providers who own their buildings are having cash flow problems and are now selling their properties onto their competitors. The risk of these hostels being requested back from the Council has increased suddenly.

				The majority of the Council's expenditure on temporary accommodation is on c.1000 households placed outside the borough and London in nightly paid accommodation. The Benefits and Housing Needs Service in conjunction with Strategic Property Services and Housing Strategy team continue to look at ways to boost more affordable temporary housing in borough by pursuing hostel leases with private landlords and developers, to reduce the reliance on nightly paid accommodation and contain expenditure. Keen negotiating on new hostels, lease renewals and refurbishment deals for hostels in the borough is evidenced via cabinet reports. However, this programme is no longer enough and an urgent injection of stable temporary accommodation is needed. Purchasing of properties and procurement of temporary accommodation in Peterborough is currently being explored. The sheer volume of TA units, the increasing rates of providers, an increase in utilities and repairs and maintenance costs means that temporary accommodation expenditure will continue to rise this year and next.

Control Title	Control Description	Responsible Group Director / Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0030a Utilising all available accommodation	Utilise 100% of all regeneration voids as additional temporary accommodation reducing the need for costly nightly paid TA provision.	Ian Williams	Jennifer Wynter	31-Nov-2022	**September 2022-** The Benefits and Housing Needs Service continues to utilise all Council owned regeneration void properties as temporary accommodation wherever possible and affordable to do so. The current figure is c.738 units. There are no further regeneration voids available as the surplus that were unusable for TA were brought into use for the Council Afghanistan refugees programme.
SRCR 0030b Make best use of the provision of discharge of duty into the private rented sector	Additional duty afforded LA's to discharge our homeless duty with provision of an affordable 1 year monthly PRS let, albeit if further homelessness within 2 years we retain the duty. TA strategy in place and agreed way forward with Mayor & Members on OOL placements.	Ian Williams	Jennifer Wynter	31-Nov-2022	**September 2022** - The Benefits and Housing Needs Service has formally discharged the Councils housing duty by securing tenancies for 265 households into the private rented sector for 2021/22. For the first time we are starting to see the constriction of the private rented sector in Hackney. The number of private rented sector (PRS) lets achievable are dependant on three variables: ● Resident willingness to move into the PRS ● Number of staff available with the right tools, including finance, to support the individual and the landlord with a move

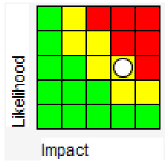
					• rental market buoyancy. The number of staff and tools to support residents moving has been boosted by the creation of a new team, Prevention to PRS (funded by Homeless Prevention Grant monies) to assist residents during the prevention stage of the statutory duty to move into the PRS and thereby avoid the usage of costly TA. However, the rental market in Hackney has recovered from the affects of the Covid pandemic and the ability to secure affordable rented properties is virtually impossible. Capital Letters (pan London provider of PRS properties) is also struggling to secure properties and Central Government has reduced their procurement targets from 4000 units pa to 1000 pa in recognition of the tough market. Capital Letters are averaging the provision of three properties per month to the Council. Previous out turn is below: 2018-19 = 88 2019-20 = 118 2020-21 = 466 2021-22 = 391 2022-23= 102
SRCR 0030c Observe pan London cap on nightly paid accommodation procurement	Maintain influence on the rental market by continued observation and no breaches (except emergency disabled accommodation) of the agreed Pan London TA rent cap.	Ian Williams	Jennifer Wynter	31-Nov-2022	**September 2022** - Reports issued quarterly to pan London Homeless group for monitoring purposes identify that Hackney now has one of the highest breach rates in the Capital. The reason for this number of breaches is to prevent families staying in B&B for more than 6 weeks (illegal practice) and to secure properties for disabled and large families. The only alternative to this position is to increase the Pan London rate for Hackney, which will result in increasing the rental market further and will encourage existing hackney providers to ask for the additional rates for existing placements incurring a large financial outlay.
SRCR 0030d Provide appropriate accommodation with support for mental and physical needs	C.40% of all single homeless residents that approach for help have a support need and 19% of these have multiple and complex needs. Large supported schemes, rough sleeping pathway, general needs housing do not work for this client group and do nothing to mitigate the risk of further deterioration and suicide and in some cases increase the risk. Look to provide a housing option and support that suits mental, physical and behavioural needs - ie dual diagnosis specialist schemes and	Ian Williams	Adults Social Care Commissionin g	31-Nov-2022	**September 2022** - It is Adult Social Care who now provide and commission supported accommodation for Hackney.

	additional housing first. First chance, last chance saloon assessment model needed in addition.				

Risk Title *	**Description of Risk**	**Directorate**	**Current Risk Matrix**	**Risk - Latest Note**
Risk LR HR 1920 004 Workforce	There is a risk that after many years of austerity, the Council's workforce is not fit to deliver services effectively and provide the support that the community expects. If resources and ability are not in place or effectively supported, service delivery will suffer. There is also a risk that the Council's workforce does not reflect the diverse community that we serve. Also, risks relating to equality within the pay, grading and terms and conditions structure could lead to grievances and/or claims alleging equal pay, equal value and/or discrimination.	Finance and Corporate Resources		The Chief Executive's Directorate now have responsibility for the workforce strategy and 2021 saw the launch of the Inclusive Management Toolkit, which was shared with all at the Council. This will continue to be reviewed in light of the Covid pandemic.

Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**
LR HR 1920 004 A Workforce Strategy	A comprehensive workforce strategy addressing issues raised by Covid pandemic is being put into place and approved by CLT. Workforce is a regular monthly item on the CLT agenda, where progress on the actions and controls outlined in this risk are discussed.	Mark Carroll	Polly Cziok	Nov 2022	September 2022 - workforce strategy has been reviewed in light of Covid pandemic. This has now been moved as a responsibility within the Chief Executive's Directorate

LR HR 1920 004 B Inclusive Leadership Action Plan	A specific and comprehensive action plan that addresses workforce diversity priorities and embeds and inclusive leadership culture to be put into place and delivered. Also, the Council undertook a local recruitment campaign in order to attract local people to work for the Council.	Mark Carroll	Sonia Khan	Nov 2022	September 2022 The majority of senior managers participated in inclusive leadership training, delivered by inclusive leadership champions, recruited from across the organisation. We are progressing actions on workforce diversity, having drawn on insight from focus groups and co-produced solutions with staff. These actions and priorities have been revised in the light of the pandemic.
LR HR 1920 004 C Enhanced Workforce Data	Workforce analysis capability to be enhanced, including analysis of pay gaps and a review of the data provided in the workforce profile.	Ian Williams	Stuart Thorn	Nov 2022	September 2022 Gender and Equalities Pay Gap reports are submitted to full Council in January each year. Gender Pay Gap Report is then published on the Council's Website. Annual Pay Statement is also approved by Full Council in January each year.
LR HR 1920 004 D Data monitoring of HR processes	Work to be undertaken to collect demographic data of employees within HR processes, starting with the Grievance process as a proof of concept. Also, there is a technology plan in place to ensure the technology we operate keeps pace with the way we need to deliver services.	Ian Williams	Stuart Thorn	Nov 2022	September 2022 - Because of the Cyber Attack ICT have not been able to focus resources on this.
LR HR 1920 005 E Agency Spend	The Chief executive tasked CLT with reducing agency spend in order to reduce the risk of an unstable workforce and excess spend	Mark Carroll	Mark Carroll	ongoing	Sept 2022 - this is ongoing and has been identified as a further opportunity for savings.
LR HR 1920 004 I Organisational Change Policy	There is a comprehensive and best practice organisational change policy and procedure in place to manage the changes that the Council needs to implement in the workforce.	Stuart Thorn	Stuart Thorn	ongoing	September 2022 - This Policy is deemed fit for purpose, however, additional management guidance was introduced to support managers during the COVID Pandemic. The Organisational Change Policy will be reviewed in accordance with the corporate guidelines or change in employment legislation
LR HR 1920 004 J Equalities in pay	The legal landscape and equality in the pay and grading structure continue to be monitored ongoing. Also, a control and monitoring system has been implemented for market supplements	Stuart Thorn	Meryl Wade	ongoing	Pay questions were particularly prevalent at the last review as a result of potential issues in the Housing Fair Pay scheme.

Risk Title *	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
LR HR 1516 001 HR Systems	HR and payroll systems are critical to the operation of the Council. If these were to fail, the consequences would be severe with employees not being properly remunerated on time creating widespread dissatisfaction which could then impact on service delivery.	Finance and Corporate Resources		Risk reduces in severity and likelihood as new system has now been implemented. Incremental improvements being made. Following the COVID Pandemic a review needs to take place in respect of the process for BACS payment and options could include asking our Payroll Provider to undertake this role.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
LR HR 1819 001 A HR systems	There is ongoing monitoring of system speed, resource issues and support issues by ICT	Ian Williams	Rob Miller	Nov 2022	September 2022 - control updated
LR HR 1819 001 B HR systems	A project has been set up to manage improvements to the system and processes whilst maintaining core performance	Stuart Thorn/Rob Miller	Jacqueline King / Stuart Thorn	Nov 2022	September 2022 - control updated
LR HR 1819 001 C HR systems	Switch more resources into payroll and HR systems as this is where the issues currently are.	Stuart Thorn	Jacqueline King	Nov 2022	A structure review of Payroll and HR Systems was planned. Unfortunately, the review cannot take place because a number of posts within Payroll and HR Systems are not funded

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Title of Report	**CORPORATE RISK STRATEGY AND POLICY - COVERING REPORT**
For Consideration By	Audit Committee
Meeting Date	October 20th 2022
Classification	Open/Exempt
Ward(s) Affected	All Wards
Group Director	**Ian Williams, Group Director Finance and Corporate Resources**

1. INTRODUCTION

1.1 This report informs Members about the recently revised and reviewed Corporate Risk Management Policy and Strategy. The Policy details the framework for managing risk within the Council and the Strategy outlines how the Council intends to proceed in terms of managing its risks. It also outlines which approaches and techniques will be used to successfully carry this out. Both documents are provided in the Appendices.

2. RECOMMENDATION(S)

Audit Committee is recommended to:

2.1 **Approve and ratify the contents of this report and the attached Policy and Strategy.**

3. REASONS FOR DECISION

3.1 Risk management is fundamental to effective business management and it is vitally important that we know, understand and monitor the key risks and opportunities of the Council. Officers and members are then able to consider the potential impact of such risks and take appropriate actions to mitigate those as far as possible. Some risks are beyond the control of the Council but we nevertheless need to manage the potential impact or likelihood to ensure we deliver our key objectives to the best of our ability. For other risks, we might decide to accept that we are exposed to a small level of risk because to reduce that risk to nil is either impossible or too expensive. The risk management process (and the work the Corporate Risk Team undertakes) helps us to make such judgements, and as such it is important that the Audit Committee is aware of how we manage our risks in order that this Committee fulfils its own objectives as set out in its Terms of Reference.

4. BACKGROUND

4.1 The Corporate Risk Management Policy is a concise document setting out the objectives and detailing the structures in place within the Council to manage risk. The Policy can be understood to define the 'what' in terms of what the Council has in place to manage its risk, whereas the Strategy represents the question of 'how' – in respect of how the Council will operate in order to achieve the objectives set out in the Policy.

4.2 The Council's full approach for managing risk is outlined in its Corporate Risk Management Strategy. The Strategy provides a template for all matters relating to risk within the Council. There is a description of how the Council perceives risk, and its appetite is discussed, as are the methods for scoring and appraising risks. It is important that the Strategy is kept up to date and is formally approved by those responsible for overseeing this important function (i.e. Audit Committee).

4.3 Changes have been made to both the Policy and Strategy to reflect changes both internally and externally in Hackney (and the wider world) over the last couple of years.

4.4 The Policy and Strategy are reviewed biennially by the Corporate Risk Team and also approved every other year by Risk Champions within each group directorate, as part of their regular review of both divisional risk registers and the management of risk within the Council as a whole. Additionally, the Strategy is reviewed and ratified by the Chief Executive, who commences this revised Strategy with an introduction, illustrating senior management commitment. The Strategy acts as a guide in determining how risk is tackled in the Council and it is important to achieve 'buy-in' and consensus of opinion regarding its contents. Ratification by the Audit Committee provides gravitas and is an indication of the support from those responsible for overseeing this important function. Awareness and an understanding of the contents of both the Policy and Strategy are key to the management of risk being effectively embedded throughout the Council.

4.5 The Council's intranet provides comprehensive information on Hackney's risk processes and provides access to relevant information and documentation. This further contributes to the embedding of risk management throughout the Council.

4.6 The Policy and Strategy were last reviewed by Audit Committee in September 2020.

4.7 Policy Context

All risk related reporting is in line with the Council's Risk Policy, ratified biennially by Audit Committee, and also fully supports the framework and ideology set out in the Risk Strategy.

4.8 Equality Impact Assessment

For the purposes of this report, an Equality Impact Assessment is not applicable, although in the course of Risk Management (and associated duties) all work is carried out in adherence to the Council's Equality policies.

4.9 **Sustainability**

This report contains no new impacts on the physical and social environment.

4.10 **Consultations**

In order for risk registers to progress to Audit Committee, they will already have been reviewed by the relevant Senior Management Team within the corresponding Directorate. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

4.11 **Risk Assessment**

This report sets out the Policy and Strategy for the management of risks throughout the Council.

5 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

5.1 There are no additional financial implications arising directly from this report. Any financial impacts associated with the information set out in the Appendices will be dealt with as part of the risk management process from within the Council's current resources.

6 COMMENTS OF THE GROUP DIRECTOR OF LEGAL SERVICES

6.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This Report is part of those arrangements and is designed to ensure that the appropriate controls are effective.

6.2 There are no immediate legal implications arising from this report.

APPENDICES

Appendix 1 – Corporate Risk Management Strategy – October 2022

Appendix 2 – Corporate Risk Management Policy – October 2022

Report Author	Matt Powell 020 8356 2624 Matthew.powell@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Jackie Moylan 020 8356 3332 jackie.moylan@hackney.gov.uk
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RISK Management Strategy

"Your Risk – Your Responsibility"
October 2022

Foreword

This Strategy aims to improve the effectiveness of managing risks across the Council and constitutes a very important part of the Council's overall policy on risk. Effective management of risk allows us to:

- have increased confidence in achieving priorities and outcomes
- constrain threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that we get the right balance between rewards and risks
- standardise the risk framework used within the Council
- Improve partnership working arrangements and corporate governance.

Ultimately, effective management of risk will help the Council maximise its opportunities and minimise the impact of the risks it faces, thereby improving its ability to deliver priorities and improve outcomes for residents. There are clearly a wide range of risks internal to Hackney, but it's also important to acknowledge and monitor the external influences and risks.

This Strategy explains the Council's approach to risk management, and the framework that will operate to ensure that risks are effectively managed. Whilst the Policy sets out 'what' the Council is looking to accomplish in terms of its risk management, the Strategy expands on 'how' this will be achieved.

I encourage all officers to adopt the strategy and continue to use it as a template for approaching Risk across the Council.

Mark Carroll, Chief Executive
October 2022

Contents

Information Box	
Title	**Risk Management Strategy** **“Your Risk – Your Responsibility”** version 10.0 revised October 2022
Description	Hackney Council Risk Management Strategy (which also serves as a toolkit)
Primary audience	Members, Chief Executive, Corporate Leadership Team, Heads of Service, Unit / Departmental Heads and all Hackney Staff
Contact	**Corporate Risk Team, Finance & Corporate Resources**
Revised	October 2022

1. Introduction

1.1 Management of risk is both a statutory requirement (from the Accounts and Audit Regulations 2015), an indispensable element of good management, and not simply a compliance exercise. As such, its implementation is crucial to the Council and essential to its ability to discharge its various functions: as a partner within the Local Strategic Partnership, a deliverer of public services, a custodian of public funds and a significant employer.

1.2 This Risk Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The Strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management and provides an overview of the process that we will implement to manage risk successfully. It also defines a practical approach to risk.

1.3 Management of risk in Hackney is about improving the ability to deliver strategic objectives by managing threats, enhancing opportunities and creating an environment that adds value to ongoing operational activities.

1.4 Risk management is a key part of corporate governance, which is essentially the systems by which the organisation manages its business, determines strategy and objectives and goes about achieving these objectives. Risk management will help identify and deal with the key risks facing the Council in the pursuit of its goals.

1.5 The benefits of successful risk management include:

Improved service delivery
Enhanced corporate policies, fewer surprises, added value across service areas, more targets achieved, improved internal controls, consistent management of risk and opportunities resulting in improved service delivery.

Improved financial performance
Higher percentage of objectives achieved, lower level of fraud, increased capacity through reduction in the number of decisions that need reviewing or revising, decreased number of and impact of critical risks, better income generation and fewer alterations and losses. A clear overall picture of budgets is maintained, and work undertaken is mindful of potential financial limitations.

Improved human resources management
Potentially reduced staff turnover and absenteeism due to a less stressful working environment. Fewer surprises occur, and change is managed in a more controlled and diligent manner.

Improved corporate governance and compliance systems
Fewer regulatory visits, fewer legal challenges, and an improved annual governance statement that is better substantiated and evidenced. Also increased assurance across the Council about the robustness of processes designed to achieve objectives.

Improved insurance management
Lower insurance premiums and number and level of claims, lower total of uninsured losses.

1.6 Further advice and assistance on risk management is available from the Corporate Risk Advisor within the Finance & Corporate Resources Group Directorate.

2. Aims and Objectives

AIM

2.1 The aim of this Strategy is to improve the ability to deliver strategic priorities by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing operational activities. This Strategy should also serve as a toolkit for officers looking to clearly acquaint themselves with Hackney's approach to risk.

OBJECTIVES

2.2 The objectives of the Strategy are to:

Set out the roles and responsibilities for risk management throughout the organisation

Fully integrate the management of risk into the culture of the Council and into the Council's strategic planning processes

Ensure that the framework for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the Council is implemented and understood by all relevant staff (and partners)

Communicate to stakeholders the Council's approach to risk management

Improve co-ordination of risk management activity across the Council

Ensure that the Executive, Corporate Leadership Team (CLT) and external regulators are provided with the necessary assurance that the Council is mitigating the risks of not achieving its objectives, and thus complying with good corporate governance practice.

Ensure consistency throughout the Council in the management of risk.

3. Definitions

3.1. This section provides brief definitions of the terms used within this Strategy and the definitions that the Council is working to.

RISK

3.2. Hackney's definition is:

"Risk is the probability of an event occurring and its consequences"

3.3. A brief explanation of the key words used in this definition is given below:

Probability – the likelihood of an event occurring

Event – the occurrence of a particular set of circumstances

Consequences – outcomes arising from the event. There may be more than one consequence from the same event and consequences can be both positive and negative.

Issues - can sometimes be confused with risks, however there is a distinct difference between these two concepts. An issue is something that is actually happening (or has occurred), whereas a risk is something that might happen. With an issue, one must figure out how to resolve something at the present time. A risk is something which needs mitigation plans which will hopefully eliminate the possibility of the risk occurring or reduce the impact should it occur. So a risk is in the future, whilst an issue occurs at the current time. Therefore, when the risk materialises it becomes an issue.

RISK MANAGEMENT

3.4. There are many slightly different definitions of risk management that cover essentially the same points. Hackney's approach to managing risk is based upon best practice and is defined as:

"The process by which Hackney Council manages threats, enhances opportunities and creates an environment that adds value to its activities."

3.5. The focus of good risk management is the identification and treatment of such risks. Its objective is to add maximum sustainable value to all the activities of the organisation. It aids the understanding of the potential upside and downside of all the factors that can affect the organisation's ability to deliver its objectives. It increases the probability of success, and reduces both the probability of failure and the uncertainty that the organisation will achieve its overall objectives. Risk is one of life's few certainties. Nothing can be achieved without some element of risk. The essence of risk management is managing these potential opportunities and threats which could ultimately impact on objectives.

3.6. Risk management should support improved decision-making through a good understanding of the risks associated with decisions and their likely impact.

3.7. Risk management should be a continuous and developing process that runs throughout the organisation's corporate strategy and the implementation of that strategy, methodically addressing all risks surrounding the organisation's activities past, present and future.

3.8. Hackney, like all Councils, has a wide range of internal risks, but it is also essential to acknowledge and monitor the external influences and risks. Something like a change to government policy needs to be considered as this continues to test our strategies, financial position, and ability to deliver political priorities. Areas like this need to be managed as their potential can impact on the Council in so many ways

4. Risk Appetite

4.1 Risk Appetite refers to the level of risk that an organisation (and within that a service area) would be comfortable to accept in order to reach strategic objectives. If outside an appetite, it would be difficult to justify pursuing such a course of action. Even though an organisation admits to an appetite for risk, the risks still need to be managed and monitored very closely. Once out of the boundaries of the appetite, then serious consideration needs to be applied to whether the risk can be managed properly. Clearly, some risks are unavoidable (especially of an external nature) and will be managed extremely closely. Other risks which are comfortably beyond the appetite will simply not be taken. It is the risks where the organisation has a clear choice that appetite becomes especially relevant.

4.2 Risk tolerance is a similar principle to risk appetite but concerns the specific maximum risk (or exposure) an organisation would be (theoretically) capable of taking. Therefore, the level of risk an organisation is comfortable in pursuing is their appetite but they may be able to tolerate or absorb a different level of risk without significant pain and impact on achieving their strategic objectives. This is their tolerance.

4.3 Theoretically there are some risks the Council may be able to tolerate within its resources but for other reasons (perhaps political or reputational) it might still not be within their appetite. Once outside of boundaries of appetite (red), a risk is a serious concern and must be reviewed and treated as such. This will be something that needs to be consistently reappraised.

4.4 Risk appetite can vary depending on a service area and the sensitivities of the work it undertakes. For example within Children and Education, the potential for harm to any of Hackney's vulnerable stakeholders is something that would be guarded against with no appetite or tolerance for any example of this. Conversely, in a service concerned with regeneration and property, the Council is trying to capitalise on a (potentially) buoyant market to achieve the appropriate rent for its property assets, here the appetite for slight uncertainty is greater because of the beneficial (financial) opportunities it can bring. Although recent fluctuations in the market make the appetite here even more important (and fragile?).

4.5 When the Council admits to an 'open' attitude to risk (as it does in the table below for major capital programmes and more commercial schemes), there is an acceptance that an element of financial risk is involved. However, within these risks, there are so many (break) clauses built into a project, and other options / mitigations, with stages to pull back, that the Council can provide clear assurance that it is well positioned to manage this more open approach to risk taking. There are considerable sums of investment involved, but careful planning should justify this open approach. With the numerous ongoing Regeneration programmes, innovative ways of working have been established and developers have ensured any financial risk on the Council can be dealt with safely, and even in the instance of a serious crash of the Property market, the Council would be able to temporarily rent its property whilst waiting for the market to recover.

4.6 All risks identified should be managed in accordance with the Council's "risk appetite", and assessed within the particular appetite of that actual service area. **Table 4** (on the next page) contains a general **statement of the Council's Risk Appetite** – a high level guide as to how this should be approached.

In order to achieve objectives and deliver beneficial outcomes to stakeholders, the Council does need to take some risks. However these risks will be taken in a considered, controlled manner.

Exposure to risks will be kept to a level of impact deemed acceptable according to parameters agreed by Senior Management (Directorate & Hackney Management Teams). The acceptable level may vary from time to time.

Some particular risks (above the generally agreed level) may be accepted because:

- *The likelihood of the risk occurring is deemed to be sufficiently low*
- *They have the potential to enable realisation of a considerable reward/benefit which is too high to ignore*
- *They are considered too costly to control given other priorities*
- *The cost of controlling them would be greater than the cost of the impact should they materialise*
- *There is only a short period of exposure to them*
- *They are considered essential to the achievement of aims and objectives*

Hackney

Risk Appetite chart	FINANCE / COMMERCIAL	COMPLIANCE	SAFETY	SERVICE DELIVERY	REPUTATION
AVERSE (safe / v low level exposure / very low reward / no empowerment beyond senior staff)	Minor loss < £1000 (In pursuit of progressive, dynamic and effective services, most areas could tolerate this loss)	Trivial, v short term single non-compliance. In pursuit of an overall objective, this could usually be tolerated.	Insignificant Injury (no intervention) – C and E maintain this approach.	Negligible impact, unnoticed by stakeholders – clearly this is accepted.	Insignificant damage (eg – vague online negativity) - can be tolerated.
CAUTIOUS (guarded, low reward, empowerment just to Senior / middle managers.)	Small loss £1000 - £10,000 (eg – services like Treasury, Revenues & Benefits / Cashiers will not tolerate such losses so very little appetite here in this respect. But accepted in other areas in pursuit of greater objective)	Small, single, short-term non-compliance. (eg Elections Services cannot afford non-compliances so have very cautious approach). Other services could be more flexible	Minor Injury (Local intervention) Adult Social Care would need to be cautious.	Small impact inconvenienc e (usually acceptable – if managed properly – in a project.)	Minor / v short term damage (Negative coverage from local media) –tolerable if backing a justified position.
MODERATE (balanced approach / medium reward / empowerment to frontline managers.)	Moderate loss £10,000 - £100,000 (Depending on a service, this could be countenanced in the context of a high level complex project, pensions / investment strategy.)	Sustained single or a few short term non compliances. (this could be tolerated in pursuit of the greater good – eg printing free paper / allowing flexibility within housing / events etc)	Moderate Injury (professional intervention) – this falls outside tolerance / appetite.	Medium level impact & inconvenienc e (Sometimes acceptable – if managed properly – in a project / programme)	Moderate or short to medium term damage – (damaging coverage London-wide) – if the Council are clear in a position, it is right to defend.
OPEN (creative, higher exposure & empowerment to wide selection of staff)	Significant loss £100,000 - £1,000,000 (The delivery of the overall capital programme / investment strategy permits appetite for this possibility – albeit with many layered controls and mitigations)	Multiple sustained non – compliances. This would not be an expected approach and would be very difficult to ever justify.	Major Injury (hospital stay) – a risk like this could not be pursued.	Significant impact / serious inconvenienc e – could only be accepted in exceptional circumstance s.	Major / medium term damage (negative national exposure). Unlikely to be tolerable – unless exceptional circumstances.
HUNGRY (pioneering / substantial risk exposure & reward / empowerment to all with few controls)	Substantial loss - >£1,000,000. This is not an amount the Council would be comfortable in actively allowing in pursuit of objectives.	Multiple, long-term, significant non compliances. (This hungry appetite in compliance is just not	Fatal injury – this will obviously be out of the tolerance of	Substantial / complete service failure. Not tolerable.	Substantial or sustained damage. (International coverage). Not within appetite.

		conceivable in Local Government.)	our organisation.		

Level of risk	Level of concern	Action required
High	Very concerned	Action is required immediately
Medium	Concerned	Action / review is required at regular intervals
Low	Content	The Council is willing to accept this level of risk

4.6 A risk may be considered acceptable if it is sufficiently low that treatment is not considered cost-effective; this applies if the risk scores 'low' on the Council's scoring matrix. The cost of mitigating the risk here is not proportionate to the benefit that treating it would provide. Low risks do not require inclusion on either the Council's Corporate or a Directorate's risk register, but they should be entered onto the risk database and be reviewed annually as a minimum standard. The key is that risk conversations are taking place, with decisions backed up by discussions of varied appetites.

4.7 Risks that are 'unlikely' or 'rare' to occur, but would have a 'major' or 'catastrophic' impact will probably score either 'low' or 'medium' on the Council's scoring matrix. It is probable that many of these risks fall within the Council's Business Continuity Management Process (e.g. flooding).

5. Scope

5.1 Management of risk is something that everyone within the Council undertakes almost daily, to varying degrees. Although it is difficult to draw clear boundaries around risk management areas because of the cross-cutting nature of risk, management of risk within Hackney falls into five main areas:

Health and Safety

Insurance of risk: where some serious risks are mitigated within Insurance cover (eg – a fire on a Council property).

Emergency / Business Continuity Planning

Project: both physical (e.g. the Britannia project) and strategy-related. This area is closely aligned to and may overlap with business risk, although each have a separate matrix.

Business: risks identified that could prevent the Council achieving its priorities – either top-level priorities (e.g. failure to deliver the Mayor's agenda) or operational-level priorities (e.g. failure to deliver actions within a team plan).

Operational: these would tend to be lower level, more day to day risks which can occur in all areas, whether more in a health and safety context or within the realm of a project.

5.2 The risk management process outlined within this Strategy applies primarily to the business and project risk management areas but can, where appropriate, be used for any area. All risk areas identified above include high-level / long-term risks (strategic risks) through to operational risks, as well as both internal and external partnerships.

Lead responsibility for the development of the five areas of risk management identified is shared between directorates outlined below (see Table 1).

Table 1 – Risk Areas

Risk Area	Service Area with Lead Responsibility
Health and Safety	Strategic Property Services, Finance and Corporate Resources Directorate
Insurance of Risk	Insurance team within Finance and Corporate Resources.
Emergency / Business Continuity Planning	Emergency Planning Unit, Climate, Homes and Economy – also overseen by the Corporate Resilience Group
Project	Lead officers in all Directorates
Business	All Chief Officers / Heads of Service
Operational	Lead officers in all Directorates / Projects etc

HEALTH AND SAFETY

5.3 The Council has in place long-established and effective processes for the management of risks falling within health and safety. The established processes already in place in these areas should be followed; they are not superseded by this Strategy.

BUSINESS CONTINUITY MANAGEMENT & EMERGENCY PLANNING

5.4 Business continuity management (BCM) and risk management have clear inter-dependencies and are closely aligned. However, BCM is concerned with events that typically have a very low probability of occurring but would have a catastrophic impact on the Council's ability to deliver services, and business continuity planning is based around time-critical activities. BCM tends to be concerned with the aftermath of an event occurring, whereas Risk deals with an event in advance of its potential occurrence. Consequently, any risk identified through the risk assessment process as likely to have a catastrophic impact upon the Council's ability to deliver its services will probably be mitigated through the Council's BCM Process. The Council's Emergency Planning Management Team, hold responsibilities for managing the external impacts of risks of this nature.

5.5 Hackney's approach to BCM is outlined in the Business Continuity Strategy. In summary, a Council-wide business impact analysis has been undertaken and Business Continuity Plans (BCPs) are now in place (at corporate and directorate levels), having all been updated in recent months. The Council has also ensured that Council-wide BCPs are in place covering activities in high-priority areas (e.g. customer services) and high-risk areas (e.g. IT). Regular testing also occurs in these areas. There is also an overall community wide Business Continuity/Emergency Planning Risk Register, which is updated annually.

5.6 The Council's approach to BCM is to ensure that a generic response is in place to deal with the likely impact of an incident, regardless of the cause of the incident. This means that the Council is able to produce one generic plan rather than a series of plans to deal with different scenarios. If BCPs aren't in place and properly prepared, this in itself will constitute a serious risk to the Council. There is an additional Corporate Resilience group currently in place chaired by the Director of Public Realm.

PROJECT RISKS

5.7 Project risks can be managed using one, or a combination, of the following risk management processes:

the Capital Bid Programme risk assessment pro forma

Risk management techniques associated with the project management methodology used (e.g. Project Management Handbook and Prince2). A separate matrix has been developed specifically for project risks.

5.8 Management of risk is incorporated into project management right from the outset (e.g. initial risk assessment as part of the Project Brief). The size and scope of the project will dictate the best way of managing the attached risks. However, ALL projects should undertake full risk assessments. All formal project management training within the Council includes project risk management.

BUSINESS RISKS

5.9 The risk management process outlined within this Strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities (e.g. delivery of the community strategy themes) and operational activities (e.g. delivery of actions identified in team plans). The term 'business risks' relates to risks that might prevent objectives being achieved at all levels, including:

strategic priorities - e.g. delivery of the Mayor's Priorities (ie: cleaner, safer, greener Hackney)

planned actions identified in the Sustainable Communities Strategy (latest version is running from 2018-28)

service area priorities identified in service plans

priorities identified in team plans

individual objectives

partnerships and situations which might impact upon their successful operation.

Business risks are logged and regularly reviewed on Pentana, the Council's software application for risk and performance. Risks entered on Pentana are immediately assigned an owner, along with specific actions intended to mitigate the risk. Reports are run within this system to produce risk registers, the more high level ones of which are escalated to Audit Committee.

6. Roles and Responsibilities

6.1 Everyone in the Council is involved in the management of risk and must be aware of their responsibilities in identifying, scoring, mitigating, reviewing and managing risk. However, the ultimate responsibility for managing risk lies with: -

the Mayor and Cabinet

The Chief Executive and Corporate Leadership Team.

6.2 In order to ensure the successful implementation of this Strategy, responsibilities for management of risk are detailed in Table 2.

Table 2 – Roles and responsibilities

Role	Responsibilities
Elected Members	Ensuring that business risks are being identified and effectively managed.

	Scrutinising corporate decisions to ensure that they meet the requirements of effective risk management. ▯ Helping facilitate and support a risk management culture across the Council. Seeking assurance on the overall risk framework, and specifically the risk registers presented to Audit Committee
Audit Committee	Supporting and monitoring the implementation and ongoing processes for identifying and managing key risks of the authority. Overseeing effective management of risk across the Council by agreeing the Council's Risk Management Policy / Strategy / statement of Risk Appetite. Ensuring that risk management is delivered by the Chief Executive and HMT on behalf of the overall Council. Ensuring that a Corporate Risk Register, including details of the actions taken to mitigate the risks identified, is established and regularly monitored (full version at every other meeting).
Chief Executive and CLT	Leading / co-ordinating risk management across the Council, with the Chief Executive as the designated CLT lead on risk. Advising members on effective risk management and ensuring that they receive regular monitoring reports. Also helping define the overall risk appetite. Identifying and managing the business risks and opportunities facing the Council (including those highlighted within received reports). Also deciding to escalate these risks, sometimes to the Corporate Register, which they regularly review. Also ensuring the Council complies with all Corporate Governance requirements.
Chief Officers / Directorate Management Teams (DMT)	Ensuring that risk management within their directorate is implemented in line with the Council's Risk Management Policy and Strategy and the Standard for Performance Management. Appointing a risk champion, ideally a senior officer, who is authorised to progress across their directorate effective risk management that adheres to corporate guidelines. Identifying and managing risks within their directorate and ensuring that mitigating actions are regularly reported.
Risk Champions	Assist in ensuring effective risk management throughout particular Directorate, helping prepare Committee reports and acting as a conduit for the Corporate Risk Advisor to work on risk around the Council.
Heads of Service	Ensuring that all employees within their Service understand and complies with the corporate risk management policy/strategy and procedures. Identifying, evaluating and managing operational risks and reporting any possible corporate risks to their Group Director and Departmental Management Team for consideration. Understanding the need to escalate certain risks.

	Ensuring that risk registers are established for their services and regularly reviewed to ensure that risks are adequately monitored and managed.

Corporate Risk Team	Providing strategic direction on the Council's approach to risk management. Ensuring effective liaison between risk areas and co-ordinating the Council's approach to risk management. Ensure appropriate training is available to members and officers relevant to individual roles. All members of staff have access to training if required. The Intranet provides detailed libraries of information on risk management. Training has regularly been delivered to members to ensure the same approach is embedded throughout the Council.
Staff	Understanding their accountability for individual risks. Reporting systematically and promptly to their manager any perceived new risks or failures of existing control measures. Making the effort to acquaint themselves with the basics of risk, as clearly outlined on the Council's intranet pages.
Audit	Providing independent assurance of controls / risk, as well as promoting a risk aware culture through audits. There is a separate risk / audit protocol which clearly defines how the two areas exist together.

7. Risk Management Process

7.1 The approach to risk management in the Council is based on the best practice outlined in varied international risk management standards (eg – IRM, ALARM).

7.2 Hackney's risk management process consists of seven steps:

1	Knowing the strategic and operational priorities and overall objectives
2	Defining risks
3	Scoring risks
4	Treating risks
5	Compiling a risk database and register (on Pentana)
6	Monitoring and reporting risks
7	Reviewing risks

KNOWING THE STRATEGIC AND OPERATIONAL PRIORITIES

7.3 The starting point for management of risk is a clear understanding of what the organisation is trying to achieve. Risk management is about managing the threats that may hinder delivery of our priorities and maximising the opportunities that will help to deliver them. Therefore, effective risk management should be clearly aligned to the business planning process and should take into account the environment within which the Council operates. Similarly, this needs to be applied to all activities and processes to ensure focus on achievement of priority objectives.

DEFINING/DESCRIBING RISKS/OPPORTUNITIES

7.4 Here, we are concerned with identifying events that can impact on business objectives – 'what could happen'. This could have a positive effect on the objectives rather than a negative one. An initial overview can be achieved through a simple SWOT (strengths, weaknesses, opportunities & threats analysis) It is useful to bear in mind business objectives as these are what we consider when assessing impacts. As a minimum, a PESTLE(P) analysis should be undertaken. This helps establish the context of a situation where risks may occur. PESTLE(P) requires those involved in the risk management process to consider the risks that might prevent a priority or objective being achieved, under the following headings: -

Political **Economic** **Social**
Technological **Legislative** **Environmental** **Partnership**

7.5 It also helps to think of risks being driven by two basic categories – Strategic and Operational. These categories are not mutually exclusive, and one can move to the other. If we use a school as an example, at a strategic level, the school would consider threats to its long term objectives (e.g. issues such as expansion, raising standards, recruiting staff, attracting students and demographic factors). At an operational level, it would be more concerned with the day to day running of the school (e.g. physical hazards to the students / teachers, budget shortfalls, the performance of external contractor).

7.6 Expressing a risk as a clear and succinct statement is important to begin with, as scoping risks can often be difficult. For example, "no resources" is not in itself a complete description; you need to consider not only a symptom, but also a result. There essentially need to be three parts in the description of a risk.

EVENT > CONSEQUENCE > IMPACT

A typical phrasing could be: -

Loss of…	…….leads to…...resulting in…
Lack of…	
Partnership of…	
Development of…	

Opportunities are always important to consider. For example, one of the risks to a partnership arrangement may be that a partnership organisation is reluctant to share information. This could actually be expressed as an opportunity (e.g. improving communication between partnership organisations leads to more effective decision making and implementation of shared objectives). Considering opportunities can allow bolder and more creative or innovative solutions, essentially to take greater, but calculated risks.

SCORING RISKS

7.7 In order to decide on the best treatment option and to prioritise the treatment of the risks identified, the risks must first be scored. Risks are scored by identifying the likelihood of the event occurring and multiplying this by a factor representing the impact or consequences of the event if it did occur.

7.8 Hackney uses a five-by-five matrix to determine the risk score. To differentiate between the significant changes in impact between “moderate”, “major” and “catastrophic” risks, the scoring has been weighted; see Table 3.

Table 3 – Scoring risks

LIKELIHOOD (PROBABILITY)	5	Almost certain: > 80%	Low (5)	Medium (10)	High (15)	High (20)	High (25)
	4	Likely: 51% – 80%	Low (4)	Medium (8)	Medium (12)	High (16)	High (20)
	3	Possible: 21% – 50%	Low (3)	Low (6)	Medium (9)	Medium (12))	High (15)
	2	Unlikely: 6 – 20%	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare: < 6%	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
		SCORING SCALES (each score for likelihood and impact is multiplied to attain overall score)	1: Insignificant	2: Minor	3: Moderate	4: Major	5: Catastrophic
			IMPACT (CONSEQUENCES)				

Consider the impact on the following when scoring: -

- Achievement of strategic priorities
- Health and safety of employees, residents or service users
- Ability to deliver services (in particular key services)
- Financial – e.g. budgets, fraud, claims, fines and penalties
- Council's reputation

TREATING AND MANAGING RISKS

7.9 There are four general approaches to managing risk:-

Terminate (Avoid) – not undertaking the activity that is likely to trigger the risk.

Treat (Reduce) – controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur.

Transfer – handing the risk on elsewhere, either totally or in part – (e.g. insurance.)

Tolerate (Accept) – acknowledging that the ability to take effective action is limited or that the cost of taking action may be disproportionate to the potential benefits gained. Risks here will continue to be monitored.

7.10 Assessment of each response option is used to provide the basis for selecting the best option to manage each risk identified.

7.11 Risk treatment is concerned with actions taken to reduce the impact or likelihood of risks not wholly avoided or transferred (retained risks).

COMPILING A RISK DATABASE AND REGISTER

7.12 Any risk identified should be fully assessed and entered onto the risk management database, Pentana Risk.

7.13 Risks that could adversely impact upon the achievement of the Council's priorities and that score 'medium' or 'high' on the Council's risk scoring matrix could be classified as Corporate Risks.

7.14 Service-specific risks that score a 'medium' or 'high' rating must be included in the directorates' strategic risk registers, which should be incorporated in the relevant service plan. These will also be presented annually to Audit Committee. This would be agreed upon at the relevant Directorate Management Team meetings.

MONITORING AND REPORTING RISKS

7.15 All risks on the Corporate and Directorate Risk Registers are consistently monitored, and reports (from Pentana Risk) are considered on a quarterly basis by the Corporate Leadership Team (CLT) before reporting to Audit Committee for scrutiny. Low level risks should continue to be reviewed at least every six months, and if they are perceived to no longer present a threat (or opportunity) to objectives, they will be deactivated. They are not deleted and so remain on the system, but will no longer be 'live' within the registers. Of course, if the risk does become more serious and likely once again, it can then be reactivated. The Risk Management process should be a continuous cycle for supporting objectives. It is also important to highlight risks that cut across services so a consistent approach can be taken across the organisation to managing these risks.

7.16 Service-specific business risks should be included within service risk registers and monitored through the directorate's performance management arrangements. This will include reporting, at least annually, to Audit Committee.

7.17 As a recent development, a new balanced Scorecard has been created to accompany the Corporate register each time it is presented to Committee. This includes the current score of the risk and well as a target score which the Management of each particular risk should strive towards. Also a direction of travel makes it clear how the risk is progressing which should provide Audit Committee with assurance that risks are being effectively managed.

REVIEWING RISKS

7.18 All risks should be reviewed annually and assessed at management meetings as to whether they should be escalated to directorate or corporate level.

RISK MATURITY

7.19 The concept of risk maturity is important to consider on a regular basis. The maturity level is essentially a well-defined evolutionary plateau towards achieving a mature process. In achieving this, five levels are often cited: -

Initial – Where an organisation undertakes the minimum risk identification and assessment to satisfy compliance requirements. There is no defined appetite, no formal risk process and management actions are primarily reactive, rather than proactive.
Repeatable – Here, a risk framework has been established, including definitions of appetite, the risk management process, and when it will be applied. There will also be an understanding of the sources of risk facing the organisation and their impact. Risk roles and responsibilities will be defined and allocated.
Defined - A central risk management function will have been created with a consistent approach. The board debate high level risks and risk management is used to improve business performance.
Managed - The risk management culture is led by the Chief Executive and Senior Management Team, and the practice of managing risk is driven by more rigorous analysis. There is a stronger emphasis on measuring, aggregating and managing risks across the organisation.
Optimising – This is the highest state of maturity with a culture of continual improvement. Here, the organisation fully aligns its risk management policies, process, framework and resources. Training programmes are available for all

business unit heads, and risk management responsibilities are included in job descriptions, the staff induction process and performance appraisals.

To categorise an organisation's level of maturity, an assessment is required of numerous elements of its work practices. Questions are addressed towards how management of risk is conducted and what practices are already embedded within the organisation's approach. If there are areas where details are clearly lacking, the maturity of an organisation will be lower and it will perhaps only attain an 'initial' level of maturity status. If however, methodologies, strategies and frameworks are all comprehensive, reviewed and up to date, senior management and stakeholders all play an active role, then it is reasonable to credit an organisation with a more advanced level of maturity, e.g. - 'defined' or 'managed'. The Council consistently strives to move up the scales of maturity, and any deficiencies will be worked upon in order to satisfy maturity criteria.

8. Alignment of Risk Management and Performance Management

INTER – DEPENDENCIES BETWEEN RISK MANAGEMENT AND PERFORMANCE MANAGEMENT

8.1 Risk management and performance management can be viewed as two sides of the same coin. Whereas performance management identifies and monitors what is needed to achieve our priorities, risk management focuses on the things that may happen that might prevent the Council achieving its priorities/objectives. The upside of managing risk (identifying actions that will help achieve priorities) is in effect performance management.

8.2 The ultimate outcome that both systems support is the achievement of the Council's priorities. Steps in both systems include: -

(for performance management) a list of actions required to achieve the priority; (for risk management) a list of actions to mitigate risks that could prevent the priority being achieved

SMART targets (Specific, Measurable, Achievable, Relative, Timely)

regular review of the actions and targets, and overall annual review. A single computerised system is used for the management of both performance and risk management (Pentana Risk)

8.3 The starting point for identifying both the actions required under the performance management framework and the mitigating actions required by the risk management framework is the same: the Council's priorities. Each year, the Council refreshes its overall corporate priorities. Therefore, the resulting actions and SMART targets from both the performance management framework and the risk management framework should be broadly similar and in some cases identical, albeit arrived at via different routes. Priorities underpin both disciplines, with performance being concerned with how to achieve something, and risk looking at what might impact on the priorities being achieved. A performance update is submitted to Audit Committee on a quarterly basis.

THE INTEGRATED PROCESS

8.4 The integrated performance management and risk management processes are implemented in the following way:-

Through the normal service planning processes, directorates identify their priorities and the actions required to achieve them.

While identifying priorities and actions, directorates also identify the risks that might prevent the priorities being achieved. In this way, opportunities and risks are considered at the same time. Headline examples of each are presented on a quarterly basis at Audit Committee.

Comprehensive details of the actions and the risks are entered into the performance and risk management database, and monitored regularly.

Planned actions are monitored quarterly through the performance management system.

Directorate actions are monitored via the directorates' performance management arrangements, which must include reporting to the relevant Member at least twice per year.

9. Links to Corporate Governance

9.1 Governance is the system by which organisations direct and control their functions and relate to their communities. In other words, it is the way in which they manage their business, determine strategy and objectives, and go about achieving those objectives. The fundamental principles are openness, integrity and accountability.

9.2 This Risk Management Strategy forms part of Hackney Council's corporate governance arrangements.

INTERNAL CONTROL

9.3 Internal controls are those elements of an organisation (including resources, systems, procedures, processes, culture, structure, management review, and tasks) that, taken together, support people in the achievement of objectives. Internal financial control systems form part of the wider system of internal controls.

9.4 A council's system of internal controls is part of its risk management process and has a key role to play in the management of significant risks to the fulfilment of its business objectives. For example, the Council's policy and decision-making processes require all executive reports to include an option appraisal/risk assessment.

HEALTH AND SAFETY

9.5 The Council's Health and Safety Policy is also a key component of the Council's structure of controls contributing to the management and effective control of risk affecting staff, contractors, agency workers, volunteers, service users and the general public.

INTERNAL AUDIT

9.6 The Internal Audit function is a component of the Council’s system of controls protecting its financial, operations, information systems / technologies and other physical assets. The risk management process, in turn, serves the Internal Audit function by enabling it to identify areas of higher risk, and so target its resources more effectively.

9.7 Where controls are found to be non-existent or inadequate then this is reported to the Risk team and the Directorate risk champion can take appropriate action. Risk and Internal Audit are part of the same service area and are able to support each other's work in an effective manner. A working protocol has also been drafted to illustrate the specifics of the working relationship and is available on the staff intranet.

9.8 Internal Audit produce an annual risk based Audit Plan which ensures that audit activity is focused in those areas where there are higher risks posed to the Council achieving its objectives.

10. Monitoring and Indicators of Success

10.1 Hackney’s Corporate Risk Register is reviewed every three months. Progress against the actions identified to mitigate risks will be monitored quarterly through the performance management process.

10.2 The ultimate measure of effective risk management is that the Council has the resilience to deliver its services and core objectives and is able to identify, and take maximum advantage of the occurrence of positive risk.

For further information, contact

Corporate Risk Team
Finance & Corporate Resources
Telephone: 020 8356 2624

CORPORATE RISK MANAGEMENT

POLICY

October 2022

Foreword

Hackney Council is committed to the effective management of risk at every level within the Council and to providing:

- a framework to help maximise opportunities for the Council and manage uncertainties, which could impact on objectives.
- a safe environment for its employees and customers
- training to enable its employees to undertake their work effectively, efficiently and safely.

The purpose of this Corporate Risk Management Policy is to state the Council's risk management objectives, appetites, approach, responsibilities and procedures. There is more detailed information on specifically how the Council approaches managing risk in the accompanying Corporate Risk Management Strategy. In simple terms, the Policy details 'WHAT' we do in terms of managing risk, whilst the Strategy elaborates on 'HOW' we do it.

APPROVAL:

- This policy was last ratified by the Audit Committee in October 2020 - to be ratified now in 2022.
- This Policy version is number 5.0
- Next review date: 2024

For further information, contact

Corporate Risk Service
Finance & Corporate Resources Directorate
Telephone: 020 8356 2624

Contents

Information Box	
Title	**Risk Policy Version 5.0 October 2022**
Description	Hackney Council Risk Policy
Primary audience	Members, Chief Executive, Corporate Leadership Team, Heads of Service, Unit / Departmental Heads and all Hackney Staff
Contact	**Corporate Risk Team, Finance & Corporate Resources** Tel: 020 8356 2624
Revised / Created	October 2022

1. Objectives

The purpose of risk management is to:

preserve and protect the Council's assets, reputation and staff
promote corporate governance by integrating risk management and internal controls
promote a risk aware culture in order to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the Council
enhance and protect the local environment
improve business performance
provide management with the confidence that objectives can be achieved.

2. Risk Management Approach

AIM

2.1 To ensure it is effective, risk management needs to be aligned with corporate aims, objectives and (the Mayor's) priorities. The Council's approach to embedding risk management is to create a culture that spreads best practice, identifies and communicates lessons learnt from both internal and external experiences, and using appropriate expertise.

2.2 Risk management must be proactive to ensure that corporate and operational risks are:

- identified
- assessed by considering the impacts and likelihoods of their occurrence
- effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.

2.3 Effective risk management anticipates and avoids risks rather than dealing with the consequences of events happening. However, not all risks can be managed, particularly those that are caused by external factors over which the Council has no control (e.g. severe weather, nationwide austerity measures). Key services and mission critical activities are therefore required to develop Business Continuity Plans in order to reduce the impact should a major event (for example the Coronavirus pandemic in 2020) occur. These are managed by a separate Business Continuity Team.

2.4 **Risk Appetite and Tolerances -** Calculated controlled risks, such as accepting new opportunities or using innovative approaches for the benefit of the Council, may be taken providing the risk exposure is within the Council's 'risk appetite' levels, these are defined as:

i) **Acceptable Risks** – the risks associated with any proposed actions and decisions need to be clearly identified, evaluated and managed to ensure that risk exposure is acceptable (categorised as yellow or green under the risk matrix). Particular care is needed in considering actions that could: -

- have an adverse effect on the Council's reputation and/or performance
- undermine the independent and objective review of activities
- result in censure or fines being imposed by regulatory bodies
- result in financial loss

Any threat or opportunity that could have a significant impact on the Council or its services must be closely examined, and all risks clearly evaluated and referred to the appropriate director. Where there is both a significant potential impact and a high likelihood of occurrence, the director must report the risk to the Senior / Hackney Management Team.

ii) **Prohibited Risks** – risks that could result in physical harm; non-compliance with legislation or Government regulations; or non-compliance with the Council's policies, rules and procedures are not acceptable. Therefore, any opportunity or innovative approach that could result in such outcomes must not be pursued and must be reported to the appropriate director. The Council operates a 5 x 5 matrix and there is a separate guide with more specific explanations of how to score likelihood and probability. This is detailed within the Strategy, along with more information on the Risk Appetite.

2.5 **Risk Treatment** - There are four basic ways of responding to risk, known as the 4 T's:

i) ***Terminate (Avoid)*** – deciding not to continue or proceed with the activity in view of the level of risks involved, wherever possible. (Note: statutory requirements cannot be avoided)

ii) ***Transfer*** – which involves another party bearing or sharing the risk, a typical example is the use of insurance. (Note: ultimate responsibility to undertake statutory requirements remains with the Council even if third party provision is engaged)

iii) ***Treat (reduce)*** – by ensuring existing controls are effective by periodic review and testing, and implementing additional controls where considered necessary.

iv) ***Tolerate (accept***) – certain risks cannot be adequately treated by termination, transfer or treatment. In such cases, there is no alternative but for the Council to tolerate / accept the residual ('remaining') risks concerned. Details of how these risks and their possible effects are to be managed must be recorded in the services, and where appropriate, Corporate Risk Register, and subject to regular review.

2.6 **Framework**

The Council maintains a Corporate Risk Register that details: -

- events that may impact upon the Council and its services
- possible risks and consequences, both negative (risks and threats) and positive (opportunities) that could happen should the hazards occur
- current scores (i.e. after being treated / controlled), between 1 and 5, of the potential impact and likelihood of the hazard occurring taking into account the mitigation in place
- controls and countermeasures that are in place in order to mitigate the risks
- further notes outlining any other areas of relevance to the risk, providing more context to the all round situation (especially important if the risk has an external basis)
- further actions planned to reduce the risks, the timescales and responsible persons. There is also the option to enter a target risk score (where we want to be once the controls have been applied.)

3. Responsibilities and Procedures

3.1 All responsibilities and procedures are based upon the principle of the Council operating an effective system of Enterprise Risk Management. (ERM). ERM provides a framework towards managing an entire enterprise, looking first from the perspective of the main, overarching objectives of the organisation. Risk is managed by viewing each risk as part of the entity of the organisation and clearly some risks are more serious than others and can be escalated as such. To achieve effective ERM, risk management must be embedded from the very top of the Council right down to each individual unit, service, employee and elected members.

Individual responsibilities for managing risk are detailed within the Risk Strategy.

Title of Report	**PERFORMANCE UPDATE - COVERING REPORT**
For Consideration By	Audit Committee
Meeting Date	October 20th 2022
Classification	Open/Exempt
Ward(s) Affected	All Wards
Group Director	**Ian Williams, Group Director Finance and Corporate Resources**

1. GROUP DIRECTOR'S INTRODUCTION

1.1. This overview provides an updated set of reports that were selected to be reviewed by the Audit Committee on a regular basis as part of the Committee's overview of the Council's performance. It provides an updated set of key performance indicators along with an update on risk management with a Corporate Scorecard (summarising the highest risks to the organisation as a whole), and some accompanying commentary on the Council's risk approach.

1.2. The report also sets out the latest capital programme monitoring and, as was requested at the last Audit Committee, an additional analysis of forecast spend to the original and revised budgets is included along with explanations where there are significant variances.

2. RECOMMENDATION(S)

2.1 The Audit Committee is recommended to:

- **Consider the performance indicators presented in Appendix 1, the Risk Management Scorecard in Appendix 2 and the current capital monitoring update in Appendix 3 (all attached to this report).**

3. REASONS FOR DECISION

3.1 The Audit Committee are deemed to be "those charged with governance" in respect of the Council's annual statement of accounts, treasury management strategy and other financial matters. As such, the Committee has asked for more overview of the Council's performance and risk management in order that they can be assured that value for money is being achieved and that they can fulfil their governance role in the widest sense.

4. BACKGROUND

4.1 Policy Context

The review of performance and the risks arising from the delivery of the capital programme are key areas for consideration of the Audit Committee in order for them to fulfil their overall governance role.

4.2 Equality Impact Assessment

This report does not require an equality impact assessment.

4.3. Sustainability

Not Applicable.

4.4 Consultations

The Chair of the Audit Committee has been consulted along with the Head of Business Intelligence and Members Services, Cabinet Member for Finance and the Group Director of Finance & Corporate Resources.

4.5 Risk Assessment

Not applicable

4.6 PERFORMANCE INDICATORS

4.6.1 Audit Committee have over several meetings discussed their requirement to be able to consider the performance of the Council on an ongoing basis. This leads on from the role of the Committee to approve the annual accounts of the authority, agree and monitor treasury management strategy and to keep under review risk management across the Council.

4.6.2 A set of high level indicators have been developed and agreed by the Committee. The attached report (Appendix 1) is a summary of the Indicators which were agreed. Consideration of these will help to strengthen the governance role of the Committee in its wider sense.

4.7 CAPITAL PROGRAMME MONITORING

4.7.1 As part of the regular review of treasury management activity and approval of the annual Treasury Management Strategy, the Audit Committee has sight of the capital financing requirement (underlying requirement to borrow) of the authority on an ongoing basis.

4.7.2 It has been noted by the Committee that the Council has moved from a debt free position to an external borrowing position over the last few years, mainly due to the delivery of an ambitious capital programme that requires forward funding, pending future sales of private residential units on completion of regeneration and other mixed use development schemes. Borrowing is forecast to increase further over the next few years as plans include bringing forward the next phases of both the Britannia scheme and our Regeneration programme.

4.7.3 Such a change brings additional risk to the delivery of the programme as well as potential impact on the finances of the Council. This risk arises mainly from two issues – potential volatility of the housing market affecting sales volume and value going forward, and increasing building costs.

4.7.4 This report includes a detailed update on the capital programme at **Appendix 3.** Following the Audit Committee's deep dive in this area this sets out performance at a more granular level than previously reported. It is noted that, despite the additional challenge of capital forecasting along with a target set of 80% spend against the original budget, the forecast capital outturn is significantly lower. This is largely driven by three main factors:

- construction industry inflation resulting in tender prices being above cost estimates and further work required on viability of schemes (e.g CCG Primary Care Project, Estate Regeneration & Housing Supply programme)
- the ongoing impact of Covid-19, which has resulted in both slower starts on site and reduced activity overall (e.g solar panel installation programme, Shoreditch Park improvements, Housing asset management programme)
- external factors determining programme or requiring scheme review and re-profiling (Britannia Project, S106 highways works, Disabled Facilities Grant)

4.7.5 Clearly some of these issues remain and are likely to continue to affect capital delivery and spend forecasts. The corporate finance team works closely with the Head of Treasury to ensure that the impacts of these circumstances are mitigated as far as possible.

4.7.6 We are currently building the capital budget to form part of the annual budget report. As part of this exercise services are required to review the profiled spend on capital schemes. It is noted that the capital budget profiles are high for 2023/24 onwards, and out of line with what our actual expenditure has been over several years. It is therefore imperative that the re-profiling exercise is robust now more than ever where we are moving into a position of the need to borrow more to fund schemes at a time when interest rates are increasing.

4.8 RISK MANAGEMENT

4.8.1 Audit Committee have over several meetings discussed their requirement to be able to also consider the wider picture of risk management within the Council on an ongoing basis. In addition to the Directorate and Corporate registers reviewed at Committee meetings, it was felt some additional information and commentary would be helpful in painting a fuller picture and also increasing levels of assurance regarding how risks are identified and managed. At each meeting, an updated scorecard of the Corporate Risks will be presented, and this will form the main part **Appendix 2**. This will ensure a continual overview is supplied of the Council's strategic risks. The full version of the Corporate risk register is presented to the Audit Committee every six months.

5. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

5.1 The contents of this report are a result of a number of discussions with the Chair and members of the Audit Committee regarding future enhanced performance reporting in order to strengthen the governance role of the Committee.

5.2 Officers will continue to work with the Chair and members of the Audit Committee, in conjunction with the Cabinet Member for Finance and the Head of Business Intelligence and Members Services, in order to enhance the reporting offer to ensure that it provides the strategic overview of Council performance and risk that the Committee require.

6. COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

6.1 The Council has a general duty as a best value authority 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 under the Local Government Act 1999, section 3.

6.2 The Audit Committee has the responsibility to consider the Council's arrangements to secure value for money and review the assurances and assessments on the effectiveness of these arrangements. This Report is part of those arrangements.

APPENDICES

Appendix 1 - Performance Indicators

Appendix 2 - Corporate Risk Scorecard

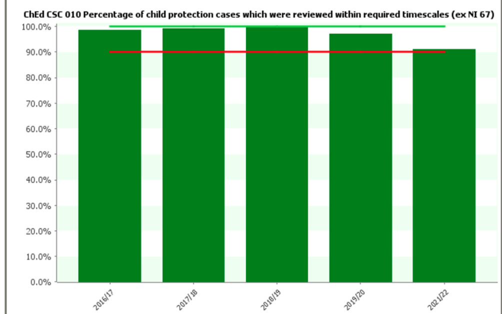
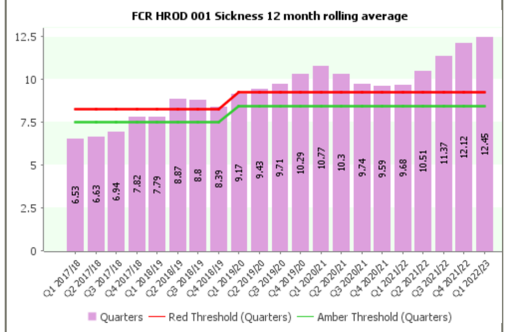
Appendix 3 - Capital monitoring report

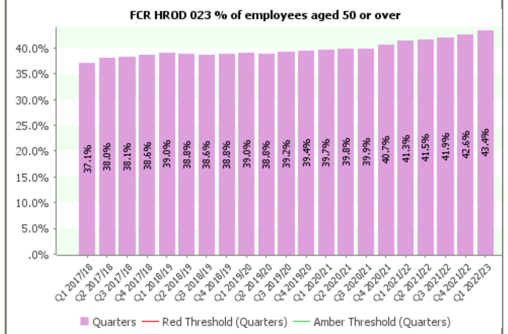
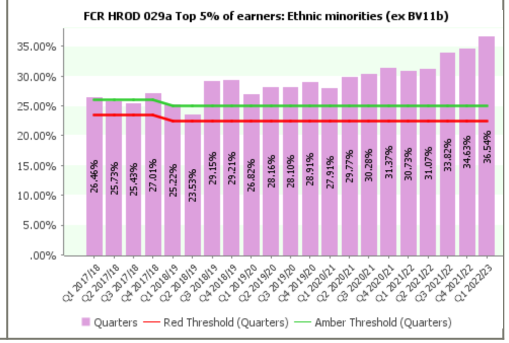
BACKGROUND PAPERS

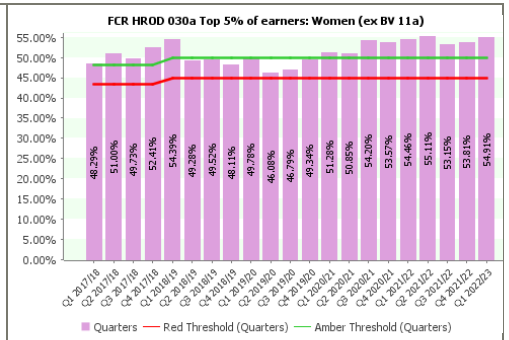
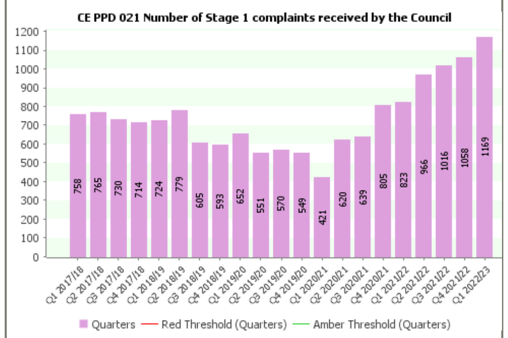
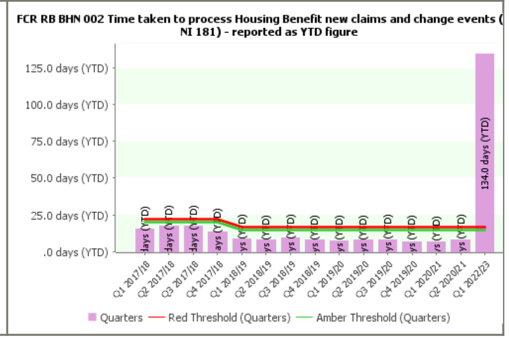
None

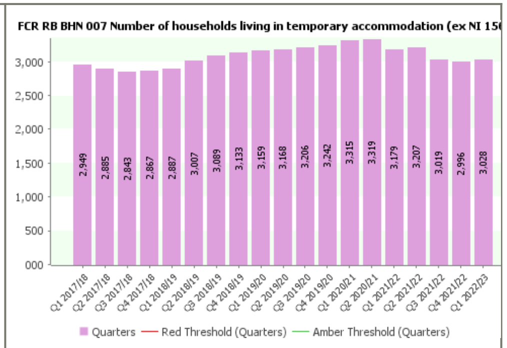
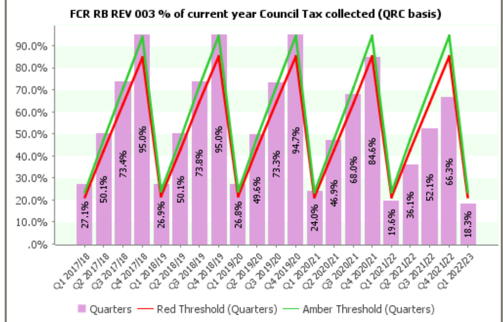
Report Author	Matt Powell ☎020-8356 2624 matthew.powell@hackney.gov.uk
Comments of the Group Director, Finance and Corporate Resources	Jackie Moylan ☎020-8356 3332 jackie.moylan@hackney.gov.uk
Comments of Director, Legal	Dawn Carter-McDonald ☎020-8356 4817 dawn.carter-mcdonald@hackney.gov.uk

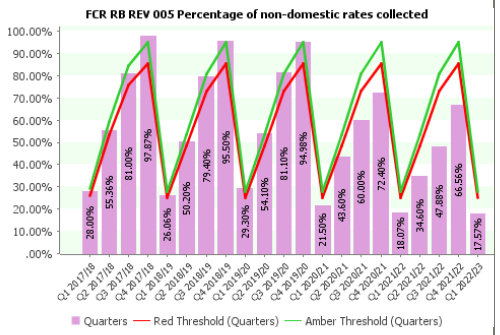
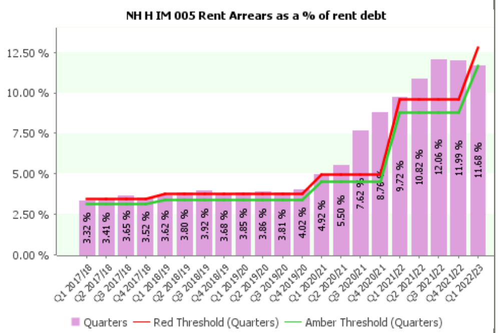
Q1 Audit Committee Report

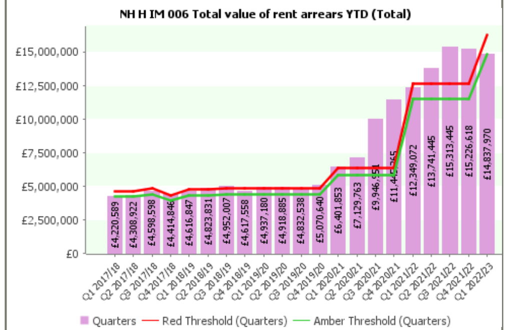
PI Code	Short Name	2020/21	2021/22	Q4 2021/22	Q1 2022/23	Note	Traffic Light	DoT	Performance Data Trend Chart
		Value	Value	Value	Value				
ChEd CSC 010	Percentage of child protection cases which were reviewed within required timescales (ex NI 67)	N/A	91.0%	Not measured for Quarters			N/A		
FCR HROD 001	Sickness 12 month rolling average	9.59	12.12	12.12	12.45	Long Term Sickness cases have been the predominant factor in the increase of the levels of sickness absence across the Council. On average 70% of the sickness days lost fall under the Long Term Sickness category (i.e. sickness that exceeds 28 calendar days). Before COVID struck in early 2020 this figure fluctuated between 30% - 40% dependent on the time of the year. So in the summer months it could have been as high as 40% because short term sickness absence tended to decrease in these months, because there was a reduction in short term sickness absence cases relating to cold / flu / influenza type systems etc.			

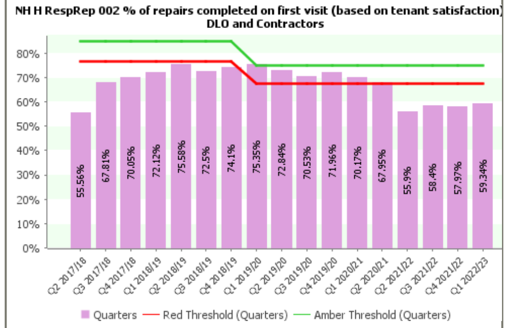
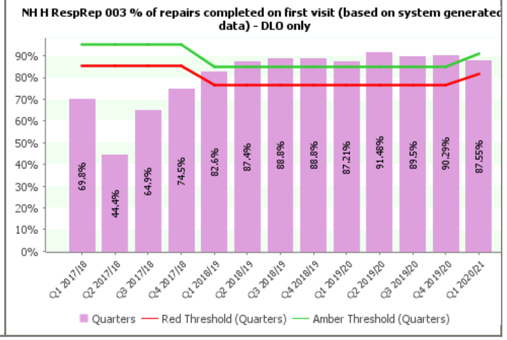
						Via the Corporate Leadership Team, Group Directors are being encouraged to review sickness absence in their directorate to ensure that effective sickness management processes are in place and sickness cases are consistently managed.			
FCR HROD 023	% of employees aged 50 or over	40.7%	42.6%	42.6%	43.4%	The number of employees over the age of 50, continues to increase as we have an ageing workforce, particularly in some key services around the Council. There is no statutory retirement age anymore, meaning that staff can continue to work beyond the age that they can receive a state pension. Directorates have been made aware of areas where they have an ageing workforce and are putting plans in place to manage this.			
FCR HROD 029a	Top 5% of earners: Ethnic minorities (ex BV11b)	31.37%	34.63%	34.63%	36.54%				

FCR HROD 030a	Top 5% of earners: Women (ex BV 11a)	53.57%	53.81%	53.81%	54.91%				
CE PPD 021	Number of Stage 1 complaints received by the Council	2485	3863	1058	1169	This is the highest number of stage 1 complaints received in a quarter since records started in 2011/12. The increase in volume is a continuation of what was seen in 2021/22. It is difficult to see the precise drivers of complaints but undoubtedly, services keeping up with the pent up demand following covid 19 and the cyber attack has been a factor. Services receiving the highest volumes inc Building Maintenance (205), Benefits (165), Revenues (132), Env. Services (105), Tenancy/Leasehold (104)			
FCR RB BHN 002	Time taken to process Housing Benefit new claims and change events (ex NI 181) - reported as YTD figure	N/A	N/A	N/A	134.0 days (YTD)	Cyber recovery pace means we can now produce a statistical return to provide to the Department for Work and Pensions. Although software systems are available, they are not fully functional. Work is underway to reinstate the previous level of automation and process outstanding backlogs of new claims and changes in circumstances, whilst continuing to prioritise those at most risk of homelessness.		N/A	

FCR RB BHN 007	Number of households living in temporary accommodation (ex NI 156)	N/A	2,996	2,996	3,028	Post Covid the rental market has returned to a previously unseen level of buoyancy meaning that the level of privately rented homes available to residents on a low income in temporary accommodation are nearly non-existent. This situation coupled with the increasing amount of demand from homeless households means the numbers in temporary accommodation are increasing and expected to increase throughout the rest of the financial year. The asylum crisis has also exacerbated the issue.			
FCR RB REV 003	% of current year Council Tax collected (QRC basis)	84.6%	66.3%	66.3%	18.3%	Following the recovery of the council tax system, work commenced in January 2022 to clear the backlog of cases that had accrued due to the cyber attack. The impact of this is that the 2022-23 collection rate is improving compared to 2021-22 but will not return this year to previous years levels. It is expected that a return to pre cyber attack levels will be achieved in the next two years, depending on the impact of the current economic position. The end of year collection positions for 2020/21 and 2021/22 are not the final collection positions for those years. As we commence billing and recovery action post the cyber attack we will collect council tax due for both of those years. We need to assess the collection rates at the end of a four year recovery cycle which would have enabled us to make every effort to collect the unpaid Council Tax. As such the year end figures will improve and we are targeting to achieve a collection rate of 90%			

FCR RB REV 005	Percentage of non-domestic rates collected	72.40%	66.56%	66.56%	17.57%	Following the recovery of the NNDR system. Work commenced in November 2021 to clear the backlog of work that had accrued due to the cyber attack. The impact of this is that the 2022-23 collection rate is improving compared to 2021-22 but will not return this year to previous years levels. It is expected that a return to pre cyber attack levels will be achieved in the next two years, depending on the impact of the current economic position. The end of year collection positions for 2020/21 and 2021/22 are not the final collection positions for those years. As we commence billing and recovery action post the cyber attack we will collect NNDR due for both of those years. We need to assess the collection rates at the end of a four year recovery cycle which would have enabled us to make every effort to collect the unpaid NNDR. As such the year end figures will improve and we are targeting to achieve a collection rate of 90%			
NH H IM 005	Rent Arrears as a % of rent debt	8.76 %	11.99 %	11.99 %	11.68 %	The annual rent debit is approximately £127m. As the overall value of rent arrears stood at £14,837,970 at the end of Q1 2022/23, the outturn for Rent Arrears as a % of Rent Debit is calculated to be 11.68%. This represents a reduction of 0.31 percentage points on the Q4 2021/22 outturn of 11.99%.			

NH H IM 006	Total value of rent arrears YTD (Total)	£11,445,265	£15,226,618	£15,226,618	£14,837,970	As at the end of Q1 2022/23, the overall value of rent arrears stood at £14,837,970. This represents a reduction of £388,648 over the course of the quarter. The arrears at the end of Q4 2021/22 were £15,226,618. The overall total of £14,837,970 includes TMO arrears of £1,449,176. The TMO's arrears have increased by £43,598 in the last quarter - their arrears at the end of Q4 2021/22 were £1,405,578. In Q1 2021/22, total cash received - including DWP payments - was £18,646,861. This was £916,328 higher than at the same stage last year - the corresponding value for Q1 2021/22 was £17,730,533. The Benefits Team has begun to work through the backlog of Housing Benefit claims in Q1 2022/23. Total Housing Benefit income in Q1 2022/23 was £13,512,055 - this is £1,033,498 more than the amount received in the previous quarter - £12,478,557 in Q4 2021/22. In Q1 2022/23, Income Officers undertook 2,595 home visits to tenants with arrears. This will increase in Q2 2022/23, as the number of weekly visits have been stepped up since the second half of Q1 2022/23.			

NH H RespRep 002	% of repairs completed on first visit (based on tenant satisfaction) - DLO and Contractors	71.44%	57.57%	57.97%	59.34%	Based on tenant satisfaction data, 59.34% (416/701) of residents reported that their repairs were completed on the first visit. Whilst still some way off the 75% target, this is the highest quarterly figure to be reported since the resumption of repairs satisfaction surveys following the cyber attack: Apr-2022 - 124/190 - 65.26% May-2022 - 129/228 - 56.58% Jun-2022 - 165/285 - 57.89% A contributing factor to the low satisfaction levels is the fact that the service still doesn't have the mobile working functionality in place to identify those jobs that were marked as completed the first time when the operative visited and those where follow on works, additional materials etc were identified. Prior to the cyber attack, the service only sent out surveys for those jobs which had been marked on the system as completed on first visit. Currently, satisfaction surveys are sent to everyone. Because of that responses are received on "Right First Time" from jobs which were not expected to be completed on the first visit.			
NH H RespRep 003	% of repairs completed on first visit (based on system generated data) - DLO only	87.54%	N/A	N/A	N/A	We are unable to report on this PI until additional functionality has been added to Repairs Hub/Mobile working. This is to be included in the next phase of development work, which was due to begin at the end of October. Right First Time requires a significant amount of development time as this needs follow-on functionality completed.	N/A	N/A	

<table>
<tr>
<td>NH H Voids 001</td>
<td>Average time taken to re-let local authority housing (all voids including major & minor voids) - calendar days</td>
<td>95</td>
<td>102</td>
<td>105</td>
<td>132</td>
<td>
During Quarter 1 of the 2022/23 financial year, there were 87 properties relet with an average turnaround period of 131.69 days. This is an increase of 26.35 days compared to 105.34 in Quarter 4, driven by an increase in the work period of 25.84 days. The average work period in Quarter 4 was 86.09.
The table below shows the average days spent on each trade, by relet month. The data is shown for the months of Quarter 1, as well as the Quarter 1 and 4 averages and the changes between the two. The trades that increased between the two quarters have been highlighted yellow.
<table>
<tr><th>Relet Date</th><th>Jun 2022</th><th>May 2022</th><th>Apr 2022</th><th>Q1 Average</th><th>Q4 Average</th><th>Quarterly Change</th></tr>
<tr><td>Environmental Health Work</td><td>15.33</td><td>26.75</td><td>19</td><td>20.67</td><td>13.13</td><td>7.54</td></tr>
<tr><td>Gas Work</td><td>12.13</td><td>12.29</td><td>11.86</td><td>12.12</td><td>13.12</td><td>-1</td></tr>
<tr><td>Electric Work</td><td>26.9</td><td>42</td><td>23.69</td><td>31.2</td><td>24.23</td><td>6.97</td></tr>
<tr><td>Plastering Work</td><td>No data</td><td>15</td><td>No data</td><td>15</td><td>No data</td><td>N/A</td></tr>
<tr><td>Brick Work</td><td>No data</td><td>No data</td><td>No data</td><td>No data</td><td>No data</td><td>N/A</td></tr>
<tr><td>Carpentry Work</td><td>15.77</td><td>34.5</td><td>8.4</td><td>20.48</td><td>17.41</td><td>3.07</td></tr>
<tr><td>Plumbing Work</td><td>5.33</td><td>15.05</td><td>3.15</td><td>8.13</td><td>6.5</td><td>1.63</td></tr>
<tr><td>Metal Work</td><td>6.23</td><td>5</td><td>8.6</td><td>6.13</td><td>2.41</td><td>3.72</td></tr>
<tr><td>Glazing Work</td><td>10.67</td><td>23.5</td><td>29.33</td><td>21.4</td><td>13.59</td><td>7.81</td></tr>
<tr><td>Finishing/Valeting Work</td><td>22.45</td><td>19</td><td>17.18</td><td>20.04</td><td>9.82</td><td>10.22</td></tr>
<tr><td>Painting Work</td><td>12.3</td><td>14.67</td><td>25.4</td><td>16.1</td><td>14.75</td><td>1.35</td></tr>
<tr><td>Lock Change</td><td>0.61</td><td>1.05</td><td>2.08</td><td>1.11</td><td>0.86</td><td>0.25</td></tr>
</table>
The average time spent increased in Quarter 1 for every trade except gas works. Since the appointment of a new interim Voids Manager in May 2022, numerous changes are being identified and implemented in order to reduce the average work period. This may be visible in the reduced time spent on several trades for June relets, such as electric work, where issues were identified with the inspection process.
As the below table shows, the average work period did actually begin to fall in June 2022.
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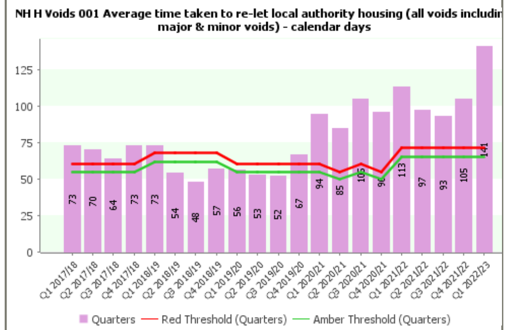

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Month	Average Turnaround	Average Works Period	Total Relets
April 2021	115.61	81.13	25
May 2021	121.35	89.73	27
June 2021	93.42	67.50	31
July 2021	113.28	72.92	30
August 2021	94.29	76.57	45
September 2021	87.04	68.52	29
October 2021	101.23	83.59	31
November 2021	93.35	67.50	26
December 2021	85.22	70.48	30
January 2022	97.13	76.88	16
February 2022	111.14	82.10	23
March 2022	106.91	98.90	22
April 2022	124.25	96.40	20
May 2022	135.73	127.48	30
June 2022	131.83	108.90	36

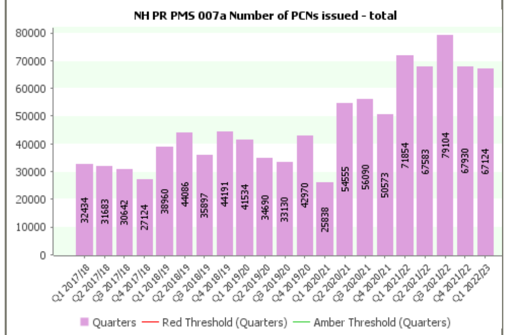
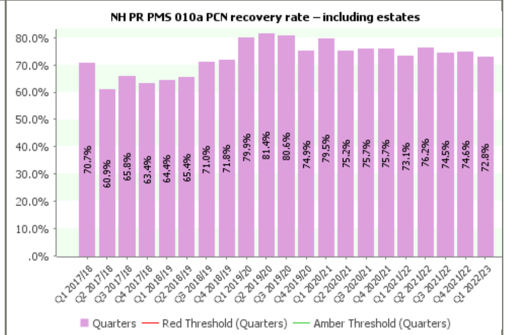
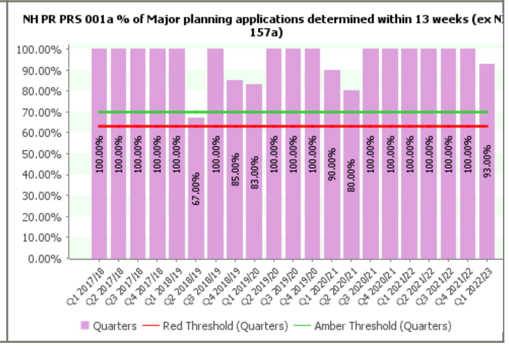
In addition to the changes to work processes, the below steps are being taken to improve the poor recent performance in void turnaround.

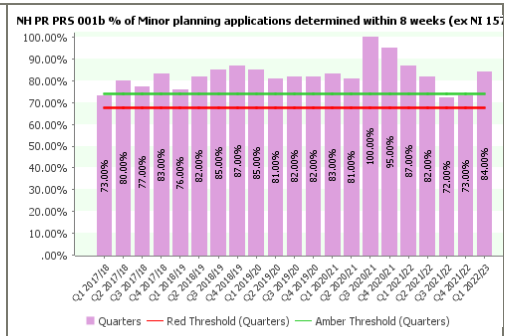
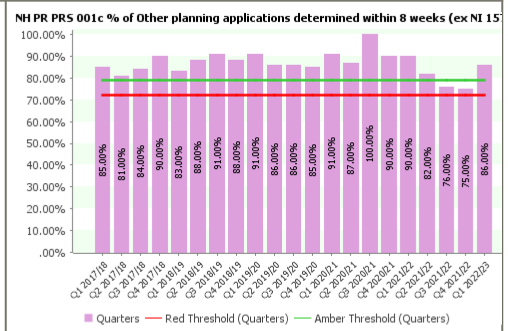
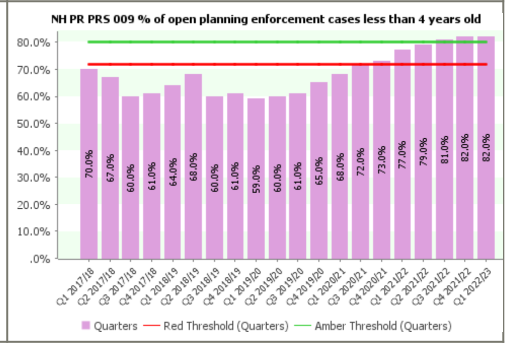
- Creation of an improvement action plan with involvement from staff across the process. This has now been signed off by senior staff, and progress against it will be reviewed bi-weekly, beginning 2nd August 2022.

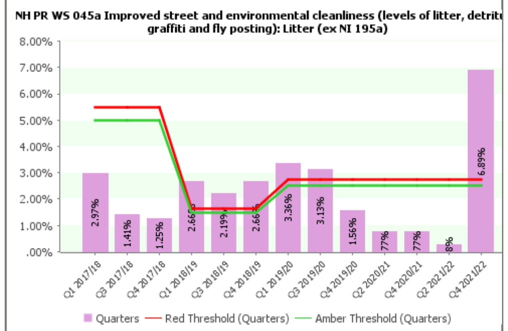
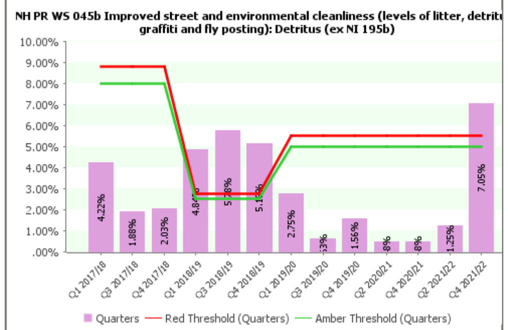
- Creation of a Qlik dashboard showing the end to end process, which will be used to drive evidence based performance improvement. There is also a Google Data Studio analysis dashboard already in use. The Qlik dashboard should provide more in-depth analysis, particularly around current performance of work times etc in order to measure the progress of the action plan.

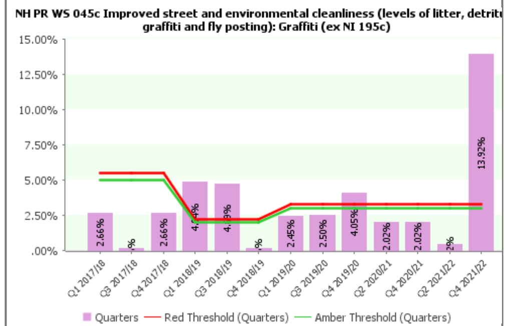
- Implementation of Repairs Hub and the related planning tool.

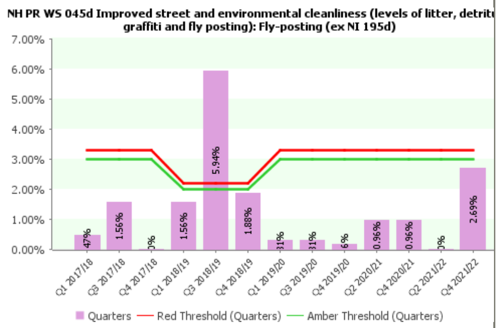
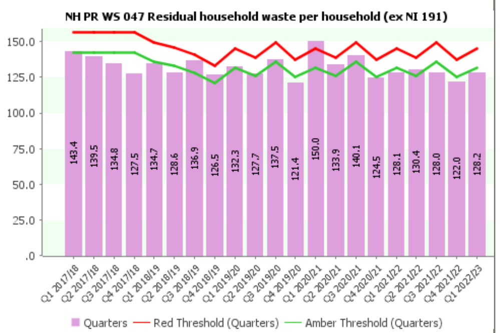
- A working group of Housing Management and Voids staff is being put together to create a clear handover

						process. Systems for staff to use will be adopted when this has been done.			
NH PR PMS 007a	Number of PCNs issued - total	187056	286471	67930	67124	PCN numbers in Q4 2021/22 and Q1 2022/23, have stabilised at about 22,000 PCNs per month, as compliance with the new LTN scheme in Stoke Newington Church Street, which led to the highest ever quarterly PCN numbers in Q3 21/22, has improved.			
NH PR PMS 010a	PCN recovery rate – including estates	76.5%	74.6%	74.6%	72.8%				
NH PR PRS 001a	% of Major planning applications determined within 13 weeks (ex NI 157a)	92.00%	100.00 %	100.00 %	93.00%				

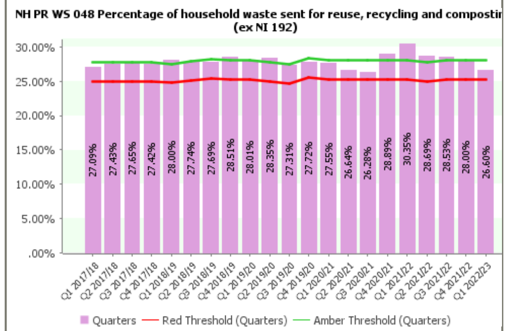
NH PR PRS 001b	% of Minor planning applications determined within 8 weeks (ex NI 157b)	90.00%	78.00%	73.00%	84.00%				
NH PR PRS 001c	% of Other planning applications determined within 8 weeks (ex NI 157c)	90.00%	81.00%	75.00%	86.00%				
NH PR PRS 009	% of open planning enforcement cases less than 4 years old	71.0%	79.0%	82.0%	82.0%				

NH PR WS 045a	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter (ex NI 195a)	N/A	N/A	6.89%	N/A	The methodology used to monitor levels of street cleanliness changed within the reporting period from a Council own methodology, using a four point scale, to Keep Britain Tidy (KBT) one, which uses a 7 point scale. KBT is a nationally recognised organisation, using a more rigorous inspection methodology. The switch to the KBT methodology will also allow us to benchmark against the best in London. It is worth noting that the perception of street cleanliness in Hackney remains high, and for litter, detritus and fly posting, Hackney performs better than the London average. Litter: for the last reporting period the overall score of 6.89% is still below, and therefore we're performing better than the London benchmark of 8.9%. The reporting of this indicator takes place three times a year, and as such there is no reporting this quarter.	N/A	N/A	
NH PR WS 045b	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus (ex NI 195b)	N/A	N/A	7.05%	N/A	The methodology used to monitor levels of street cleanliness changed within the reporting period from a Council own methodology, using a four point scale, to Keep Britain Tidy (KBT) one, which uses a 7 point scale. KBT is a nationally recognised organisation, using a more rigorous inspection methodology. The switch to the KBT methodology will also allow us to benchmark against the best in London. It is worth noting that the perception of street cleanliness in Hackney remains	N/A	N/A	

						high, and for litter, detritus and fly posting, Hackney performs better than the London average. Detritus: for the last reporting period the overall score of 7.05% is still below, and therefore we're performing better than the London benchmark of 11.03%. Further, the reporting of this indicator takes place three times a year, and as such there is no reporting this quarter.			
NH PR WS 045c	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)	N/A	N/A	13.92%	N/A	The methodology used to monitor levels of street cleanliness changed within the reporting period from a Council own methodology, using a four point scale, to Keep Britain Tidy (KBT) one, which uses a 7 point scale. KBT is a nationally recognised organisation, using a more rigorous inspection methodology. The switch to the KBT methodology will also allow us to benchmark against the best in London. It is worth noting that the perception of street cleanliness in Hackney remains high, and for litter, detritus and fly posting, Hackney performs better than the London average. For graffiti however, Hackney performs worse than the London average (13.92% and 4.83% respectively), but does have particular locations where graffiti is prevalent as part of the fabric of the street environment. There is also the need to gain permission from property owners to remove graffiti, and in some instances the Council does not have the specialist equipment to remove certain bits of graffiti.	N/A	N/A	

						Further, the reporting of this indicator takes place three times a year, and as such there is no reporting this quarter.			
NH PR WS 045d	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)	N/A	N/A	2.69%	N/A	The methodology used to monitor levels of street cleanliness changed within the reporting period from a Council own methodology, using a four point scale, to Keep Britain Tidy (KBT) one, which uses a 7 point scale. KBT is a nationally recognised organisation, using a more rigorous inspection methodology. The switch to the KBT methodology will also allow us to benchmark against the best in London. It is worth noting that the perception of street cleanliness in Hackney remains high, and for litter, detritus and fly posting, Hackney performs better than the London average. Fly posting: for the last reporting period the overall score of 2.69% is still below, and therefore we're performing better than the London benchmark of 3.99%. Further, the reporting of this indicator takes place three times a year, and as such there is no reporting this quarter.	N/A	N/A	
NH PR WS 047	Residual household waste per household (ex NI 191)	548.4	508.5	122.0	128.2	Q1 waste collection was impacted by the additional collection arrangements around the Easter period.			

NH PR WS 048	Percentage of household waste sent for reuse, recycling and composting (ex NI 192)	27.44%	28.70%	28.00%	26.60%	The socio-economic factors facing the country (plus a hot and dry summer) appear to be significantly impacting on waste and recycling in 2022/23. Comparing April to July tonnages, mixed dry recycling and garden waste have fallen 11.3% and food has fallen 12.9%. Household waste has increased by 1.57%, which is approximately what we would expect from housing growth. Further, the impact of behaviour change with people ensuring food waste is reduced, reusing and refilling instead of purchasing items in glass or plastic bottles and jars, and possibly consuming less in general, as well as manufacturers changing packaging types and lightweighting materials, target the materials that are typically recycled, rather than those that end up in the general waste. The net result is a fall in the borough-wide recycling rate for Q1 2022/23 to 26.5%. These trends, and the resulting fall in recycling rate, are being seen across London. Comparing April-June 2022 performance across the NLWA boroughs, mixed dry recycling has fallen 13.2%, food has fallen 12.6% and garden waste has fallen around 8%. Local Authority Collected Waste has decreased by 5.1%.			



PI Status		Long Term Trends		Short Term Trends	
	Alert		Improving		Improving
	Warning		No Change		No Change
	OK		Getting Worse		Getting Worse

	Unknown				
	Data Only				

Corporate Risk Management Performance Overview October 2022 (Appendix 2)

1. INTRODUCTION

1.1 This report summarises the latest position in respect of Corporate Risk Management across the Council, providing an update on the overall Council's strategic risks, as well as some additional commentary on relevant areas of interest.

2. CORPORATE RISK REGISTER

2.1 The table below is a scorecard of the Council's Corporate Risks, as ratified by the Corporate Leadership Team (CLT) Team in May 2022, and subsequently reviewed:

	Corporate	Current Risk	Direction of Travel	Previous Score	Target Risk
1	Cost of living crisis (risk escalated in April 2022) **COUNCIL / SERVICE IMPACT -** financial deficits & arrears/pressure on resources/threats to effective service delivery **RESIDENT IMPACT -** poverty, homelessness **BUSINESS IMPACT -**closures / inability to pay bills / loss of staff **STAFF IMPACT -** increased travel / energy costs. Anxiety about cost of living.	25	⇧	20	15
2	Pandemic - further waves / negative impacts (COVID-19)	15	⇩	16	12
3	Cyberattack (aftermath)	15	⇔	15	10
4	National / International Economic Downturn (SRCR001)	25	⇔	25	12
5	Management of Major Capital Programmes (SRCR002)	15	⇔	15	9
6	Pension fund (SRCR 0010)	15	⇔	15	12
7	Impact of New Legislation / Welfare reform (SRCR 0013)	12	⇔	12	12
8	Workforce (SRCR 0018)	12	⇔	12	9
9	Information Assets (SRCR 0020)	16	⇔	16	9
10	Corporate Resilience (SRCR 0020B)	15	⇔	15	12
11	Cyber / Information Security (encompassing fall out from the Cyberattack)	20	⇔	20	9
12	Person suffers significant harm, injury or death (SRCR 0023)	15	⇔	15	12
13	Risks posed by unregistered schools and settings (SRCR 0027b)	16	⇔	16	12
14	Serious Safeguarding failure in regard to pupils not in school (SRCR 0029)	16	⇔	16	12
15	SEND funding (SRCR 0028)	25	⇔	25	12
16	Pressures on Temporary Accommodation (SRCR31)	16	⇔	16	12
17	Setting up Council owned companies (SRCR 0035)	12	⇔	12	9
18	Insourcing (SRCR 0036)	12	⇔	12	9
19	Universal Credit (SRCR 0037)	20	⇔	20	12
20	Climate Change/Climate Emergency (SRCR 0039)	15	⇧	10	8
21	Recruitment pressures (re-escalated)	16	**NEW**	-	-

2.2 The Scorecard provides a quarterly overview of the Council's Corporate risks. These are assessed in advance of each Audit Committee meeting and after being ratified by CLT, are updated accordingly. There is sometimes as little as two months between updates which means that scores can remain static for periods of time. This is not a reflection of a lack of dynamism within the approach, but rather the fact that high level scores are unlikely to change dramatically within short spaces of time. New risks are regularly incorporated into the Corporate Register and will always be marked as 'new'. The Scorecard will contain clear reference as to the movement (of the score) of the risk, and clarity as to the exact nature of the risk (whether it is of an internal or external nature to the Council).

2.3 In terms of this latest iteration of the (Corporate) register, there are 17 red risks and 4 amber risks. Clearly, numerous external events and influences are having a considerable impact on the Council's objectives, notably the fragile economy and accompanying cost of living crisis, the continuing impact of the Coronavirus pandemic, along with the Cyberattack which although it occurred in October 2020, continues to have an impact on Services. Areas like finances (with budget cuts, and especially current challenges like the volatile energy market and rapid increases in cost of living) were already problematic before the pandemic, and they have intensified now, and the Cyberattack has severely affected the effective operation of some Services. The current international instability following Russia's invasion of Ukraine has increased financial pressures, with multiple new risks being posed in the future regarding food, energy, supply chain and overall peace.

CLT have found it beneficial to look at some of the major, overarching risks (the primary example being the current cost of living crisis) from the perspective of not only Services in the Council and residents, but also businesses in the Borough as well as Council staff. The cost of living crisis can be clearly seen to be posing direct risks to all four of these categories. The Council's services themselves are handling a dramatic upsurge of work required to support the Borough in these challenging times whether in providing direct / advisory support, handling increased rent arrears, more vulnerable children / adults in care, or increasing homelessness. All these pressures on resources threaten effective service delivery. For residents, the risk of poverty leading to an array of problems (relating to physical and mental health, care, facilities) is very high. There are concerns from the internal perspective of staff encountering higher cost pressures from living in or travelling to London and this in turn may lead to future wage inflation pressures. For businesses, there are already examples of this crisis forcing companies to fold, with others demanding urgent support. This threatens the stability and cohesion of the wider community.

The finalising of a Brexit deal at the end of 2020 meant that the previously high risk of there being 'no deal' has dissipated, but supply chain risks related to this are still a problem. The latest COVID-19 risk relates to the possibility of further waves occurring and ensuring that the Council is well positioned to manage these. There also remain concerns about local uptake of the vaccines, which is amongst the lowest in the country. From an internal Council perspective there is a clear challenge to all Services, especially those of a more front facing nature and this is reflected in details on the Corporate register. An important control for the Council clearly lies in the detailed Business Continuity Plans which are up to date for every service area. These should provide assurance that in the continuing case of closures of offices and potential absences of staff, services can still continue to operate as effectively as possible.

Some risks have remained red with no change – this score reflects the continued severity of both the impact and likelihood of the risk. For example, financial cuts (and their effects) are likely to remain a significant risk, simply because they will always have a high impact on service delivery, and in the light of the current economic uncertainty, the chances of this continuing remain very probable. COVID-19 itself, has been having detrimental impacts on the overall world economy and stock markets which will be felt by all. However, even in the light of this continued red rating, the controls should still be able to provide assurance that the risk is being managed so far as is possible, and that the Council is taking appropriate action to best position itself in the light of challenging circumstances. Areas which are alluded to in the Corporate register, such as Integrated Commissioning and major programmes like Britannia, have their own separate registers going into much more detail with regards to all areas of risk.

3. FUTURE REPORTING TO AUDIT COMMITTEE

3.1 The reporting of the Corporate risks to the Audit Committee will continue at future meetings, on a quarterly basis. With twice yearly updates of the full Corporate Register, the next one is scheduled for January 2023, so the full details on all risks will be provided then.

CAPITAL

This paper updates the Audit Committee following the Quarter 1 Capital Expenditure exercise for the financial year 2022/23. The actual year to date capital expenditure for the four months April 2022 to July 2022 is £7.5m and the forecast is currently **£179.7m**, **£81.3m** below the revised budget of **£261m**. This represents a forecast of 74% of the approved budget of £244.3m, approved by Cabinet in February 2022 (Council's Budget Report). Each financial year, two re-profiling exercises within the capital programme are carried out in order that the budgets and monitoring reflect the anticipated progress of schemes. Cabinet approved the Capital Update Acquisition and Disposal Cabinet Report in September 2002 recommending the reprofiling of £83.2m capital budget into future years, together with details of the requested transfer of carry forward capital budget (slippage) from 2021/22 into the 2022/23 capital programme. A summary of the forecast by the directorate is shown in the table below along with brief details of the reasons for the major variances.

Capital Programme 2022/23	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/ Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/ Over)
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's	4,035	1,008	(3,027)	4,218	1,008	(3,210)
Adults, Health & Integration	30	0	(30)	30	0	(30)
Children & Education	14,862	17,695	2,833	17,520	17,695	175
Finance & Corporate Resources	28,668	20,279	(8,389)	31,326	20,279	(11,047)
Mixed Use Development	32,382	11,893	(20,489)	32,539	11,893	(20,646)
Climate, Homes & Economy	40,318	33,820	(6,498)	45,031	33,820	(11,211)
Total Non-Housing	**120,297**	**84,695**	**(35,600)**	**130,663**	**84,695**	**(45,968)**
AMP Housing Schemes HRA	43,886	41,409	(2,477)	46,122	41,409	(4,713)
Council Schemes GF	6,999	4,426	(2,573)	3,448	4,426	978
Private Sector Housing	2,164	1,210	(954)	2,164	1,210	(954)
Estate Regeneration	30,003	12,203	(17,800)	32,970	12,203	(20,767)
Housing Supply Programme	33,406	23,353	(10,053)	35,812	23,353	(12,459)
Woodberry Down Regeneration	7,595	12,382	4,787	9,816	12,382	2,566
Total Housing	**124,052**	**94,982**	**(29,070)**	**130,333**	**94,982**	**(35,351)**
Total Capital Budget	**244,349**	**179,677**	**(64,670)**	**260,997**	**179,677**	**(81,320)**

CHIEF EXECUTIVE'S

The current forecast for the overall Chief Executive's is £1m, £3.2m below the revised budget of £4.2m. More detailed commentary is outlined below.

CX Directorate Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/ Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/ Over)	Explanation
	£000	£000	£000	£000	£000	£000	
Libraries and Archives	4,035	1,008	(3,027)	4,218	1,008	(3,210)	The main project which is causing the variance relates to the budget set aside for the refurbishments to Stoke Newington Library. The spend for this year will be for the initial surveys and development plans. The project has been delayed due to the rising cost of the works and options needed to be appraised as to mitigating the cost and keeping within budget. Spend approval for the works will be considered by Cabinet in October. Thaisinyu/spend has been re-profiled to reflect the likely timeframe of the project.
Total Non-Housing	**4,035**	**1,008**	**(3,027)**	**4,218**	**1,008**	**(3,210)**	

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ADULTS, HEALTH AND INTEGRATION

The overall forecast for Adults, Health and Integration in this Quarter is no spend against the respective in-year budget of £30k.
G

AHI Directorate Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/ Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/ Over)	Explanation
	£000	£000	£000	£000	£000	£000	
Adults, Health and Integration	30	0	(30)	30	0	(30)	Insignificant variance.
TOTAL	**30**	**0**	**(30)**	**30**	**0**	**(30)**	

CHILDREN AND EDUCATION

The current forecast is £17.7m, £1.1m above the revised budget of £16.6m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/ Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/ Over)	Explanation
	£000	£000	£000	£000	£000	£000	
Children & Family Services	0	477	477	477	477	0	Loft conversions to 3 Council Foster Homes: 1st is completed, 2nd is progressing, 3rd is not going ahead but funds will be used to cover additional costs on existing projects. Refurb to Shoreditch Park Play Adventure is in the initial Design stage.
Education Asset Management Plan	4,095	3,076	(1,019)	3,395	3,076	(318)	Cancellation of some works to Fernbank due to a further review which showed that only minor repair works were required.
Education Sufficiency Strategy	38	83	45	91	83	(7)	Ickburgh School: The works to rectify poor installation of heating and the SEND works are complete, retention due and final accounts being discussed.
Other Education & Children's Services	1,328	1,180	(148)	1,993	1,180	(813)	The Education SEND strategy: Tenders came back lower than expected. Simon Marks and Nightingale School RIBA Stage 1 is returned. Stage 2 feasibility report has indicated that work is likely to start in March 2023 and the budget re-profiled to 2023/24 in line with the programme. The Petchey Academy School project is currently on hold.
Primary School Programmes	6,368	9,767	3,399	6,661	9,767	3,105	Woodberry Down Children Centre (Relocation) o/spend is due to the team expecting 'extension of time' from the contractor and a 'start on site' in the summer of 2022. There is a price inflation due to the delay caused by initial blockage of the access road by Berkeley Homes. 2023/24 and 2024/25 budget has been re-profiled back to the current year to cover this o/spend.
Secondary School Programmes	3,033	3,112	79	3,933	3,112	(821)	The Urswick School: The annual cost of the modular building hire is less than expected. Lifecycle Programme: The Contractor has been appointed and the work started over the summer. The lighting upgrade and redecorations will be part of reactive works, hence the underspend. The variance will be used to fund the works at Stoke Newington School.
TOTAL	**14,862**	**17,695**	**2,833**	**16,550**	**17,695**	**1,145**	

FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £32.2m, £31.7m below the in-year respective budget of £63.9m. More detailed commentary is outlined below.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/ Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/ Over)	Explanation
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	
Property Services	23,772	14,499	(9,273)	25,505	14,499	(11,007)	CCG Primary Care Estate is at the Design and Build Stage. Construction will start in 2023/24. The other significant u-spends relate to HTH programme of works which was delayed and will take place in 2023/24 to include CCTV, replacement of air conditionin electrical works, dividing doors, surveyors and other consultant fees. Both u/spends have been reprofiled to 2023/24 to reflect the programme of works and construction date.
ICT	4,243	4,143	(100)	4,143	4,143	0	
Other Schemes	654	1,638	984	1,678	1,638	(40)	Insignificant variance.
Total	**28,668**	**20,279**	**(8,389)**	**31,326**	**20,279**	**(11,047)**	
Mixed Use Development	32,382	11,893	(20,489)	32,539	11,893	(20,646)	Britannia Phase 2a/b (Residential): The u/spend is due to the construction of Phase 2a residential not commencing in 2022/23 as expected. This was due to the refusal of the Section 77 application for the phase 2a site. This element of the Britannia masterplan is now on hold. Due to the need to revise the tenure and unit mix for Phase 2b to include the 81 affordable units originally part of Phase 2a the construction programme for phase 2b was also delayed from 2022/23.
TOTAL	**61,051**	**32,172**	**(28,879)**	**63,865**	**32,172**	**(31,693)**	

CLIMATE, HOMES AND ECONOMY

The overall forecast in Neighbourhoods and Housing (Non) is £33.8m, £11.2m under the revised budget of £45m. More detailed commentary is outlined below.

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/ Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/ Over)	Explanation
	£000	£000	£000	£000	£000	£000	
Leisure, Parks & Green Spaces	22,934	19,751	(3,183)	24,967	19,751	(5,216)	Kings Hall LC refurbishment is at the feasibility and design stage. London Fields Learner Pool is at the design stage. The reason for the delay in progressing these projects were resourcing issues within the service which have now been resolved. Design teams have been or on track to be appointed in Q2 and contractors will be appointed in 2023/24. Both u/spends have been reprofiled to 2023/24.
Streetscene	12,765	11,171	(1,594)	16,067	11,171	(4,896)	The most significant underspend relates to the Highway Works schemes funded by s106. With these schemes, the service does not have control over when work may begin because they must wait for the developers to finish their work. The budgets have been re-profiled to 2023/24.
Environmental Operations & Other	734	488	(246)	1,018	488	(530)	Waste Wheeled Bins and Commercial Vehicles for Winter Maintenance have been delivered and the variance will be offered up as savings.
Public Realms TfL Funded Schemes	0	0	0	0	0	0	
Parking & Market Schemes	308	0	(308)	289	0	(289)	There is no spend for this financial year for the Hackney Street Markets Strategy and the u/spend has been re-profiled to 2023/24.
Community Safety, Enforcement & Business Regulations	493	512	19	512	512	0	
Area Regeneration	3,084	1,899	(1,185)	2,179	1,899	(280)	Affordable Workspace Programme: Options currently being considered for works. The original plans for the budget fell through and other sites are now being investigated. Unlikely to be spent this financial year therefore the budget has been reprofiled to 2023/24.
Total	**40,318**	**33,820**	**(6,498)**	**45,031**	**33,820**	**(10,932)**	

HOUSING

The overall forecast in Housing is £95m, £35.4m below the revised budget of £130.3m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/ Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/ Over)	Explanation
	£000	£000	£000	£000	£000	£000	
AMP Housing Schemes HRA	43,886	41,409	(2,477)	46,122	41,409	(4,713)	The latest projected spend reflects a correction in the programme of works at Lincoln Court and the procurement to appoint a new electrical supplier. Bannister House is complete and subject to final accounting. The budgets have been re-profiled to 2023/24.
Council Schemes GF	6,999	4,426	(2,573)	3,448	4,426	978	111 units are expected to receive void work during the year. The budget from 2022/23 and 2023/24 has been re-profiled back to the current year to support this o/spend.
Private Sector Housing	2,164	1,210	(954)	2,164	1,210	(954)	This forecast is based on the grant activity levels expected during the year which may fluctuate depending on the number of uptake of grants during the financial year. Any surplus will be utilised within Adult Services.
Estate Regeneration	30,003	12,203	(17,800)	32,970	12,203	(20,767)	There are 4 projects that are going into cost optimisation periods with the preferred contractors later in the year. The price of these contracts are currently higher than previous expectations, owing to the high inflation currently being experienced within the construction sector. The cost optimisation period will be used to work alongside the contractors to identify required cost savings and improve viability, before construction works commence. 2 projects have recently started on site and another 2 are due to fully complete before the end of the calendar year. Planning committee approval has recently been awarded on 5 sites, however the previously mentioned cost inflation alongside a stagnant sales market is making it challenging to meet previously agreed viability levels on a number of projects. Value engineering and othe cost saving and value maximising options are currently being considered by senior management.
Housing Supply Programme	33,406	23,353	(10,053)	35,812	23,353	(12,459)	Commentary is included within Estate Regeneration above.
Woodberry Down Regeneration	7,595	12,382	4,787	9,816	12,382	2,566	There is a £4m payment required to be made to Berkeley Homes, relating to a previous overage payment made to the Council in 2017 which is now required for Phase 3. LBH are however due to receive another overage payment relating to phase 2 before the end of 2022/23. 16 Buybacks are estimated to complete this year with

							the majority of these relating to Phase 4, where 41 Buybacks are required to complete before Oct 2023.. These costs are re-claimed from Berkeley Homes and the budget will be reprofiled based on completions to date.
Total Housing	**124,052**	**94,983**	**(29,070)**	**130,333**	**94,982**	**(35,351)**	

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Hackney

AUDIT AND ANTI-FRAUD PROGRESS REPORT TO SEPTEMBER 2022

AUDIT COMMITTEE MEETING DATE **20 October 2022**	**CLASSIFICATION:** **Open** **If exempt, the reason will be listed in the main body of this report.**
WARD(S) AFFECTED **All Wards**	
GROUP DIRECTOR **Ian Williams, Group Director of Finance & Corporate Resources**	

1. INTRODUCTION AND PURPOSE

1.1 The purpose of this report is for the Audit Committee to consider the performance of the Audit & Anti-Fraud Service, the areas of work undertaken, and information on current developments in Internal Audit and Anti-Fraud as well as statistical information about the work of the investigation teams.

1.2 This is part of the Committee's role in overseeing corporate governance and the report is presented for information and comment.

2. RECOMMENDATION

2.1 The Audit Committee is asked to consider and note the progress and performance of the Audit & Anti Fraud Service to 30 September 2022 (Appendices 1 - 4).

3. REASONS FOR DECISION

3.1. The Public Sector Internal Audit Standards (PSIAS) came into force in April 2013 and apply to all internal audit service providers. These Standards were updated in April 2016 and again in April 2017.

3.2. The PSIAS requires the Chief Audit Executive (or equivalent) to report functionally to a board and to communicate the internal audit service's performance relative to its plan and other matters. For the purposes of the PSIAS the Audit Committee has been designated the 'board'.

4. BACKGROUND

4.1 The Audit Committee approved the 2022/23 Annual Audit Plan on 20 April 2022 and this report notes the progress against that plan and progress against high and medium priority recommendations.

4.2 The 2022/23 Annual Audit Plan focuses resources on the areas that will provide the necessary evidence to support the Head of Internal Audit & Risk Management's annual assurance statement.

4.3 The Progress Report of the Internal Audit Service is provided in Appendix 1 and includes a summary of: -

- Performance against key performance indicator targets
- Internal Audit work carried out up to the end of September 2022
- Implementation of high and medium audit recommendations
- School audits

Details of progress with planned audits are provided in Appendix 2
Definitions of the assurance levels used are provided in Appendix 3

4.4 A statistical summary of the work undertaken by the Audit Investigation Service for the period April 2022 to September 2022 is provided in Appendix 4. In summary, the key financial benefits to arise from selected key areas of enquiry are as follows: -

Investigation area	Estimated saving arising from enquiries £
Tenancy Fraud	£1,951,400
No Recourse to Public Funds	£686,095
Blue Badge/Parking	£11,585
Other investigations	£10,000
Total	£2,659,080

4.4 Policy Context

The work of the Internal Audit Service complies with the Public Sector Internal Audit Standards. Internal Audit reviews consider all applicable policies of the Council.

4.5 Equality Impact Assessment

This report does not require an equality impact assessment but where applicable equality issues and adherence to corporate policies would be considered in audit reviews.

4.6 Sustainability

Not applicable

4.7 Consultations

Consultation on the proposed changes to the internal audit plan have taken place with senior management, the Council's external auditors and the Audit Committee.

4.8 Risk Assessment

The work of Internal Audit is based upon a risk assessment which covers all areas of the Council's activity and is continually changing to reflect new initiatives, emerging risk areas and new legislation. There is also continuous reassessment of risk as audits are undertaken, plus regular consultation with directors, chief officers and senior managers to ensure that account is taken of any concerns they raised during the year.

5. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

5.1. There are no financial implications arising from this report as the costs of providing the audit service are included within the Council's base budgets.

5.2 However, an effective audit service is important in order to ensure that key internal controls are assessed, thereby aiding the prevention and detection of fraud and other occurrences that could otherwise result in budget pressures.

6. COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

6.1. 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 management of risk. An adequate system of internal audit is inherent. This report demonstrates how the Council is fulfilling its obligations in this regard.

6.2 The Audit Committee is asked to note the report on the Audit and Anti Fraud's performance and opinion. There are no immediate legal implications arising from the report.

Appendices

Appendix 1 - Internal Audit Progress Report to 30 September 2022
Appendix 2 - Progress with planned audits 2022/23
Appendix 3 - Definitions of audit assurance levels
Appendix 4 - Audit Investigation Service statistics to 30 September 2022

BACKGROUND PAPERS

None

Report Author	Michael Sheffield 020-8356 2505 michael.sheffield@hackney.gov.uk
Comments of the Group Director of Finance & Corporate Resources	Jackie Moylan 020-8356 3032 Jackie.moylan@hackney.gov.uk
Comments of the Director of Legal, Democratic and Electoral Services	Dawn Carter-McDonald 020-8356 4817 Dawn.carter-mcDonald@hackney.gov.uk

Audit & Anti-Fraud Progress Report

1 April 2022 - 30 September 2022

1. INTRODUCTION

1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period April to September 2022. It covers the areas of work undertaken, progress with implementing audit recommendations and information on current developments in the service area.

1.2 Internal Audit provides an independent continuous review of key and high-risk activities across the Council. It is important that the effectiveness of the work of Internal Audit is monitored and reported in order to comply with the requirements of the Accounts & Audit Regulations 2015 and to provide the necessary assurance on the adequacy of the Internal Audit service. This report, in part, meets these requirements.

2. INTERNAL AUDIT RESOURCES AVAILABLE

2.1 The Internal Audit function is an in-house service consisting of two Principal Auditors and two Auditors, supplemented by specialist IT skills from an external provider. Internal Audit also supports the Council's CIPFA trainee programme. Internal Audit, like all services in the Council, continues to be affected by the cyber attack and the Covid-19 pandemic albeit that the disruption to services has significantly reduced. Internal Audit relies upon the co-operation of directorates and service level management to enable us to undertake the planned reviews. As a result of the ongoing lack of access to some systems and accurate data there have been various reviews across the Council that have needed to be deferred for another year.

2.2 One internal audit post has been vacant since October 2021, this has been covered by agency staff since June 2022. We are focusing our resources on the areas that management have agreed can take place and will provide the necessary evidence to support the Head of Internal Audit's annual assurance statement.

2.3 The 2022/23 Audit Plan consisted of 59 audits (of which 11 are schools/children's centres), 5 audits were postponed, cancelled or combined, and 2 were added since the plan was agreed.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

3.1 Internal Audit's performance for 2022/23 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraphs 3.2 – 3.4.

Objective	KPIs	Targets	Actual
Cost & Efficiency *To ensure the service provides Value for Money*	1) Percentage of planned audits completed to final/draft report stage 2) Average days between the end of fieldwork & issue of the draft report.	1) 90% by year end 2) Less than 15 working days	1) 41% complete or in progress by 30 September 2022 2) 11 days
Quality *To ensure recommendations made by the service are agreed and implemented*	1) Percentage of medium recommendations made which are agreed 2) Percentage of agreed high priority recommendations which are implemented	1) 100% 2) 90%	1) 100% 2) 86% - fully implemented** 13% - partially implemented
Client Satisfaction	1) Results of Post Audit Questionnaires	1) Responses meeting or	1) 100%

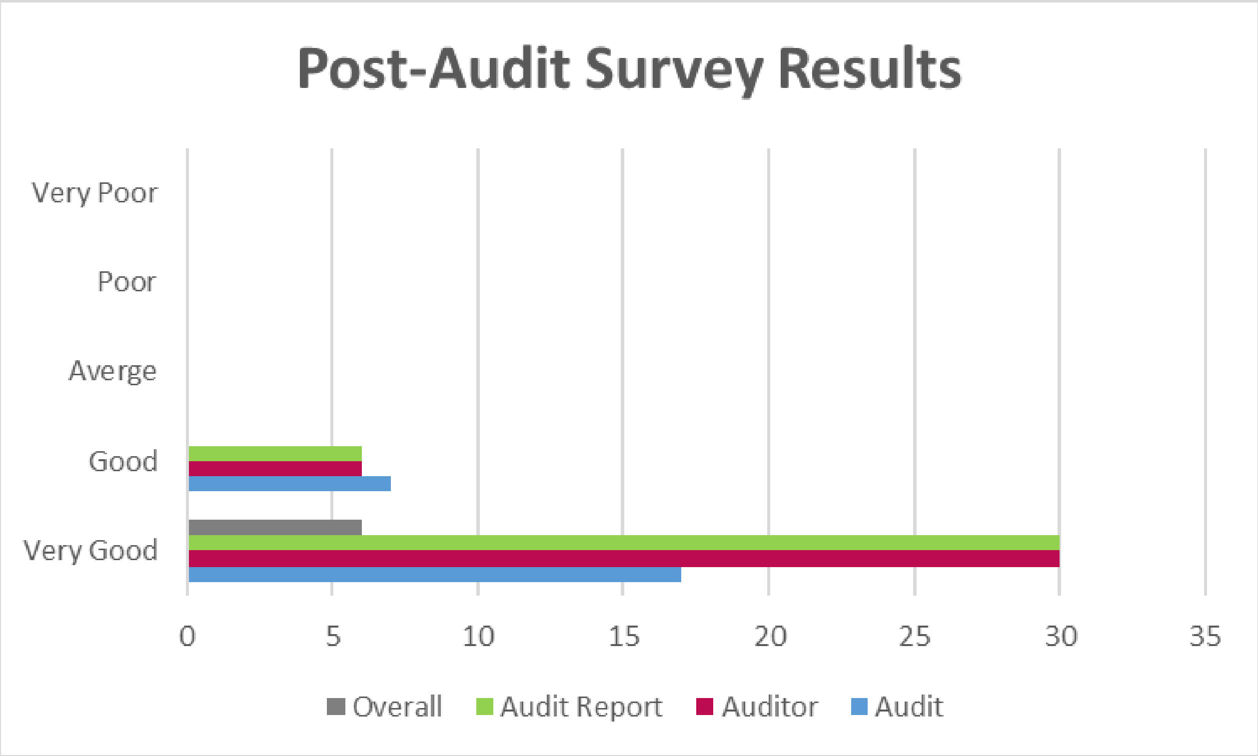
To ensure that clients are satisfied with the service and consider it to be good quality	2) Results of other Questionnaires 3) No. of Complaints / Compliments	exceeding expectations 2) Satisfactory 3) Actual numbers reported	(81% exceeded expectations or excellent) 2) N/A 3) None

** See paragraph 6.2 for explanation

Table 1

3.2 As at 30 September 2022 a total of 24 internal audit reviews have been started from the 2022/23 Plan, 2 have been completed and a further 3 are at draft report stage. In addition 14 reviews carried forward from the 2021/22 annual plan were finalised.

3.3 Post-Audit Survey results from April 2021 to date continue to show that overall expectations of auditees are met or exceeded with 81% responding that expectations were exceeded, see bar chart below.



4. SUMMARY OF INTERNAL AUDIT WORK

4.1 Progress with 2022/23 planned audits is summarised in Table 2 below and detailed in Appendix 2.

2022/23 Audit Plan Stage of Audit Activity	Number of assignments	Percentage of revised plan
Scoping/TOR agreed	12	21
Fieldwork in progress	7	13
Draft report issued	3	5
Completed	2	3
Total work completed and in progress	**24**	**42%**
Original Plan	59	
Additional requests	2	
Cancelled or Postponed	5	

Total Revised Plan	**56**

Table 2

4.2 The table shows 42% of the planned assignments have been completed or are in progress.

4.3 Details of cancelled/postponed audits are shown in Table 3 below.

Review	**Reason for Deferral**
Climate Change/Zero Tolerance	Management request - New Strategy produced which needs time to bed in
Procurement of Homecare	Management request - Delay in procurement process
Matrix ICT Contract	Management request - Restructure in service area
Streetscene	Other AAF work ongoing in service area
Public Health financial controls	Review now included under Commissioned Services audit (AHI03)
Review	**Reason for Addition**
Accounts Payable	Management request - efficient to review at the same time as another audit
Freedom of Information	Previously deferred audit that can now go ahead

Table 3

4.4 Each completed audit is given an overall assurance grading. These are categorised as 'Significant', 'Reasonable', 'Limited' or 'No' assurance. The assurances given this year are included in Appendix 3. For those audits finalised this year, including 14 carried forward from the 2021/22 plan, the assurance levels are set out in Table 4.

Assurance Level	**2022/23**	**2021/22**
No	0	1
Limited	0	0
Reasonable	2	8
Significant	0	4
Not Applicable	0	1
Total	**2**	**14**

Table 4

4.5 Where Internal Audit work identifies areas for improvement, recommendations are made to manage the level of risk. These are categorised as 'High', 'Medium' or 'Low' priority. The numbers of High and Medium recommendations issued up to 30 September 2022 are shown in Table 5.

Categorisation of Risk	**Definition**	**Number 2022/23 Plan**	**Number 2021/22 Plan not previously reported**
High	Major issues that we consider need to be brought to the attention of senior management.	0	8
Medium	Important issues which should be addressed by management in their areas of responsibility.	14	51
	Total	**14**	**59**

Table 5

5. SCHOOLS

5.1 The results of schools' audits are reported to Hackney Education (HE) within the Children's and Education Directorate. In addition, progress with the implementation of agreed recommendations from 2017/18 to the current date are regularly followed up and reported.

5.2 Following the successful pilot of Internal Control Questionnaires (ICQs) in 2019/20 this approach is now part of our standard operating practice. This approach allows for the necessary assurances to be given whilst reducing the resources necessary to complete the audits, both for the school and the audit service. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements.

5.3 As at 30 September 2022, 5 school and children centre audits ongoing from the 2021/22 audit plan have been finalised.

6. IMPLEMENTATION OF RECOMMENDATIONS

6.1 In order to track the Council's response to improving the control environment, progress with implementation of agreed internal audit recommendations is tracked. The results of this work for the 'High' priority recommendations from audits undertaken from 2017/18 that were due to be implemented by 30 September 2022 are presented in Table 6.

Directorate	Implemented/ No longer relevant	Partially Implemented	Not implemented /No response	Not Yet Due	Total*
AHI	7	2	0	1	9
Children & Education	4	0	0	0	4
Climate, Homes & Economy	54	8	1	2	63
Finance & Corporate Resources	17	2	0	0	19
Chief Executive's	1	0	0	0	1
Corporate	0	1	0	0	1
Total number	83	13	1	3	97
Percentage (%)*	86%	13%	1%	n/a	100%

* Does not include "Not Yet Due"

Table 6

6.2 The Council's target for 2022/23 is 90% of 'High' priority recommendations should be implemented in accordance with agreed timescale. Audit followed up 97 'High' priority recommendations, the implementation rate currently stands at 86% fully implemented, with a further 13% partially implemented.

6.3 Of the 353 'Medium' priority recommendations followed up 88% were assessed as implemented and 8% partially implemented. Details are shown in Table 7.

Directorate	Implemented /No longer relevant	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Adults, Health & Integration	37	3	0	1	40
Children & Education	27	3	0	0	30
Climate, Homes & Economy	114	7	11	6	132
Finance & Corporate Resources	103	6	3	2	112
Chief Executive's	15	2	0	4	17
Corporate	15	6	1	1	22
Total number	311	27	15	14	353
Percentage (%)	88%	8%	4%	n/a	100%

* Does not include "Not Yet Due"

Table 7

6.4 **SCHOOLS**

Recommendations made during school audits are followed up in the same way as for other recommendations. In circumstances where audits are categorised as 'No' or 'Limited' assurance, or where the school fails to provide progress updates with implementation of 'High' category recommendations, a follow up review is scheduled.

Recommendation Priority	Implemented/ No longer relevant	Partially Implemented	Not implemented/ No Response	Not yet due	Total*
High	38	1	1	0	40
Medium	183	6	29	0	218
Total Number	221	7	30	0	258
Percentage (%)	86%	3%	11%	n/a	100%

* Does not include "Not Yet Due"

Table 8

7. DEVELOPMENTS WITHIN INTERNAL AUDIT

7.1 A planned review of the division's management and resources which had been deferred as a result of the pandemic and cyber attack has recently been undertaken , the new structure comes into effect on 7 November 2022. The Head of Internal Audit & Risk Management which had remained vacant for a number of years will be deleted, this role will be covered by the Head of Audit, Anti Fraud & Risk Management. The restructure also created a new Audit Manager and an Audit Team Leader. Recruitment processes to fill these new posts in line with corporate policies are ongoing. In addition there remains a vacant internal auditor post that is being covered by temporary staff.

7.2 The completion of ICT audits were significantly hampered by both the service's response to the Covid-19 pandemic and the cyber attack in October 2020. The focus of planned audits in this service area were reconsidered with management to try to ensure planned reviews could take place in 2021/22. Unfortunately despite revising the planned audits it was not possible to complete most of the audits in this area last year and the reviews that remained relevant have been carried forward to this year's plan. There are ongoing resource issues within ICT that are hampering the completion of these reviews. Discussions are ongoing with senior management to try to ensure reviews are able to be undertaken during the year.

8. ANTI FRAUD SERVICE

8.1 The restructure of the AAF service also resulted in changes within the Anti-Fraud Service. The Audit Investigation Manager will be responsible for all investigations, including Tenancy Fraud enquiries. They will be supported by two Team Leaders with particular responsibilities for Housing and Proactive investigations, and the Pro-Active Anti-Fraud Team (PAFT) Manager post will be deleted. The new structure is due to take effect on 7 November 2022. Recruitment to fill posts that were held vacant during the pandemic period will see an increase in capacity.

8.2 Investigation activity has been fully resumed following the disruption caused by the pandemic, which severely curtailed some areas of work. Some impacts continue to be felt following the cyber attack and, more significantly, from backlogs that have built up in the criminal justice system since early 2020.

8.3 Statistical information relating to the work of the Anti-Fraud Teams is shown at Appendix 4.

9. CONCLUSIONS

9.1 This report provides details of the performance of the Council's Internal Audit and Anti Fraud Services. It provides assurance that the service is being delivered to meet statutory responsibilities and is continually seeking to improve the standard of its service.

9.2 The criminal cyber attack continues to impact the ability of the Audit & Anti Fraud Service to carry out its work, including the completion of internal audit reviews and investigations although the return of access to systems and data lost in the attack continues to make progress. The service demonstrated its agility, creativity and resilience to continue to undertake much of its core work. Resources are focussed on reviews that have been deferred from previous years and those that will provide evidence to support the Head of Internal Audit & Risk Management's annual assurance statement.

Internal Audit Annual Plan ***Progress to 30 September 2022 (including 2020/21 & 2021/22 audits completed in the current year)***					
Code	**Description**	**High Priority**	**Medium Priority**	**Audit Assurance**	**Status**
2021/22 Audits					
Corporate / Cross Cutting					
2122LBH01	AGS co-ordination 2021/22	N/A	N/A	N/A	Final
2122LBH02	Co Management/ Governance	0	6	Reasonable	Final
Chief Executive's					
2122CEX01	Electoral Services	0	4	Reasonable	Final
2122CEX02	Grants	0	1	Significant	Final
FINANCE & CORPORATE RESOURCES					
Customer Services					
2122FCR06	Searchlight System Review - Data security	0	2	Significant	Final
2122FCR07	Procurement of Homelessness Provision	0	2	Significant	Final
ICT					
2021ICT03	Mobile Device Management	0	4	Reasonable	Final
Neighbourhoods & Housing					
Housing					
2122NH01	Clapton Park TMO	4	11	No	Final
2122NH02	Wyke TMO	1	2	Reasonable	Final
Schools					
Primary Schools					
2122SCH01	Colvestone	1	2	Reasonable	Final
2122SCH03	Parkwood	1	4	Reasonable	Final
2122SCH05	St Dominic's	0	6	Reasonable	Final
Secondary Schools					
2122SCH12	New Regent's College	0	0	Significant	Final
2122SCH14	Yesodey Hatorah Senior Girls School	1	7	Reasonable	Final

Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
2022/23 Audits					
Corporate / Cross Cutting					
2223LBH01	AGS co-ordination 2021/22				Q4
2223LBH02	Climate Change/Zero Tolerance				Deferred to 2023/24 - mgmt request
2223LBH03	Equal Pay				
2223LBH04	Organisational Culture				
Chief Executive's					
2223CEX01	Council Meetings - Governance				
Adults, Health & Integration					
Adult Services/Public Health					
2223AHI01	Mortuary				
2223AHI02	Integrated Learning Disabilities Service (ILDS)				
2223AHI03	Commissioned Services - Sexual Health Services				WiP
2223AHI04	Safeguarding Adults				ToR
2223AHI05	Procurement of Homecare				Deferred to 2023/24 - mgmt request
Children & Education					
Children & Families					
2223CE01	LAC Incidentals				
2223CE02	Local Safeguarding Children's Partnership				Draft
2223CE03	NRPF				ToR
2223CE04	Development of Children & Family Hubs (Advisory)				
2223CE05	Joint Agency Funding - Children with Complex Needs				

Education & Schools					
2223CE06	Schools overview report 2019/20				
2223CE07	Cost of Children in Alternative Provision				ToR
Schools					
Children's Centres					
2223SCH04	Millfields CC				
Primary Schools					
2223SCH01	Harrington Hill Primary				
2223SCH02	Holmleigh Primary				
2223SCH03	London Fields Primary				
2223SCH04	Millfields Primary				
2223SCH05	Nightingale Primary				
2223SCH10	Betty Layward				ToR
2223SCH11	Oldhill Primary	0	6	Reasonable	Final
Secondary Schools					
2223SCH06	Stoke Newington Secondary				
2223SCH07	Haggerston Secondary				
2223SCH08	Stormont House				
2223SCH09	Clapton Girls Academy				WiP
FINANCE & CORPORATE RESOURCES					
Financial Management					
2223FCR01	Banking Team - Refunds of Income				Draft Report
2223FCR02	Treasury Management				WiP
2223FCR03	Main Accounting System				WiP
2223FCR04	Accounts Receivable				WiP
2223FCR05	Pensions				ToR
2223FCR12	Accounts Payable				WiP
Human Resources					
2223FCR06	Matrix ICT Contract (Digital market place)				Deferred to 2023/24 - mgmt request

Procurement					
2223FCR07	Supplier Set-up on Cedar				Draft Report
2223FCR08	IR35 Follow up				ToR
Revenues & Benefits					
2223FCR09	Council Tax				
2223FCR10	NNDR/Business Rates				ToR
Strategic Property					
2223FCR11	Commercial Property Income				ToR
ICT					
2223ICT01	3 year ANA				Q4
2223ICT02	ICT Governance				
2223ICT03	ICT Security				
2223ICT04	Home Working Support				ToR
2223ICT05	Cloud Platform				
2223ICT06	FOI				ToR
2223ICT07	Follow-up of Recommendations				
Climate, Homes & Economy					
Housing					
2223CHE01	Cranston TMO				
2223CHE02	Clapton Park TMO - Follow Up				
2223CHE03	Streetscene				Deferred
2223CHE04	Fire Safety Risks				ToR
2223CHE05	Rent Arrears - Incl. Effect of UC on Tenant Arrears				
2223CHE06	Repairs Blacklog				
2223CHE07	Assurance on New Systems, Repairs, Asset Management & Community Safety				
Public Realm					

2223CHE08	Use of Infrastructure Levy/Section 106				ToR
2223CHE09	LTN Process				ToR
Regeneration					
2223CHE10	Housing Supply Programme	0	8	Reasonable	Final
22223CHE11	Area Regeneration				WiP
2223CHE12	Processes & Procedures				

The **Overall Assurance** given in respect of an audit is categorised as follows:

Level of assurance	Description	Link to risk ratings
Significant	Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.	There are two or less medium-rated issues or only low rated or no findings to report.
Reasonable	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than critical or they would be unlikely to occur.	No more than one high priority finding &/or a low number of medium rated findings. Where there are many medium rated findings, consideration will be given as to whether the effect is to reduce the assurance to Limited.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.	There are up to three high-rated findings. However, if there are three high priority findings and many medium rated findings, consideration will be given as to whether in aggregate the effect is to reduce the opinion to No assurance.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.	There are a significant number of high rated findings (i.e. four or more).

Anti-Fraud Service:

Statistical Information 1 April 2021 to 31 March 2022

1. Investigations Referred

The Anti-Fraud service has received 305 referrals to date during 2022/23, which represents a significant increase on the rate of referrals received during 2021/22. It is roughly in line with the 617 cases received pre-pandemic in 2019/20.

Group	Department	Number of Cases Referred in Period	Number of Cases Closed in Period	Cases Currently Under Investigation	Referrals 2022/23	Referrals 2021/22
Climate, Homes & Economy (CHE)	Climate, Homes & Economy	21	14	7	21	12
	Tenancy Fraud	147	118	396	147	232
	Parking	99	70	29	99	157
Children's & Education	Children's	5	3	2	5	0
	No Recourse to Public Funds (NRPF)	22	9	13	22	44
	Hackney Education	0	9	0	0	0
Adults, Health & Integration	Adults, Health & Integration	4	2	2	4	3
Finance & Corporate Resources (F&CR)	Finance & Resources	4	0	4	4	6
	Covid19 Business Grants	2	0	2	2	0
Chief Executive's Directorate	Chief Executive's Directorate	1	1	0	1	1
Total		305	226	455	305	455

Table 1

Note 1: Fraud reporting is provided at Group Directorate level, with additional detail being provided for areas that have been the subject of a dedicated counter-fraud response (Tenancy, Parking, Covid grants and NRPF).

Note 2: Cases closed/under investigation may include those carried forward from previous reporting periods.

2. Fraud Enquiries

Investigative support is provided to other bodies undertaking criminal enquiries, including the Police, Home Office and other Local Authorities. The team also supports other LBH teams to obtain information where they do not have direct access and it is available under the Data Protection Act crime prevention and detection gateways.

Source	Number of Cases Referred in period	Number of Cases Closed in period	Cases Currently Under Investigation	2022/23	2021/22
Internal	13	13	0	13	92
Other Local Authority / Housing Association	28	28	0	28	95
HMRC	2	2	0	2	3
Police	10	10	0	10	17
Immigration	2	2	0	2	1
DWP	3	3	0	3	230
Other	3	3	0	3	54
Total	61	61	0	61	492

Table 2

3. National Fraud Initiative (NFI) Matches

The NFI is a biennial data matching exercise; the majority of datasets were most recently received in January 2021. Matches are investigated by various LBH teams over the 2 year cycle, AAF investigates some matches and coordinates the Council's overall response. The total number of matches includes a number of recommended cases that are identified as high priority, participants are expected to further risk assess the results to determine which are followed up.

Type of Match	Number of Matches	Cases Under Investigation	Number Matches Cleared NFI2020/21	Number Matches Cleared NFI2018/19
Payroll	69	2	20	82
Housing Benefit	1303	17	14	128
Housing Tenants	831	19	60	73
Right to Buy	28	0	0	10
Housing Waiting List	n/a	n/a	n/a	120
Concessionary travel / parking	987	9	161	187
Creditors	7125	0	8	sample
Pensions	220	219	1	208
Council Tax	n/a	n/a	n/a	9,628
Council Tax Reduction Scheme	n/a	n/a	n/a	185
Covid19 business grants	126	79	26	714
Other	n/a	n/a	n/a	15
Total	10689	250	290	11,350

Table 3

Hackney participation in the 2020/21 NFI was limited because of the timing of the cyber attack. Information that was in the process of being collated in October 2020 was not available for matching, hence the absence of some match categories from the table above. Match outcomes are being reviewed although alternative methodologies are being followed in some cases. The next NFI data run will take place shortly and results

will be received in January 2023. We anticipate that most datasets will be available to match.
Responsibility for investigating Housing Benefit matches passed to the DWP in 2014, since when Hackney has provided resources to assist with accessing benefit information from our records. Hackney has now agreed to provide DWP officers with direct access to our Housing Benefit records, this has reduced the financial and resource burden on the Council.

4. Analysis of Outcomes

Investigations can result in differing outcomes from prosecution to no further action. Table 4 below details the most common outcomes that result from investigations conducted by the Anti-Fraud Teams.

Outcome	Reporting Period	2022/23	2021/22
Disciplinary action	0	0	2
Resigned as a result of the investigation	1	1	2
Referred to Police or other external body	3	3	7
Prosecution	0	0	0
Referred to Legal Services	0	0	0
Investigation Report/ Management Letter issued	4	4	9
Council service or discount cancelled	34	34	37
Covid business grants cancelled	1	1	4
Blue Badges recovered	30	30	97
Other fraudulent parking permit recovered	5	5	4
Parking misuse warnings issued	31	31	23
Penalty Charge Notice (PCN) issued	49	49	108
Vehicle removed for parking fraud	27	27	82
Recovery of tenancy	27	27	34
Housing application cancelled or downgraded	1	1	5
Right to Buy application withdrawn or cancelled	7	7	3

Table 4

<u>Prosecutions and dismissals</u>
As a result of the investigations conducted by the Audit Investigation Team (AIT), one employee left while an investigation was still active concerning an allegation that they had been carrying out private work in Hackney time.

5. Financial Losses as a Result of Fraud

The most apparent consequence of many frauds is a financial loss, however, it needs to be noted that it is not always possible to put a value in monetary terms. In many cases the direct financial loss accounts for only a small amount of the total cost of the fraud, with the additional amount comprising intangibles such as reputational damage, the cost of the investigation and prosecution, additional workplace controls, replacing staff involved and management time taken to deal with the event and its' aftermath.

The following are estimates of the monetary cost for some of Hackney's priority investigation areas based (where relevant) upon external benchmarking data to provide a realistic estimation of the cost of the irregularity:

5.1 Tenancy Fraud Team (TFT)

During the period April to September 2022 a total of 27 tenancies have been recovered by the TFT. Using the recognised measure for the estimated cost of each misused tenancy of £42,000 pa, this equates to a value of £1,134,000.

In the same period 1 housing application was cancelled following a TFT review. These investigations help to ensure that Hackney's social housing is only allocated to those in genuine need. The Audit Commission had variously reported the potential benefit to the public purse of each cancelled application as between £4,000 and £18,000, so the value of this work represents a potential saving of between £4,000 and £8,000.

During this period seven Right to Buy (RTB) applications were cancelled following investigation. Each RTB represents a discount of £116,200 on the sale of a Council asset, so the value of this work is a saving of £813,400 to the public purse.

5.2 No Recourse to Public Funds Team (NRPF)

An average weekly support package valued at c£387 is paid to each family supported (applicable to the 'service cancelled' category in Table 4). In the period April to September 2022, 34 support packages were cancelled or refused following AAF investigations. This equates to a saving in the region of £13,158 per week, if these had been paid for the full financial year it would have cost Hackney approximately £686,095.

It is expected that more packages will be cancelled as a result of investigations carried out during this reporting period, once cases have been thoroughly evaluated.

5.3 Parking Concessions

The Audit Commission estimated the cost of each fraudulently used Blue Badge to be £100 (equivalent to on-street parking costs in the Hackney Central parking zone for less than 39 hours). Fees of £65 are also payable where a Penalty Charge Notice is issued as part of the enforcement process, or £265 if the vehicle is removed. In this period AIT recovered 30 Blue Badges or other parking permits, which equates to £3,000, and enforcement charges of £8,585 also arose.

The cost for these types of fraud is far greater in terms of the denial of dedicated parking areas to genuine blue badge holders and residents, and the reputational damage that could be caused to Hackney if we were seen not to be tackling the abuse of parking concessions within the borough.

5.4 Covid19 Business Grants

The investigations team has worked closely with the grant administration teams since March 2020 to assist with the grant verification process. This has identified multiple grant applications which were inaccurate, resulting in payment being withheld, and further cases where action is underway to recover payments that have already been made. One grant overpayment of £10,000 was resolved during this reporting period. There have been 2 cases reported to the police in this period where the cumulative overpayment total is £87,000.

6. Matters Referred from the Whistleblowing Hotline

All Hackney staff (including Hackney Homes and Hackney Education) can report concerns about suspected fraud and other serious matters in confidence to a third party whistleblowing hotline. Other referral methods are available (and may indeed be preferable from an investigatory perspective), however, the hotline allows officers to raise a concern that they might not otherwise feel able to report. No fraud referrals were received via the hotline in the reporting period.

7. Regulation of Investigatory Powers Act (RIPA) Authorisations

RIPA is the legislation that regulates the use of surveillance by public bodies. Surveillance is one tool that may be used to obtain evidence in support of an investigation, where it can be demonstrated to be proportionate to the seriousness of the matter concerned, and where there is no other less intrusive means of obtaining the same information.

Because surveillance has the potential to be a particularly intrusive means of evidence gathering, the approval process requires authorisation by a nominated senior Hackney officer (Corporate Head of Audit, Investigations & Risk Management/Director/Chief Executive) and approval by a magistrate. Although Hackney will use its surveillance powers conferred by RIPA when it is appropriate to do so, no application has been made in the current financial year.

8. Proceeds of Crime Act (POCA) Investigations

POCA investigations can only be undertaken by accredited officers, as are currently employed by AAF. The Council is able to benefit financially from the use of POCA investigation powers. The amount awarded to the Council is greater in instances where the Council is both the investigating and prosecuting authority. The Council's investigation processes are supported by POCA in four principal ways: -

- Providing access to financial information in connection with a criminal enquiry, subject to approval by Crown Court by way of a **Production Order**.
- Preventing the subject of a criminal enquiry from disposing of assets prior to a trial, where these may have been obtained from criminal activity, by use of a **Restraint Order**, subject to Court approval.
- Recognising that offenders should not be able to benefit from their criminal conduct through the use of **Confiscation Orders**. These allow the courts to confiscate any benefit that a defendant may have received as a result of their crime.
- Under the confiscation process the courts are also able to ensure that victims are compensated for their loss by way of a **Compensation Order.**

Type of Order	Authorised in period	2022/23	2021/22
Production	3	3	4
Restraint	0	0	0
Compensation	0	0	0
Confiscation	0	0	0
Total	3	3	4

Table 5

It is likely that approximately £12,000 has been received in respect of POCA orders during the reporting period, but this has not yet been confirmed. The POCA incentivisation scheme splits the proceeds from orders between investigation, prosecution and judicial authorities, and the HM Treasury - so the amount reported here represents a part of the total benefit to the public purse arising from this work. It should be noted that funds awarded from successful POCA investigations can often be received some time after the investigation is reported.

Agenda Item 10

Title of Report	Treasury Management Update Report
For Consideration By	Audit Committee
Meeting Date	20th October 2022
Classification	Open
Ward(s) Affected	All Wards
Group Director	Ian Williams, Group Director Finance and Corporate Resources

1. Introduction

1.1. The report, at Appendix 1, introduces the treasury management outturn report and the actual prudential indicators for 2021/22 for the Audit Committee setting out the background for treasury management activity over the previous financial year and confirming compliance with treasury limits and prudential indicators.

1.2. The report, at Appendix 2, provides a quarterly update on treasury management activity for the period July 2022 to Sep 2022 of 2022/23.

2. Recommendations

2.1. There are no immediate recommendations arising from this report as the purpose is to update the Audit Committee on the past events.

3. Reason(s) for decision

3.1. This report is an update on the past events.

4. Background

Policy Context

4.1. Treasury management and ensuring that the function is governed effectively means that it is essential for those charged with governance to review the operations of treasury management on a regular basis. This report sets out the prior year's outturn and forms part of the regular reporting cycle for the Audit Committee along with the second of the in-year updates for the current financial year covering the period from July 2022 to Sep 2022.text here.

Equality impact assessment

4.2. There are no equality impact issues arising from this report.

Sustainability and climate change

4.3. There are no sustainability and climate changes issues arising from this report.

Consultations

4.4. No consultations are required in respect of this report.

Risk assessment

4.5. There are no risks arising from this report as it reports on past events. Clearly though the treasury management function is a significant area of potential risk for the Council if the function was not properly carried out and monitored by those charged with responsibility for oversight. Regular reporting on treasury management ensures that the Committee is kept informed.

5. Comments of the Group Director of Finance and Corporate Resources.

5.1. There are no direct financial consequences arising from this report as it reflects past performance through 2021/22 and for the period from July 2022 to Sep 2022. The information contained in this report will assist members of this Committee in monitoring the treasury management activities and enable better understanding of such operations. Officers continue to pay close attention to the council cashflow making sure there is enough liquid cash to meet any unexpected situation as a result of a highly volatile economy at present.

5.2. Global bond markets have been extremely volatile over the prolonged period following the recovery from the pandemic. Inflationary issues arising from supply bottlenecks, first considered transitory, have merged with inflationary behaviour.

5.3. No new borrowings have been undertaken since the last update due to sufficiency of internal cash levels. Councils liability benchmark based on current capital financing requirement suggest a small borrowing requirement which will be met by short term borrowing. For future capital financing requirements, the Council will continue to consider borrowing rates offered by alternative lenders, including other local authorities alongside PWLB rates in order to minimise, where possible, its costs of borrowing. Gilt yields and, therefore, PWLB rates, have been highly volatile since the start of Q4 2021 and that trend has continued throughout the first four months of 2022; indeed, they have risen sharply, beyond what was forecast. Our treasury advisors forecasted PWLB certainty rates to be around 2.60 by end September 2022 in May 2022 compared to the actual rate 3.97 at end September 2022. Increases in rates have been rapid. Officers regularly review council borrowing requirements based on development in cash forecasts and capital programmes. Cash needs have been pushed further out while the council cash balance remains high.

5.4. The Committee is requested to note this report.

6. Comments of the Director of Legal, Democratic and Electoral Services

6.1. 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 management of risk. In addition, the Council within its Annual Treasury Management Strategy has agreed to comply with the CIPFA Code of Practice on Treasury Management. This report sets out the work that Treasury Management is undertaking to ensure that it is meeting these requirements and adapting to changes as they arise.

6.2. There are no immediate legal implications arising from the report.

Appendices

Appendix 1 - Annual Treasury Management Outturn Report 2021/22
Appendix 2 - Treasury Management Update Report (July 2022 to September 2022)

Background documents

None

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APPENDIX 1: Annual Treasury Management Outturn Report 2021/22

1. External Context

1.1 **Economic background:** The continuing economic recovery from the coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

Having increased the Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

1.2 **Financial markets:** The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels. Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

1.3 **Credit background:** In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of the period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Authority's counterparty to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.

2 The Borrowing Requirement and Debt Management

2.1 The Council currently had one £1.6m LEEF (London Energy Efficient Fund) loan from the European Investment Bank to fund housing regeneration. This loan is below market rate and was taken out in July 2014.

2.2 The LEEF loan is an EIP (Equal Instalment of Principle) loan where each payment includes an equal amount in respect of loan principle throughout the duration of the loan. Therefore the interest due with each payment reduces as the principle is eroded, and so the total amount reduces with each instalment. Consequently, part of the loan is short term in duration, the amount which will be paid via instalments within one year with the remainder of loan maturing beyond 1 year (long term).

2.3 In addition, the Authority had £70.5m in long term external borrowing to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration.

Table 1: Capital Financing Requirement (CFR) & Total External Debt

	Balance as at 31/03/21 £'000	**New Borrowing £'000**	**Debt Maturing £'000**	**Debt Repaid £'000**	**Balance as at 31/03/22 £'000**	**Average Rate %**
CFR	503,330				466,705	
Short Term Borrowing*	400	-	-	-	400	1.9%
Long Term Borrowing	76,200	-	-	4,500	71,700	1.9%
TOTAL BORROWING	**76,600**	**-**	**-**	**4,500**	**72,100**	
Other Long Term Liabilities	11,646	-	-	949	10,697	
TOTAL EXTERNAL DEBT	**88,246**	-	-	50,382	**82,797**	

2.4 The Council's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), as at 31/03/2022 was provisionally (whilst accounts remain open and unaudited, but no expectation of change) £466.7m.

2.5 External Borrowing – During the year no new external borrowing was accessed by the council.

3. Investment Activity

3.1 MHCLG's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

3.2 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2021/22 Investments during the year included:

- Deposits with other Local Authorities
- Investments in AAA-rated Money Market Funds
- Market Funds
- Call accounts, deposits and
- Housing Associations

Table 2: Investment Balances

Investments	**Balance as at 31/03/21 £'000**	**Average Rate %**	**Balance as at 31/03/22 £'000**	**Average Rate %**
Short Term Investments	18,543		15,045	
Long Term Investments	200		200	
Housing Associations	15,000		15,000	
Money Market Funds	35,700		95,000	
TOTAL INVESTMENTS	**69,443**	**0.7**	**125,245**	**0.6**

3.3 The Council's investment balance increased from £69m to £125m at the end of the financial year with an investment return of 0.6%. The Council is forecasting a further downward trend in cash balances as the Council progresses on a number of major capital schemes requiring forward funding.

3.4 Credit Risk- Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2021/22 treasury strategy was A- across rating agencies Fitch, S&P and Moody's.

Table 3: Credit Score Analysis

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating
31/03/2021	5.3	A+	6.1	A
30/06/2021	5.4	A+	5.4	A+
30/09/2021	5.3	A+	6.4	A
31/12/2021	5.5	A+	6.5	A-
31/03/2022	5.3	A+	6.0	A

3.5 Liquidity - In keeping with the MHCLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds/overnight deposits/call accounts.

3.6 Yield - The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate changed from 0.50% to 0.75% in March 2022.

4. Compliance

4.1 The Council can confirm that it has complied with its Prudential Indicators for 2021/22, which were approved on 24th Feb 2021 as part of the Council's Treasury Management Strategy Statement.

4.2 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2021/22. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

4.3 The Authority can confirm that during 2021/22 it complied with its Treasury Management Policy Statement and Treasury Management Practices. However, the Audit Committee will be aware that the 2021/22 accounts at this point remain open and unaudited. There is therefore the possibility that changes to the numbers could occur but this is not expected.

5. Prudential Indicators

5.1 Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirements for 2019/20 to 2022/23 are shown in the table below.

	31/03/20 Actual £'000	31/03/21 Draft £'000	31/03/22 Draft £'000	31/03/23 Estimated £'000
Gross CFR	493,014	503,330	466,706	488,539
Less: Other Long Term Liabilities	12,528	11,646	10,697	9,677
Borrowing CFR	**480,486**	**491,684**	**456,009**	**478,862**
Less: Existing Profile ofBorrowing	126,008	76,600	72,100	67,600
Gross Borrowing Requirement/Internal Borrowing	**354,478**	**415,084**	**383,909**	**411,262**
Usable Reserves	276,176	283,313	309,894	225,000
Net Borrowing Requirement/(Investment Capacity)	**78,302**	**131,771**	**74,015**	**186,262**

In the Prudential Code Amendment (November 2012), it states that the Chief Finance Officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

	2019/20	2020/21	2021/22	2022/23
	Actual	**Draft**	**Draft**	**Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Gross Debt	138,536	88,246	82,797	77,277
CFR	493,014	503,330	466,706	488,539
Borrowed in excess of CFR? (Y/N)	N	N	N	N

5.2 Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.

- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

- The Group Director of Finance and Corporate Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year.

	Operational Boundary (Approved) as at 31/03/22 £'000	**Authorised Limit (Approved) as at 31/03/22 £'000**	**Actual External Debt as at 31/03/22 £'000**
Borrowing	529,000	559,000	72,100
Other Long-term Liabilities	19,000	19,000	10,697
Total	**547,000**	**577,000**	**82,797**

(b) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	Draft	**Draft**	**Estimate**	**Estimate**	**Estimate**
	£000	**£000**	**£000**	**£000**	**£000**
Capital Expenditure					
Housing	91,414	102,105	70,097	170,190	102,782
Non-Housing	110,715	52,089	95,469	267,083	248,307
Total spend	**202,129**	**154,194**	**165,566**	**437,273**	**351,089**

Current capital expenditure financing is as per the table below. However further review of the capital programme will be happening during the 2022/23 financial year meaning configuration of numbers below are likely to change. The Prudential borrowing line below relates primarily to regeneration schemes.

Capital Financing	2020/21	2021/22	2022/23	2023/24	2024/25
	Draft	Draft	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Prudential Borrowing	71,339	9,584	29,010	315,721	170,318
S106/CIL	8,661	11,003	8,048	12,597	4,099
Capital receipts	44,975	68,463	68,311	35,411	106,885
Grants	27,724	21,392	14,982	16,877	7,738
Reserves/ Discretionary	4,813	0	579	545	320
RCCO	44,618	43,751	44,635	56,123	61,729
Total Financing	**202,129**	**154,194**	**165,566**	**437,274**	**351,089**

The above table shows that the capital expenditure plans of the Authority could not be funded entirely from sources other than borrowing.

(c) Ratio of Financing Costs to Net Revenue Stream

- This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.
- The ratio is based on costs net of investment income.
- The 2020/21 and 2021/22 number here is provisional whilst the accounts remain open, and 2022/23 to 2024/25 numbers will be updated again in this financial year prior to year-end.

Ratio of Financing Costs to Net Revenue Stream	2020/21 Draft	2021/22 Draft	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non-HRA	0.8%	0.8%	0.8%	0.9%	0.9%
HRA	28%	30%	30%	30%	30%

(d) **Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the Authority adopted the principles of best practice via approval of the CIPFA Treasury Management Code

<u>Appendix 2 – Treasury Management Update Report</u>

<u>Treasury Management Activities from July 2022 to September 2022</u>

1. Economic Highlights

1.1 **Growth:** Estimates show that headline GDP fell by 0.1% in the second quarter of 2022. The 2022 calendar year growth was estimated to be 2.9%. The level of quarterly GDP in Quarter 2 2022 is now 0.6% above its pre-coronavirus level.

1.2 **Inflation:** CPI increased by 9.9% over the course of the previous 12 months to August 2022, down from 10.1% in July. From April 2020, the beginning of the first COVID-19 lockdown, until March 2021, the annual rate was less than 1.2%.

1.3 **Labour Market:** The unemployment rate increased by 0.1 percentage points in the quarter to 3.8%. This is now 0.2 percentage points below pre-coronavirus pandemic levels. The rate of pay growth was 5.1% for total pay (including bonuses) and 4.7% for regular pay. In real terms (adjusted for inflation), growth in total pay fell by 2.5% while regular pay fell 3.0%; this was a record fall for regular pay in real terms.

1.4 **Monetary Policy Committee:** The Bank of England's Monetary Policy Committee came together on 21st September 2022 and voted by a majority of 5-4 to increase the official Bank Rate by 0.5 percentage points, to 2.25%. Three members preferred to increase Bank Rate by 0.75 percentage points to 2.50%, one member preferred to increase Bank Rate by 0.25 percentage points to 2%. The Committee also voted unanimously to reduce the stock of purchased UK government bonds by £80 billion over the next twelve months, to a total of £758 billion. On 28 September, the Bank of England's Financial Policy Committee noted the risks to UK financial stability from dysfunction in the gilt market. It recommended that action be taken, and welcomed the Bank's plans for temporary and targeted purchases in the gilt market on financial stability grounds at an urgent pace. The Monetary Policy Committee has been informed of these temporary and targeted financial stability operations. The MPC's annual target of an £80bn stock reduction is unaffected and unchanged.

2. Borrowing & Debt Activity

2.1 The Authority currently has £70.6m in external borrowing. This is made up as a single LEEF loan of £1.4m from the European Investment Bank to fund housing regeneration and £69.2m borrowed from Public Work Loan Board for housing capital programme, particularly in respect of housing regeneration. No new borrowing was done during the period due to high cash balance and uncertainty over economic outlook. PWLB certainty rates were forecasted to be around 2.60 by end September 2022 whereas the current rate is 5.17.

3. Investment Policy and Activity

3.1 The Council held average cash balances of £105 million during the reported period, compared to an average £79 million for the same period last financial year. Increase in cash balance is generally due to more receipts and lower bacs.

Movement in Investment Balances 01/07/22 to 30/09/22

	Balance as at 01/07/2022 £'000	**Average Rate of Interest %**	**Balance as at 30/09/2022 £'000**	**Average Rate of Interest %**
Short Term Investments	25,046	-	20,046	-
Long Term Investments	200	-	200	-
Housing Associations	15,000	-	15,000	-
Money Market Funds	76,400	-	61,500	-
	116,646	**1.03**	**96,746**	**1.35**

3.2 Due to the volatility of available creditworthy counterparties, longer and short term investments have been placed in highly rated UK Government institutions, thus ensuring creditworthiness of investments.

4. Counterparty Update

4.1 S&P has affirmed Greater London Authority's long and short-term ratings at AA and A-1+ respectively, revising the outlook to Stable from Negative. Our advisors remains comfortable with clients lending to Greater London Authority for up to two years without further due diligence, where this is in line with the approved investment strategy.

4.2 Our treasury advisors advise against new lending to the Thurrock Borough Council.

4.3 Whilst the ongoing investment strategy remained cautious counterparty credit quality remains strong, as can be demonstrated by the Credit Score Analysis summarised below.

5. **Credit Score Analysis**

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating Score	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating Score
31/07/2022	A+	5.1	A	6.0
31/08/2022	A+	5.1	A	6.0
30/09/2022	A+	5.3	A	6.1

5.1 The Council continues to utilise AAAmmf/Aaa/AAAm rated Money Market Funds for its very short, liquidity-related surplus balances. This type of investment vehicle has continued to provide very good security and liquidity, although yield suffers as a result.

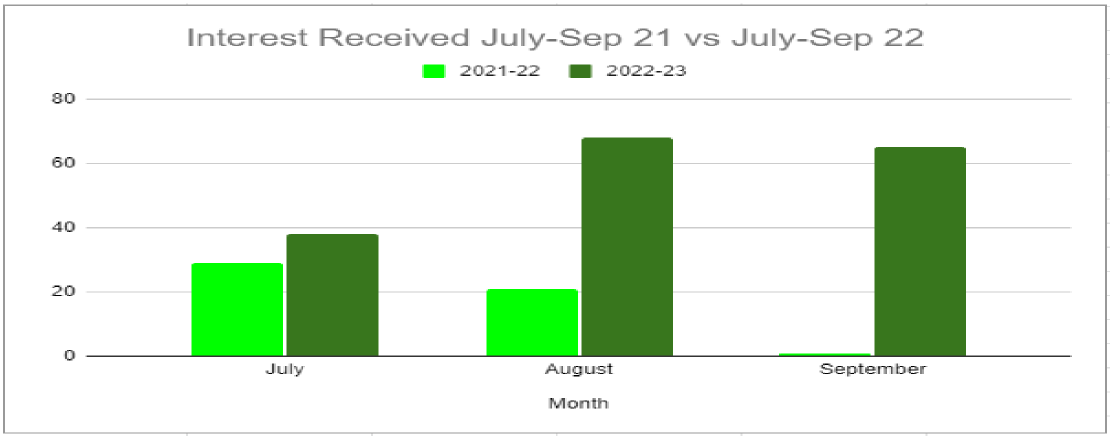
5.2 Council continues to invest in highly rated UK Government institutions, Building Society and Housing Associations. This investment vehicle offers a good level of security and increases diversification for the Council's portfolio whilst achieving a reasonable yield.

6. Comparison of Interest Earnings

6.1 The Council continues to adopt a fairly cautious strategy in terms of investment counterparties and periods. Due to the volatility of available creditworthy counterparties, longer term and short term investments have been placed in highly rated UK Government institutions and Housing Associations, thus ensuring creditworthiness whilst increasing yield's through the duration of the deposits.

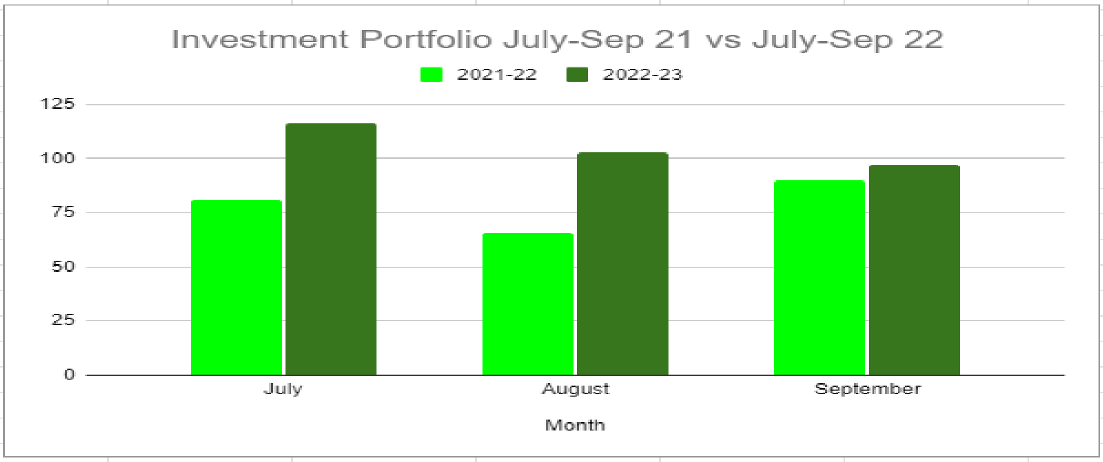
6.2 The graph below provides a comparison of interest earnings for July 2022 to September 2022 against the same period for 2021/22.

6.3 Average interest received for the period July 2022 to September 2022 was £57k compared to £17k for the same period last financial year. Increase interest received this year is due to increase in investment levels and interest rates.



7. Movement in Investment Portfolio

7.1 Investment levels have increased to £97 million at the end of Sep 2022 in comparison to the end of Sep 2021 last year of £90 million. It is anticipated that overall levels of investment balance will reduce as and when the capital programmes are delivered, although we need to maintain liquidity for day-to day operational purposes.



Hackney

Title of Report	Financial Statements Audit 2020/21 – Draft Audit Completion Report (Council) & Final Audit Completion Report (Pension Fund)
For Consideration By	Audit Committee
Meeting Date	20th October 2022
Classification	Open
Wards Affected	All
Group Director	Ian Williams, Finance and Corporate Resources

1. **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**

Policy context

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.

Equality impact assessment

4.3 For the purposes of this report, an Equality Impact Assessment is not applicable.

Sustainability

4.4 Not applicable - This report contains no new impacts on the physical and social environment.

Consultations

4.5 Not applicable

Risk assessment

4.6 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 Council’s main accounts for 2020/21 are in the final stages. The auditors have issued a Draft Audit Completion Report for the year ended 31 March 2021 (see attached Appendix One). The auditor's conclusion and reporting still remains subject to the resolution of a national issue relating to the accounting of infrastructure assets.

5.2 A final Audit Completion Report, has however been issued in respect of the Pension Fund.

5.3 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. The auditors would like to draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council’s share of the Hackney Pension Fund pooled property investments. As disclosed in Note 4 to the financial statements, the Pension Fund valuers included a ‘material valuation uncertainty’ declaration in their reports because of the Covid-19 pandemic. The auditor’s opinion is not modified in respect of this matter and this has been reflected in the Draft version of the Statement of Accounts 2020/21 (see attached Appendix Three)

5.4 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 this matter has been resolved and the auditors have undertaken any associated procedures with the Council, then the auditors will issue a final Audit Completion Report.

5.5 The auditors work in relation to the Council’s value for money (VFM) arrangements also remains in progress and the auditors anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the

Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 (See Appendix 1). It is anticipated that their commentary on our VFM arrangements will be provided by the end of the year.

5.6 To date the Council has received no objections to the 2020/21 accounts.

5.7 The auditor's have not yet to receive instructions from the National Audit Office in respect of the Authority's Whole of Government Accounts (WGA) submission and therefore are unable to commence work in this area until such instructions have been received.

5.8 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

5.9 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. <u>Comments of the Group Director of Finance and Corporate Resources</u>

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 is near completion. A final Audit Completion Report has been issued in respect of the Pension Fund. 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 ensure 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 Draft Hackney 2020-21 Audit Completion Report
2 Final 2020-21 Audit Completion Report Hackney Pension Fund
3 Draft 2020/21 LBH Statement of Accounts

Background documents

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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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 London Borough of Hackney

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of London Borough of Hackney "the Council" for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Housing Revenue Account, Collection Fund Account 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 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.

Emphasis of Matter – the pension fund pooled property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's share of the Hackney Pension Fund pooled property investments. As disclosed in Note 4 to the financial statements, the Pension Fund valuers included a 'material valuation uncertainty' declaration in their reports because of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Assurance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Group Director, Finance and Corporate Resources, Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Group Director, Finance and Corporate Resources, Section 151 Officer is responsible for the other information. The other information comprises the Annual Governance Statement and 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 the Director of Finance and Assurance's Responsibilities, the Group Director, Finance and Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Audit Committee is responsible for assessing each year whether or not it is appropriate for the Council to prepare its 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance and Assurance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance, Audit, Risk Management and Standards Committee the policies and procedures regarding compliance with laws and regulations; • communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance, Audit, Risk Management and Standards Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance, Audit, Risk Management and Standards Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and Assurance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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.

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception
We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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 London Borough of Hackney Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to:

- satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources.

- Issue our Certificates of completion in respect of the Councils 2018/19 and 2019/20 audits
- issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Suresh Patel

For and on behalf of Mazars LLP

30 Old Bailey
London
EC4M 7AU

20th October 2022

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 ite ms 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

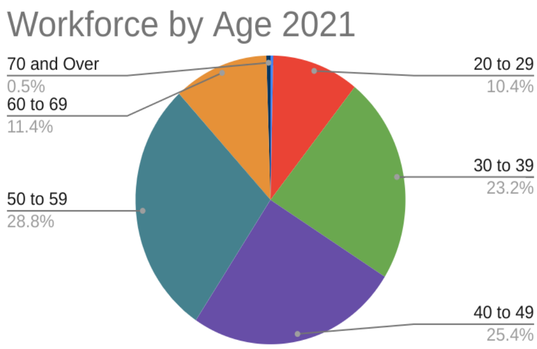
The **2020/21 Statement of Accounts** presents in a financial context the continued delivery of public services against the particularly challenging financial outlook described above – Hackney has suffered some of the most severe funding cuts of any local authority since 2010. I would like to place on 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.

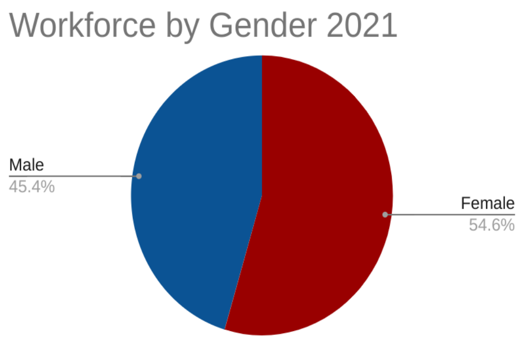
The accounts are a clear demonstration of the Council continuing to deliver against the Mayor's priorities and further evidence of the continued effective management of the Council's finances, something that it will need to rely upon as the funding challenges continue to increase and need to be carefully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

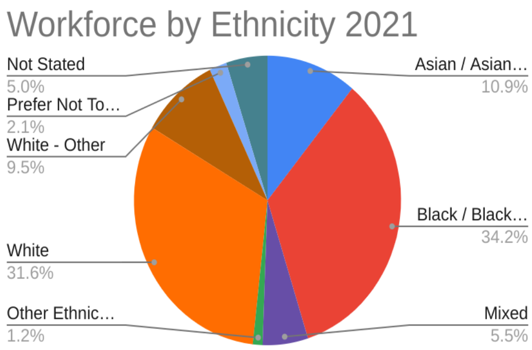
The 2020/21 Statement of Accounts is available on the Council's website (www.hackney.gov.uk) and further information can be obtained from the Group Director of Finance and Corporate Resources, Mr Ian Williams, by contacting his office at the Hackney Town Hall, Mare Street, London E8 1EA (ian.williams@hackney.gov.uk).

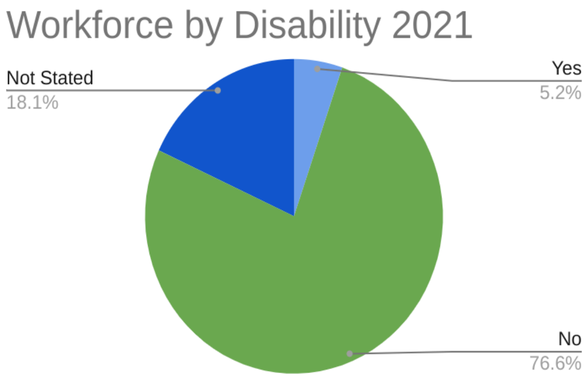
Council Staff

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.
Children & Family Services & Adult Social Care 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.
Housing 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. <u>Significant Cost Pressures</u> 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. Ofsted Inspection 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. Significant cost pressures 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.

<u>Contract Management</u> 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
<u>Tenant Management Organisations (TMOs)</u> 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 October 2022

Chair of Approving Committee's Certificate:

I certify that the accounts were considered by the Council's Audit Committee held on the 11th October 2022 and were approved by a resolution of the Committee.

Councillor Anna Lynch
20th October 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	80,439	244,387
Adjustments between accounting basis and funding basis under regulations (Note 7)	(95,204)	(97,280)	17,884	0	6,643	(167,957)	167,957	0
(Increase) / Decrease in 2020/21	(22,344)	(6,192)	17,884	0	6,643	(4,009)	248,396	244,387
Balance as at 31/03/2021	(160,942)	(23,352)	(87,261)	0	(28,525)	(300,078)	(3,021,365)	(3,321,443)
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)	935,525	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				**80,439**			**(238,470)**
Total Comprehensive Income and Expenditure				**244,387**			**(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	Restated 31st March 2020
		£'000	£'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	GF	2020/21 HRA	Total	GF	2019/20 HRA	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 Director 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 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	5,199	4,086
Later than one year and not later than five years	12,173	10,035
Later than five years	15,233	15,395
Total	**32,605**	**29,516**

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**

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	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	80,439	0	0	80,439	244,806
Adjustments between accounting basis and funding basis under regulations (Note 7)	(167,957)	0	0	(167,957)	167,957	0	0	167,957	0
(Increase) / Decrease in 2020/21	(4,009)	371	48	(3,590)	248,396	0	0	248,396	244,806
								0	
Balance as at 31/03/2021	(300,079)	726	48	(299,305)	(3,021,365)	0	0	(3,021,365)	(3,320,670)
								0	

*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 Pension Fund

Report on the financial statements

Opinion on the financial statements of the Hackney Pension Fund

We have audited the financial statements 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 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Hackney 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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of pooled property fund assets

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's pooled property fund assets as at 31 March 2021. As disclosed at Note 4, these valuations have been reported by the valuers on the basis of 'material valuation uncertainty' in line with guidance from the Royal Institute of Chartered Surveyors (RICS). Our opinion is not modified in respect of this matter.

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.

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.

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

30 Old Bailey
London
EC4M 7AU

20th October 2022

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.	No automatic lump sum.	No automatic lump sum.
	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.	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.	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	Management Fees	Transaction Costs	Custody Fees	Performance Fees	Total
Asset Class	**£'000**	**£'000**	**£'000**	**£'000**	**£'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	2019/20
	£'000	**£'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**

	Level 1	Level 2	Level 3	Total
Values at 31 March 2021	**£'000**	**£'000**	**£'000**	**£'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**

Values at 31 March 2020	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	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**

Values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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	31 March 2020
	£'000	**£'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	31 March 2020
	£'000	**£'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	31 March 2020
	£'000	**£'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	31 March 2020
	£'000	**£'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	31 March 2020
	£'000	**£'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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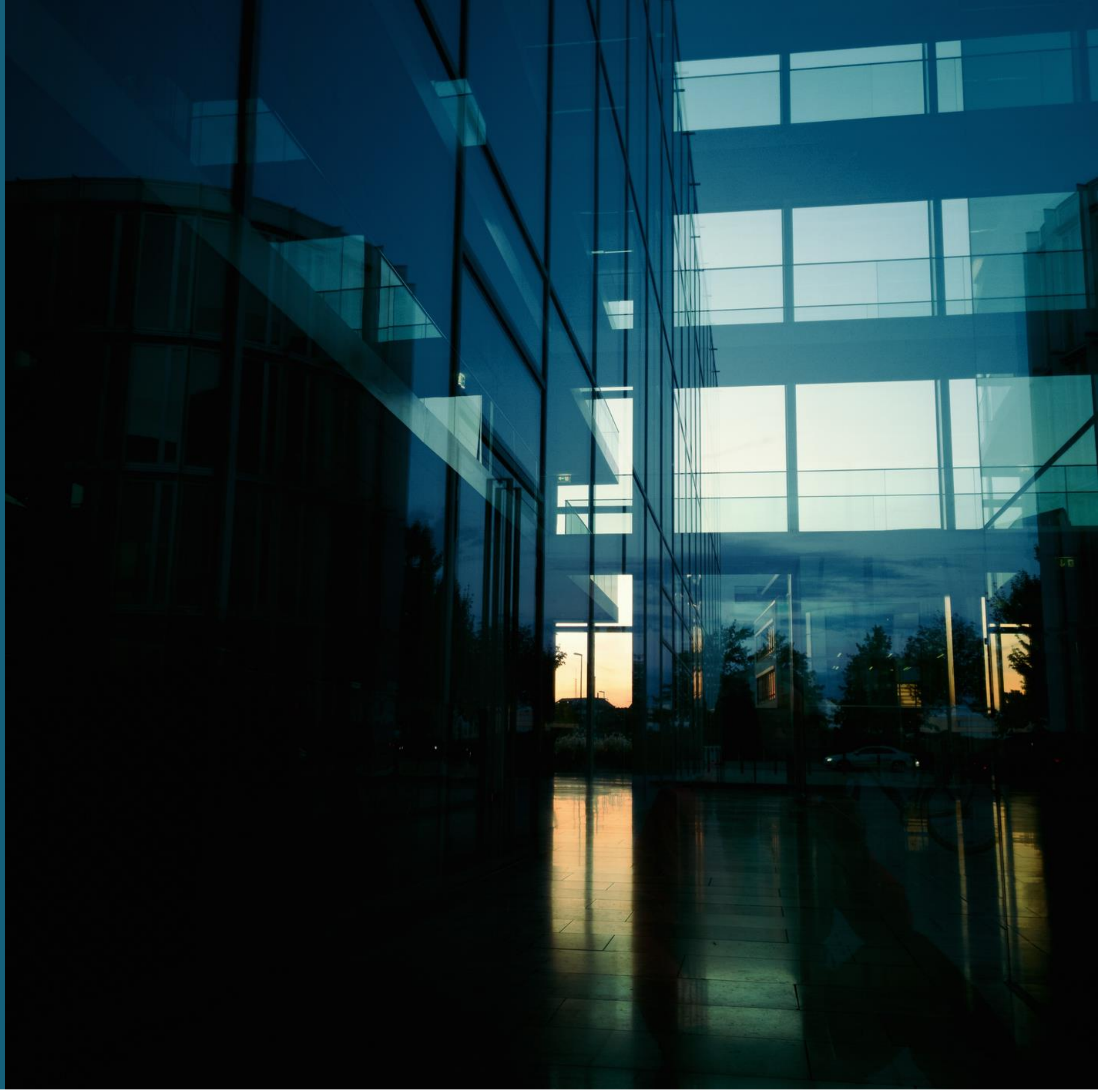
Audit Completion Report

London Borough of Hackney
Year ended 31 March 2021

October 2022



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Audit Committee
London Borough of Hackney
Hackney Town Hall
Mare Street
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Mazars LLP
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12 October 2022

Dear Committee Members

Audit Update Report – Hackney's accounts year ending 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. Our conclusion and reporting still remains subject to the resolution of a national issue relating to the accounting of infrastructure assets. Once this matter has been resolved and we have undertaken any associated procedures with the Council, we will aim to issue a final Audit Completion Report as soon as possible thereafter. 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

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:

- Valuation of property, plant and equipment (including investment property valuations)
- Housing Revenue Estimates
- Housing Benefits expenditure estimates
- Net defined benefit liability valuation
- Collection Fund Estimates
- Management override of controls

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Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £8.285 million. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021. At the time of preparing this report, there are no significant matters outstanding except for a national issue relating to the accounting of infrastructure asset. We will provide an update to you in relation to infrastructure assets through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion, modified to include an 'emphasis of matter' paragraph relating to the valuation of the Council's share of the pooled property investments held by the Pension Fund. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money
We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report

Whole of Government Accounts (WGA)
We have not yet received group instructions from the National Audit Office in respect of our work on the Authority's WGA submission. We are unable to commence our work in this area until such instructions have been received.

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 council 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

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the national issue relating to Infrastructure assets and the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Closure procedures and review		Our final reviews and completion work needs to be performed, including final technical review of the financial statements.
IAS 19 Assurance Additional Procedures		Our final reviews and completion of identified additional IAS 19 Assurance procedures.
Events after the reporting period		Review of events after the reporting period, up to the point at which we sign our audit report
Whole of Government Accounts		Completion of audit procedures supporting the WGA return to the NAO.

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 | Value for Money | Appendices

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum dated 14 December 2021.

Materiality

Our provisional materiality at the planning stage of the audit was set at £20m using a benchmark of 1.5% of gross operating expenditure. No changes to the materiality level set at the planning stage have been made. We set performance materiality at 50% of overall materiality, with the final value of £10.1m.

Reliance on internal audit

We have not placed any reliance on the work performed by the Authority’s internal audit function. We have reviewed the functions work programme for the year and used this to inform and confirm our own risk assessment.

Use of experts

We have made use of two auditors' experts during our work. Details of the work provided are as follows:

- PwC: The NAO have appointed PwC to review the qualifications, resources, objectivity and approach of each of the actuaries involved in the production of IAS19 figures for Local Government Pension Schemes (LGPS). The assessment also looks at the approach taken by each actuary and considers the main assumptions used by each in order to value the schemes underlying assets and liabilities. We rely on the work of PwC to identify any further procedures that may be required with respect to defined benefit pension liabilities.
- Gerald Eve: The NAO appoint Gerald Eve to help inform auditors consideration of the movements in the values of property. Their valuation trends report provides an analysis of movements on certain valuation indices relevant to the consideration of different classification of land and buildings. We use the work of this expert to inform our expectations when auditing property valuations.

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 38 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

Significant risks

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 have no significant findings to report as a result of our work on areas subject to potential management override of controls.

4. Significant findings

Valuation of Property, Plant and Equipment (PPE)	Description of the risk
	The CIPFA Code requires that the carrying value of PPE should reflect the appropriate current value as at the year end. 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. Land and buildings including Council dwellings are the Council's most valuable assets accounting for £3.8 billion of the Council's £4.1 billion Property, Plant and Equipment balance at 31 March 2020. 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 and the fact that there were significant findings in the prior year we have determined there is a significant risk in this

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 those assets which have 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 will also follow up the recommendations made during the 2019/20 audit regarding PPE valuations.

Audit Conclusion

The have been no significant findings arising from our audit procedures to review the Council's revaluation of its PPE.

The Council addressed the issues that we raised and recommendation we made in the prior year Audit.

4. Significant findings

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 £199 million of investment properties this is using fair 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

The have been no significant findings arising from our audit procedures to review the Council's revaluation of its Investment Property.

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Net Defined Benefit Pension Scheme liability Valuation

Description of the risk

The valuation of the Council's net liabilities (£665.7m as at 31 March 2020) 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 we addressed this risk

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 Technical Actuarial Standards;
- 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

There have been no significant findings arising from our audit procedures review of the defined benefit pension scheme liability valuation. However, we are completing final IAS 19 Assurance procedures.

We also report that the pension fund accounts disclose a material valuation uncertainty (MVU) in respect of its £156m pooled investment funds and the auditor of the fund is including an emphasis of matter in their audit report. The Council has a 97% share of these funds and therefore has included a MVU disclosure in Note 4 which we will emphasis in our audit report.

4. Significant findings

Collection Fund Estimates	**Description of the risk**
	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 have determined that the material estimation within the Collection Fund represents a significant audit risk.

How we addressed this risk

We have reviewed the estimation techniques deployed by officers to derive the material estimates within the Collection Fund.

We have reviewed the revised requirements of the auditing standard in respect of accounting estimates :

- Understood and documented the estimation methods applied;
- Considered and challenged the appropriateness of the data used;
- Considered and challenged the reasonableness of assumptions made; and
- Applied professional scepticism to the above.

Audit Conclusion

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 across all year were there is outstanding debt.

As part of the audit we have reviewed and challenged the assumptions made by the Council in setting the impairment percentages in respect of these aged debts. Whilst these amounts are estimates, they should be supported by evidence and analysis to support the assessment of the percentage used. We noted that the pandemic and cyber attack have both affected the recovery rates achieved for the values of NNDR and Council tax outstanding from prior years, with the Council having undertaken limited recovery procedures in respect of the older debt.

In respect of NNDR balances the Council has assessed significant increases in the impairment percentages used, resulting in a £6m increase in the impairment balance. The cyber attack and Council focus on current year receipts has reduced the volume of internally generated information on prior years. As such the Council has based its assessment on wider considerations of the debt recoverability

There has only been a small increase in the impairment of council tax.

There are no other significant matters arising from our audit work on the Collection Fund Estimates. We are satisfied that the Council has applied appropriate estimation techniques and the resultant estimates are reasonable in the context of audit materiality.

4. Significant findings

Housing Benefits 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.

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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 limited the ability of the Council to identify the value of any overpayments made and assess recovery. This assessment is being completed as data within the system is updated, although it will take some time to complete.

Entries within the financial statements have been based on payments made to date and a limited analysis as far as it is available. We have reviewed the entries within the financial statements and there are no other significant matters arising from our audit work on the Housing Benefits Expenditure.

We are satisfied that the Council has applied appropriate estimation techniques and the resultant estimates are reasonable in the context of audit materiality

4. Significant findings

Housing Revenue Account Material Estimates	
	Description of the risk

Housing Revenue Account Material Estimates

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 have reviewed the estimation techniques deployed by officers to derive the material estimates within the Housing Benefits Expenditure.

We have reviewed the revised requirements of the auditing standard in respect of accounting estimates :

- Understood and documented the estimation methods applied;
- Considered and challenged the appropriateness of the data used;
- Considered and challenged the reasonableness of assumptions made; and
- Applied professional scepticism to the above.

Audit Conclusion

We have completed our review of the Council estimate 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.

We are satisfied that the Council has applied appropriate estimation techniques and the resultant estimates are reasonable in the context of audit materiality

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4. Significant findings

Key areas of management judgement

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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 There are no significant findings arising from our audit procedures to review grant accounting. We are satisfied the balances and associated disclosures are materially accurate and appropriately accounted for within the financial statements.

Bank Reconciliation	
	Description of the management judgement Our final report to those charged with governance on the 2019/20 audit, 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; • We reviewed 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 There are no significant findings arising from our review of the bank reconciliation process and the Council addressed the issues that we raised and recommendation we made in the prior year Audit.

4. Significant findings

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 unexpected difficulties and we have had the full co-operation of management.

4. Significant findings

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. 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

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.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

5. Internal control recommendations

Significant deficiencies in internal control – Level 3

Retention of HR documentation

Description of deficiency

As part of our review of redundancies in the year, and verification of amounts and decisions to supporting analysis, we noted one instance where the council was unable to provide appropriate supporting documentation.

Potential effects

As a result of absence of supporting evidence we were unable to confirm the original employment of the individual by the council and that the decision to grant redundancy was supported in line with the Council’s approach.

Recommendation

The Council should ensure that all required documentation to confirm employment and the award of redundancy of an individual member of staff is included in the HR systems.

Management response

We will complete a review of processes to ensure that staff and departments are aware of the need to retain proper documentation for all employees of the Council.

06

Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £608k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Provisions			5,428	
	Cr: CIES – Service expenditure		5,428		
	Dr: Adjustments between accounting and funding basis	5,428			
	Cr: Usable General Fund Reserves				5,428
	Adjustment for the removal for Low Traffic Neighbourhood PCN provision as, in light of legal challenge, this provision is no longer required.				
2	Dr: CIES – Impairment charges		600		
	Cr: Investment property valuations			600	
	Dr: Unusable reserves - Capital Adjustment Account				600
	Cr: Adjustments between accounting and funding basis	600			
	Adjustment of investment property valuation for overstatement within individual valuation				

6. Summary of misstatements

Unadjusted misstatements (continued)		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	Dr: Property, Plant and Equipment Cr: Investment Property			506	506
	Adjustment required for the reclassification of property from Investment Property to PPE.				
4	Dr: CIES Cr: General Fund Reserves	8,285			8,285
	Extrapolation adjustment arising from income cut-off errors identified from occurrence and accuracy testing				
	Total unadjusted misstatements	**14,313**	**6,028**	**6,534**	**14,819**

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: CAA Property, Plant and Equipment revaluations Cr: CAA Investment Property valuations			41,922	41,922
	Revision of details with the Capital Adjustment Account to separate out the revaluations of investment properties from property, plant and equipment.				
	Total adjusted misstatements			**41,922**	**41,922**

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Disclosure amendments

During our testing we identified one significant disclosure amendment. We identified that the council had incorrectly included movement in Investment property valuation in revaluation losses and reversal of Property, Plant and Equipment in the Capital Adjustment Account. The Authority made the required amendment.

In addition, in Note 4 the Council has removed the material uncertainty valuation (MVU) disclosure in relation to its land and buildings and investment properties as this was no longer relevant for 2020/21. However, it has added, the MVU in relation to its 97% share of the pension fund's £156m pooled property investments which do have a MVU for 2020/21.

07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

We are required to consider whether the Authority 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 Authority plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority 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.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Authority's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within 3 months of the financial statements.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Authority's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Authority's arrangements.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP
30 Old Bailey
London
E1C4M 7AU

Dear Suresh

London Borough of Hackney - 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 (‘the Council’) 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 Council 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.

Appendix A: Draft management representation letter

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

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 Council 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 Council’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 Council in making accounting estimates are reasonable, including:

- those measured at current or fair value;
- those impact ion the Collection fund (Council Tax and NNDR);
- those impact on the Housing Revenue Accounts (Housing Rents and Housing Benefits); and
- provision for NNDR Appeals.

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, 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.

Appendix A: Draft management representation letter

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council 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.

The Council 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 Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - 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 Council's financial statements communicated by employees, former employees, analysts, regulators or other.

Appendix A: Draft management representation letter

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 Council'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.

Group accounts

I confirm I consider where any of the Council's subsidiary companies and / or joint ventures have not been included within the group accounts prepared, their inclusion would not have a material impact on the accounts.

Unadjusted misstatements

All unadjusted misstatements above triviality have been listed in the appendix to this 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 Council 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.

Appendix A: Draft management representation letter

Private Finance Initiative

I confirm that, to the best of my knowledge, there have been no significant contract variations agreed during the year. There have also been no off-programme lifecycle expenditures.

Other matters

I can confirm in relation to the following matters that:

- Brexit - we have continued to review the impact of the United Kingdom leaving the European Union and that any disclosure in the Annual Report fairly reflects that assessment.
- COVID-19 - we have assessed the impact of the COVID-19 Virus pandemic on the Pension Fund and the financial statements, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.
- We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Directors' Report and the subsequent events note 6 to the financial statements fairly reflects that assessment.

Yours sincerely

Ian Williams

Group Director, Finance and Corporate Resources, Section 151 Officer

Date:

Appendix B: Draft audit report

Independent auditor’s report to the Members of London Borough of Hackney

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of London Borough of Hackney “the Council” for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Housing Revenue Account, Collection Fund Account 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 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.

Emphasis of Matter – the pension fund pooled property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council’s share of the Hackney Pension Fund pooled property investments. As disclosed in Note 4 to the financial statements, the Pension Fund valuers included a ‘material valuation uncertainty’ declaration in their reports because of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Appendix B: Draft audit report

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Assurance’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Group Director, Finance and Corporate Resources, Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Group Director, Finance and Corporate Resources, Section 151 Officer is responsible for the other information. The other information comprises the Annual Governance Statement and 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 the Director of Finance and Assurance’s Responsibilities, the Group Director, Finance and Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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.

Appendix B: Draft audit report

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 on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Audit Committee is responsible for assessing each year whether or not it is appropriate for the Council to prepare its 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance and Assurance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance, Audit, Risk Management and Standards Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Appendix B: Draft audit report

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance, Audit, Risk Management and Standards Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance, Audit, Risk Management and Standards Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and Assurance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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.

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

Appendix B: Draft audit report

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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.

Appendix B: Draft audit report

Use of the audit report

This report is made solely to the Members of London Borough of Hackney Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to:

- satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources.
- issue our Certificates of completion in respect of the Councils 2018/19 and 2019/20 audits
- issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Suresh Patel
For and on behalf of Mazars LLP

30 Old Bailey
London
EC4M 7AU

Date

Appendix C: 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.

Fees

Area of work	2020/21 proposed fee	2019/20 final fee
Code work (scale fee)	£174,266	£174,266
Fee variations:		
- Cyber attack review (note 1)	-	£10,085
- PPE & IP valuations (note 2)	TBC	£6,016
- Impact of C-19 (note 3)	-	£4,512
- Group accounts (note 4)	£5,000-7,000	£5,062
- Increased regulatory requirements (note 5)	£5,000-6,000	£5,075
- Code changes to VFM (note 6)	£9,000-15,000	
- ISA 540 revised (note 7)	£5,000-10,000	
- Additional risks (note 8)	TBC	
- Dealing with correspondence	-	-
TOTAL	**TBC**	**£205,616**

PSAA sets the scale fee for Code work. We agree additional fees associated with additional work with the Group Director and then gain approval from PSAA.

Notes

1. In 2019/20 we carried out an additional review following the cyber attack.
2. In 2019/20 we engaged our valuation team to support our work on the significant risk in respect of the valuation of the Council's PPE and IP. For 2020/21 this use has been to a lesser extent and we will quantify the additional fee shortly.
3. In 2019/20 we incurred additional time in respect of C-19.
4. As the Council prepares group accounts we are required to undertake additional procedures which are outside of the PSAA scale fee.
5. We have reported to Committee previously the increased regulatory requirements on us that necessitate additional procedures and quality review processes.
6. The NAO Code changed for 2020/21 to include new responsibilities around VFM.
7. A revised International Auditing Standard (ISA) 540 in respect if auditing accounting estimates came into effect for 2020/21.
8. Where we identify additional risks we carry our additional work. We will quantify the additional fee shortly.

Appendix D: 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. Or detail significant matters identified. 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 Director of Finance that London Borough of Hackney 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.

Appendix D: Other communications

Other communication	Response
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.
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 Those Charged With Governance, 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.

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Suresh Patel, Partner

Mazars
30 Old Bailey
London
EC4M 7AU

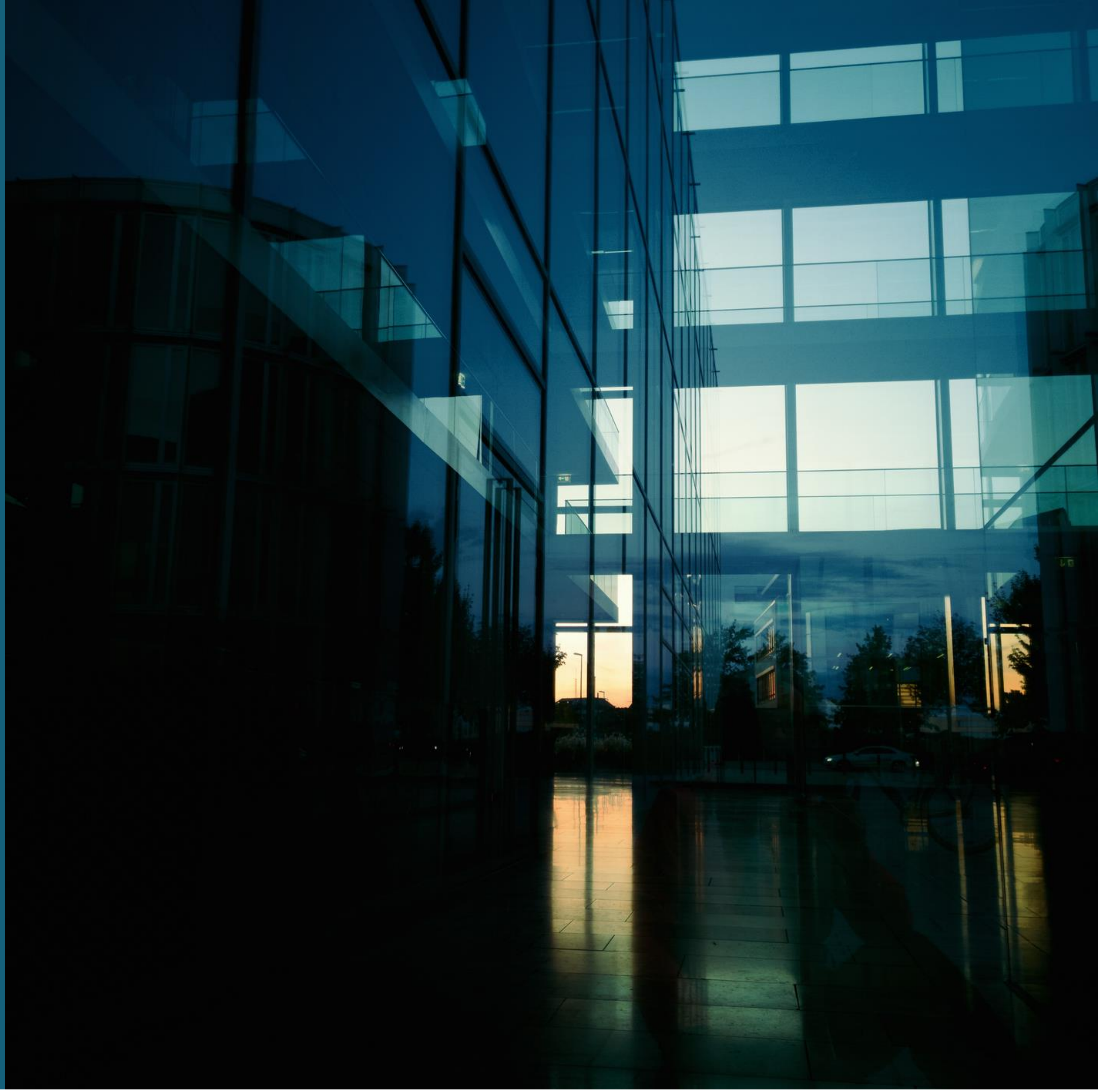
Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Audit Completion Report

London Borough of Hackney Pension Fund
Year ended 31 March 2021

October 2022



mazars

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mazars

Audit Committee
London Borough of Hackney
30 Old Bailey
London
EC4M 7AU

Mazars LLP
30 Old Bailey
London
EC4M 7AU

12 October 2022

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions. Please note that we are unable to issue the audit report until the Council has approved its statement of accounts, which is currently subject to resolution of a national issue.

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 10 December 2021. 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

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

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £nil.

Misstatement and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. There are no unadjusted and adjusted misstatements.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

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, modified to include an 'emphasis of matter' paragraph surrounding the valuation of pooled property investments, on the financial statements. 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

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Closure procedures and review	Green	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.
IAS 19 Assurance Additional Procedures on Level 3 Investments	Green	Our final reviews and completion of the additional IAS 19 Assurance procedures on Level 3 Investments.
Review of Annual Report	Green	Our review of the content of the detailed Pension Annual report to confirm consistency with the financial statements has yet to be completed.

Red	Likely to result in material adjustment or significant change to disclosures within the financial statements.
Amber	Potential to result in material adjustment or significant change to disclosures within the financial statements.
Green	Not considered likely to result in material adjustment or change to disclosures within the financial statements.

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 July 2021. 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

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.

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 did not engage our own expert for the valuation of level 3 investments to support the valuation of unusual or complex level 3 investments.

3. Audit approach

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 obtained appropriate confirmation that the Council's controls and procedures have operated as designed throughout the year and that no weaknesses were 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	Obtained direct confirmations from the fund managers and substantively tested the transactions occurring in the year and the valuations at the year end.
Investment valuations and income and all related disclosures	Custodian	Obtained direct confirmations from the fund managers and substantively tested the transactions occurring in the year and the valuations 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 14 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.

Significant risks

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 have no significant findings to report as a result of our work on areas subject to potential management override of controls.

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

The Pension Fund has included a disclosure of material valuation uncertainty in note 4 to the financial statements with regard to pooled property fund valuations totalling £155.7m, in light of the impact of the Covid-19 pandemic on the 'material valuation uncertainty' attached to their 31 March 2021 valuation. This is material to the Pension Fund.

We consider this to be fundamental to the users' understanding of the financial statements and as such we intend to include an 'Emphasis of Matter' paragraph in respect of this disclosure within our auditors report set out in Appendix B. This is not a modification of opinion.

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 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.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have not identified any deficiencies that would give rise to further recommendations.

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 of £448k.

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.

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
30 Old Bailey
London
EC4M 7AU

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.

Appendix A: Draft management representation letter

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.

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:

- 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:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - 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.

Appendix A: Draft management representation letter

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.

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.

Other matters

I can confirm in relation to the following matters that:

- Brexit - we have continued to review the impact of the United Kingdom leaving the European Union and that any disclosure in the Annual Report fairly reflects that assessment.
- COVID-19 - we have assessed the impact of the COVID-19 Virus pandemic on the Pension Fund and the financial statements, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.
- We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Directors' Report and the subsequent events note 6 to the financial statements fairly reflects that assessment.

Appendix A: Draft management representation letter

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 Hackney Pension Fund

We have audited the financial statements 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 Hackney 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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of pooled property fund assets

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's pooled property fund assets as at 31 March 2021. As disclosed at Note 4, these valuations have been reported by the valuers on the basis of 'material valuation uncertainty' in line with guidance from the Royal Institute of Chartered Surveyors (RICS). Our opinion is not modified in respect of this matter.

Appendix B: Draft audit report

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.

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.

Appendix B: Draft audit report

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.

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.

Appendix B: Draft audit report

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

30 Old Bailey
London
EC4M 7AU

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 London Borough of Hackney 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 the London Borough of Hackney 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.

Appendix C: Draft consistency report

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

30 Old Bailey
London
EC4M 7AU

Date

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.

Fees

The scale fee is set by PSAA and we levy fee variations for additional work. These are then discussed and agreed with the Group Director and approved by PSAA.

Area of work	2020/21 Proposed fee	2019/20 Actual Fee
Scale fee – Code work	£16,170	£16,170
Fee variations:		
- Triennial review, material valuation uncertainty and emphasis of matter (note 1)	TBC	£4,716
- Level 3 investments and ISA540 (note 2)	£2,000-4,000	-
IAS19 assurances to LB Hackney auditor (note 3)	£2,100	-
TOTAL	**TBC**	**£20,866**

Note 1 – In 2019/20 we carried out additional work in respect of the triennial valuation and also to address the material valuation uncertainty (MVU) that the pension fund disclosed and it's subsequent impact on the audit report. For 2020/21 we will calculate the final fees for the MVU included in the accounts and the associated audit report impact.

Note 2 – We carry out additional work on level 3 investments as a significant risk, particularly with the revised requirements of International Auditing Standard (ISA) 540 in respect of auditing accounting estimates. We will quantity this fee on conclusion of the audit.

Note 3 – The work we do to provide assurances to the auditor of LB Hackney in respect of IAS19 is currently outside of the PSAA scale fee.

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 Group Director, Finance and Corporate Resourcesr that The 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 Governance, Audit, Risk management and Standards 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

30 Old Bailey

London

EC4M 7AU

Title of Report	External Audit Plan 2020/21
For Consideration By	Audit Committee
Meeting Date	20th October 2022
Classification	Open
Ward(s) Affected	All
Group Director	Ian Williams, Finance and Corporate Resources

1. Introduction

1.1. This report introduces the 2021/22 Audit Strategy Memorandums from Mazars, the Council's external auditors, in respect of both the Council's Accounts and the Pension Fund Accounts.

1.2. The Memorandums set out the key risks identified in respect of the financial statements audit, the approach to be taken for the audits along with information on the audit team, proposed deliverables from Mazars, timescales for the audit and related fees. Memorandums have been agreed with relevant officers of the Council.

1.3. These documents are presented later than in the normal cycle, this is due to the backlog created by covid and the cyber attack.

2. Recommendations

2.1. **The Audit Committee is recommended to: consider and note the contents of the attached reports from Mazars, the Council's external auditor.**

3. Reason(s) for decision

3.1. The Audit Committee is "those charged with governance" in respect of the Council's annual statement of accounts and other financial matters. As such, they receive regular reports from Mazars, the Council's external auditors, in relation to the accounts and the external audit. This report provides the

Committee with details of the audit arrangements in respect of the 2021/22 Statement of Accounts for both the Council and Pension Fund.

4. **Background**

Policy Context

4.1. The attached memorandums set out the arrangements for the audit of the Council's annual Statement of Accounts and the Pension Fund Accounts as required by the relevant legislation and related Accounts and Audit Regulations.

Equality impact assessment

4.2. This report does not require an equality impact assessment.

Sustainability and climate change

4.3. Not Applicable

Consultations

4.4. Mazars consulted with relevant senior officers of the Council in the preparation of the Memorandums.

Risk assessment

4.5. As set out in the Plan, the external auditors have considered the key risks and this has informed the audit approach as set out in the detailed reports from Mazars attached to this report as an Appendices.

4.6. Audit Strategy Memorandums 2021/22

4.7. Mazars have identified four significant risks in relation to the Authority's accounts where audit attention will focus due to the likelihood of potential financial misstatement. These are the same as for the audit of the 2020/21 accounts and are in respect of the management override of controls, the valuation of property, plant and equipment (PPE), valuation of investment properties and the pensions defined benefit liability valuation. Details of these risks and the audit approach to these are set out in section 4 of the Audit Strategy Memorandum, attached at appendix 1 of this report.

4.8. One other area of management judgement and enhanced risk identified are estimates affected by the Cyber attack. The cyber attack in October 2020 significantly impacted the Academy and Universal Housing systems which provide the Council with information to prepare the Comprehensive Income and Expenditure statement, the Housing revenue Accounts and the Collection Fund.

4.9. Details of these risks and the audit approach to these are set out in section 4 of the Audit Strategy Memorandum, attached at appendix 1 of this report.

4.10. In relation to the audit of the Pension Fund Accounts, the auditors have identified just two significant risks relating to management override of controls and the valuation of investments where at least one input that has an impact on the valuation is not based on observable market data. Further details and the auditors' approach to these risks are set out in section 4 of the Pension Fund Memorandum at appendix 2.

4.11. Section 5 of the Audit Strategy Memorandum sets out the requirements of the external auditor in relation to the Council's value for money arrangements under the new Code of Audit Practice. It is noted that the auditors have yet to commence their planning and risk assessment work in relation to this requirement and will report the results of our planning and risk assessment work to the next Audit Committee.

4.12. At the time of writing this report, work has already commenced in relation to the 2021/22 audit, and the expectation is that this will run through from September to December with a conclusion in January 2023.

5. Comments of the Group Director of Finance and Corporate Resources.

5.1. As set out in the Audit Strategy Memorandum (section 6 , Appendix one), the base fee to be charged in respect of the annual audit of accounts is expected to be £174,266, representing no change from the previous year.

5.2. However, there are a number of additional fees quoted in respect of Group Accounts, increased regulatory requirements, changes to the Code in respect of VFM and revised auditing standards in respect of accounting estimates. The fee for this additional work is quoted in the range of £23,400 to £53,000 At the upper end of the scale this is an additional 30% compared to the base fee. We also note there are a number of areas 'TBC'. We will be working with Mazars to determine expectations and understand criteria in terms of where the final fee for the audit will sit. It is noted that the fees quoted are based upon a number of assumptions regarding risks, quality and timeliness of working papers and compliance with the CIPFA Code of practice on Local Authority Accounting. Any deviation from such assumptions could impact the final fee charged.

5.3. In addition to the main audit fee, the charge for audit of the Pension Fund accounts and annual report is expected to be £19,170, an increase of £3,000 from the previous year. There is an additional £4,100 - £6,100 in relation to audit work required on IAS19 assurances and Level 3 investments & ISA 540. The fees are still being subject to review and discussion between the Council and Mazars

5.4. Additional fees in respect of the audit of the Housing Benefits grant claim and other returns are yet to be estimated in full.

5.5. The costs outlined will need to be contained within existing budgets.

6. Comments of the Director of Legal, Democratic and Electoral Services

6.1. The Council is required to have its annual statement of accounts audited in line with current legislation and related regulations.

6.2. The external auditor's statutory responsibilities are set out in the Local Audit and Accountability Act 2014 and the national Audit Office's Code of Audit Practice. They are required to audit/review and report on the financial statements, providing an opinion and the use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness (the VFM conclusion).

6.3. The Audit Strategy Memorandum proposals accord with the required arrangements

Appendices

Appendix 1 - Audit Strategy Memorandum – LB Hackney 2021-22
Appendix 2 – Audit Strategy Memorandum – LB Hackney Pension Fund 2021-22

Background documents

None

Report Author	Jackie Moylan Director - Financial Management jackie.moylan@hackney.gov.uk 020 8356 3032
Comments for the Group Director of Finance and Corporate Resources prepared by	Ian Williams Group Director Finance & Corporate Resources ian.williams@hackney.gov.uk 020 8356 3003
Comments for the Director of Legal, Democratic and Electoral Services prepared by	Dawn Carter-McDonald Director, Legal & Governance dawn.carter-mcdonald@hackney.gov.uk 020 8356 6234

Audit Strategy Memorandum

London Borough of Hackney

Year ended 31 March 2022

Contents

mazars

Audit Committee
London Borough of Hackney
Hackney Town Hall
Mare Street
London

Mazars LLP
30 Old Bailey
London
EC4M 7AU

12 October 2022

Dear Audit Committee Members

Audit Strategy Memorandum – Year ended 31 March 2022

We are pleased to present our Audit Strategy Memorandum for London Borough of Hackney for the year ended 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 8 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing London Borough of Hackney which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. Our detailed planning procedures are being finalised and if we identify any new risks we will report them to the Committee. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on .

Yours faithfully

SPatel

Suresh Patel, Partner - Mazars LLP

Mazars LLP – 30 Old Bailey, London, EC4M 7AU
Tel: 020 7063 4000 – Fax: 020 7063 4001 – www.mazars.co.uk

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of London Borough of Hackney (the Council) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Going concern

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The Group Director of Finance & Corporate Resources is responsible for the assessment of whether is it appropriate for the Council to prepare it's accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of the Group Director of Finance & Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.

Value for money

We are also responsible for forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting. As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and Internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission

Electors' rights

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 Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

02

Section 02:

Your audit engagement team

2. Your audit engagement team

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Suresh Patel

Partner and Engagement Lead

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Stuart Frith

Senior Manager and Engagement Manager

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Chipo-Grace Tete

Manager and support Engagement Manager

Email: Chipo-Grace.Tete@mazars.co.uk

Telephone: 07583139457

Tom Greensill

Assistant Manager and lead auditor

Email: Tom.Greensill@mazars.co.uk

Telephone: 07583138245

We have retained your core audit team for 2021/22. They will continue to work in collaboration with the Council's finance team to deliver the audit efficiently and effectively. In addition, the Council continues to meet the criteria of a Major Local Audit under the Local Audit and Accountability Act 2014. As a result, as part of the firm's quality management arrangements we appoint an engagement quality control reviewer (EQCR) who works closely with Suresh and the team but has no direct engagement with the Council. We will ensure that the timing of the EQCR input is built into our planned timetable for the delivery of the audit.

03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place, then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

3. Audit scope, approach and timeline

Under the Accounts and Audit Regulations the Council is required to publish its draft statement of accounts for 2021/22 by the end of July 2022. The Department of Levelling Up, Housing and Communities have proposed that the target date for publishing audited statements is the end of November 2022. In view of the delays to the completion of the audit of prior period financial statements we have agreed with the Council a timeline for completion of the audit of the Council's 2021/22 statement of accounts.

Planning – September 2022

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

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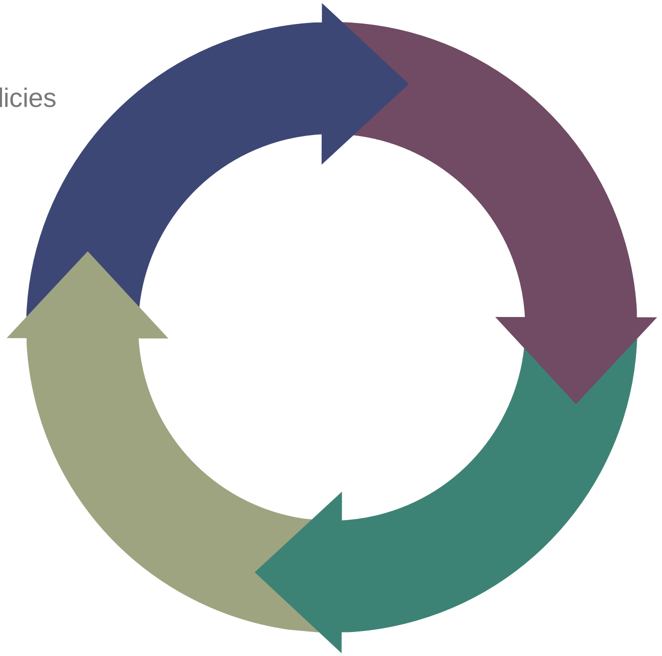
Interim – September/October 2022

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



Completion – December '22 – January '23

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to the Audit committee
- Reviewing subsequent events
- Signing the auditor's report

Fieldwork - October – November 2022

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Group audit approach

The Council's group structure for 2021/22 will include one wholly owned subsidiary company, Hackney Housing Company Limited, which itself has 100% owned subsidiaries Hackney PRS Housing Company Limited and Hackney HLR Housing Company Limited. In auditing the accounts of the Council's Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council's subsidiary and its subsidiaries.

Our approach will reflect the size and complexity of the transactions from the subsidiary company that are consolidated into the Council's Group financial statements. Our plan, based on our cumulative understanding obtained from the 2020/21 audit, and the values reported in the prior year financial statements, is that we will obtain assurance from group level analytical procedures. We do not plan to obtain specific assurance from the component auditors of the Council's subsidiary companies.

Entity	Significant by size	Significant risk	Planned audit scope	Auditor
Hackney Housing Company Limited	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP
Hackney PRS Housing Company Limited	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP
Hackney HLR Housing Company Limited	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP
Makers Management Company Limited.	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP
Otto Management Company Limited.	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP

3. Audit scope, approach and timeline

Reliance on internal audit

We do not intend to rely on the work of internal audit. However, we will review their work and it to inform our assessment of the control environment and we will modify the nature, extent and timing of our audit procedures

We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Service Organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the [Council] 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. We have not identified any relevant service organisations.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson *(London Borough of Hackney Pension Fund - LBHPF).* Barnett Waddingham *(London Pension Fund Authority - LPFA)*	We make use of PWC actuarial services who are commissioned by the NAO to review the national analysis of pension trends and assumptions of the various LGPS actuaries.
Property, plant and equipment valuation	Internal Valuers	We will review the analysis of property valuation movements available from third parties and consider the outcome of the Council's valuations in comparison with these, challenging conclusions as appropriate.
Financial instrument disclosures	Arlingclose	No expert required.

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

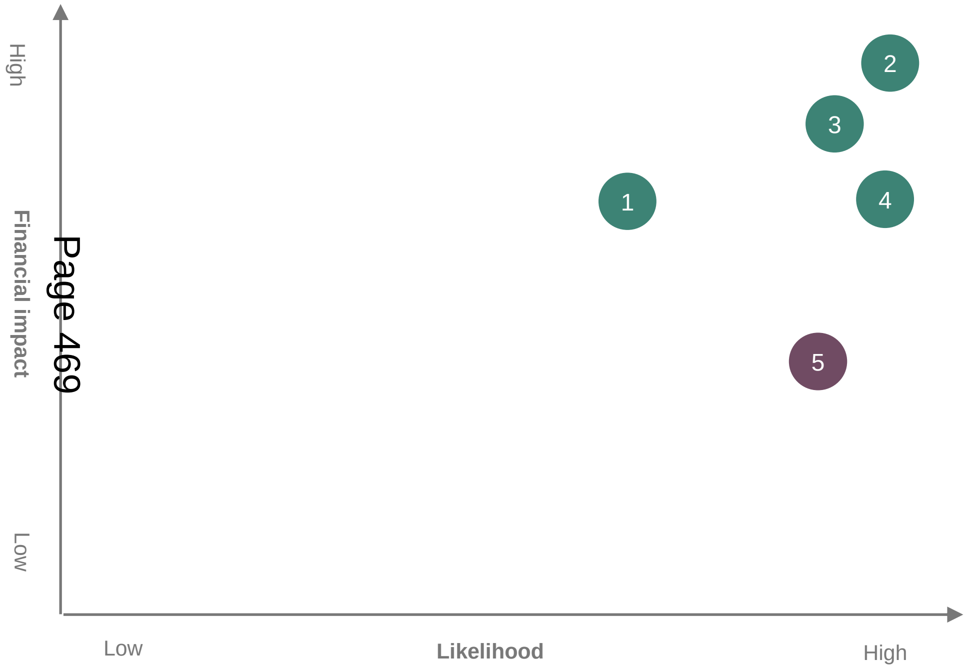
Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



1. Management override of controls
2. Valuation of property, plant and equipment
3. Valuation of Investment properties
4. Net defined benefit liability valuation
5. Estimates affected by the Cyber attack

Key: Significant risk   Enhanced risk / significant management judgement

4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
	Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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 there is a risk of material misstatement due to fraud on all audits.	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual. We will address the risk through performing audit procedures, covering a range of areas including (but not limited to): • accounting estimates included in the financial statements for evidence of management bias; • any significant transactions outside the normal course of business; and • journals and other adjustments recorded in the general ledger in preparing the financial statements.

4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
2	**Property, plant and equipment (PPE) valuation** The CIPFA Code requires that the carrying value of PPE should reflect the appropriate current value as at the year end. 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. Land and buildings including Council dwellings are the Council's most valuable assets accounting for £3.9 billion of the Council's £4.2 billion Property, Plant and Equipment balance at 31 March 2022. 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 and the fact that there were significant findings in the prior year we have determined there is a significant risk in this area.	○	●	●	We will address 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 consider the robustness of that approach. We will also assess 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 current values have moved materially. In addition, for those assets which have been revalued during the year we will: • assess the valuer's qualifications; • assess the valuer's objectivity and independence; • review the methodology used; and • for a sample, perform testing of the associated underlying data and assumptions. We will also follow up the recommendations made during the 2019/20 audit regarding PPE valuations.

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4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
3	**Investment property valuation** 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 fair 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.	○	●	●	We will review the Council's approach to revaluing its investment property portfolio as at 31 March 2022 and engage our own expert to test a sample of properties to: • Review the methodology used; and • For a sample, test the underlying data and assumptions. We will also follow up the recommendations made during the 2019/20 audit regarding investment property valuations.
	Net defined benefit liability valuation The latest triennial valuation of the Pension Fund which the Council has disclosed in its statements were completed 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 2022. The valuation of the Council's net liabilities (£700.7m as at 31 March 2022) 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	○	○	●	We will address this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary by the fund administrators, the London Borough of Hackney Pension Fund and in respect of the LPFA. We will also: • assess the skill, competence and experience of the Fund's actuary; • challenge the reasonableness of the assumptions used by the actuary as part of the Technical Actuarial Standards ; and • carry out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
5	**Estimates affected by the Cyber Attack** The cyber attack in October 2020 significantly impacted the Academy and Universal Housing systems which provide the Council with information to prepare the Comprehensive Income and Expenditure statement, the Housing revenue Accounts and the Collection Fund. Although the method and principles remain consistent with prior years, the loss of data from the systems, and the continued recovery actions that the Council has been required to make to ensure records are completely updated, has resulted in an increase in the estimates within the core statements. The Council has continued to make progress to ensure systems are up to date, but there remain a number of updates to completed, and as a result we have determined that the estimations within the core statements represent an area of enhanced audit risk.	○	●	●	We will review the estimation techniques used by officers to derive the material estimates within the core statements. We will meet the revised requirements of the auditing standard in respect of accounting estimates and seek 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.

05

Section 05:

Value for Money

5. Value for Money

The framework for Value for Money work

We are required to form a view as to 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 in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

The new Code of Audit Practice (the Code) changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that the Council has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements.

In line with the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor's Annual Report.

Specified reporting criteria

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The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages risks
3. **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

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Status of the VFM work

We have yet to complete our planning and risk assessment work. We will report the results of our planning and risk assessment work to the next Audit Committee.

06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

At this stage of the audit we are in the process of agreeing a divergence from the scale fees set by PSAA, as a result of changes in the scope of our work arising from a new NAO Code, revisions to auditing standards and increased regulatory requirements. We are also in the process of agreeing the impact of these with the Group Director of Finance and Corporate Resources on the final fee for 2020/21. Please note that audit time responding to correspondence from the public will necessitate an additional audit fee.

Area of work	2021/22 Proposed Fee	2020/21 Proposed Fee
Code Audit Work (Scale fee)	£174,266	£174,266
Additional fees:		
- PPE & IP valuations – use of our expert (Note 1)	TBC	TBC
- Impact of C-19 (Note 2)	TBC	TBC
- Group accounts (Note 3)	£5,000-7,000	£5,000-7,000
- Increased regulatory requirements (Note 4)	£5,000-6,000	£5,000-6,000
- Code changes to value for money (Note 5)	£9,000-£30,000	£9,000-£30,000
- Revised auditing standard on accounting estimates (Note 6)	£4,400-£10,000	£4,400-£10,000
- Additional work to address enhanced risks (Note 7)	TBC	TBC
- Dealing with correspondence / objections	TBC	-
TOTAL	**TBC**	**TBC**

Notes:

1. We have engaged our own expert on PPE valuations given the issues we identified.
2. We were required to revisit and update our risk assessments and audit strategy in light of the impact of C-19 on the Council's statement of accounts.
3. We are required to carry out additional procedures on the group accounts and the consolidation process.
4. Since the latest PSAA contract was awarded there have been significant changes to the requirements on auditors by regulators. This has resulted in additional procedures and additional internal review.
5. The Code introduces new VFM requirements. We have used the PSAA range plus an estimate of work to address significant weaknesses in arrangements if identified by the risk assessment.
6. Revisions to ISA 540 apply to the 2019/20 audit and we have used the PSAA minimum level of additional fees as the lower end of the proposed range.
7. This memorandum includes enhanced risks which increases the audit work we need to carry out. The additional work falls within the PSAA criteria of fee variations. We will quantify this when we design our specific procedures.

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7. 1

Area of work	2020/22 Proposed Fee	2020/21 Proposed Fee
Other services - Housing Benefits Subsidy Assurance	TBC	TBC
Other services - Teachers' Pensions	TBC	£3,900
Other services - GLA Housing return	£6,000	£6,000

07

Section 07:

Our commitment to independence

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements.

However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Suresh Patel in the first instance.

Prior to the provision of any non-audit services Suresh Patel will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

08

Section 08:

Materiality and other misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds:

Threshold	Group Initial threshold £’000s	Council Initial threshold £’000s
Overall materiality	£19.72m	£19.70m
Performance materiality	£11.83m	£11.82m
Trivial threshold for errors to be reported to	£592k	£591k

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study financial statement information in the with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

8. Materiality and misstatements

Materiality (continued)

We consider that Gross Revenue Expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 1.5% of Gross Revenue Expenditure. Based on the draft unaudited accounts we anticipate the overall materiality for the year ended 31 March 2022 to be in the region of £19.7m (£20.2m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

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Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on the value of inherent risk, which we have assessed as being higher in response to the increase in material accounting estimates and the potential for errors, meaning that we have applied 60% of overall materiality (50% in the prior year) as performance materiality.

Specific Materiality

Auditing standards enable us to set specific materiality (lower than performance materiality) for items of account or disclosures that we consider to be politically sensitive and/or of more interest to the user of the accounts. In common with most other local councils to have identified the following disclosures in the accounts where we will apply a specific materiality threshold for our audit procedures:

- Officers' remuneration.
- Related parties.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £591k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Suresh Patel.

Reporting to the Audit Committee

The following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

A

Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor’s Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix: Key communication points

ISA (UK) 260 ‘Communication with Those Charged with Governance’, ISA (UK) 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ and other ISAs (UK) specifically require us to communicate the following:

Required communication	
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee. Audit Planning and Clearance meetings

Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and the Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the consolidated financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Suresh Patel, Partner

Mazars

30 Old Bailey
London
EC4M 7AU

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.

Audit Strategy Memorandum

London Borough of Hackney Pension Fund

Year ending 31 March 2022

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Contents

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Audit Committee
London Borough of Hackney
Hackney Town Hall
Mare Street
London

Mazars LLP
30 Old Bailey
London
EC4M 7AU

12 October 2022

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present an Audit Strategy Memorandum for London Borough of Hackney Pension Fund for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing London Borough of Hackney Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. We have yet to complete all our audit planning procedures so if we identify any changes to risks and approach, we will report them to a future Committee meeting. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07977 261873.

Yours faithfully

Suresh Patel, Partner
For and on behalf of Mazars LLP

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of London Borough of Hackney Pension Fund (the Pension Fund) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Audit Committee, as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether is it appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

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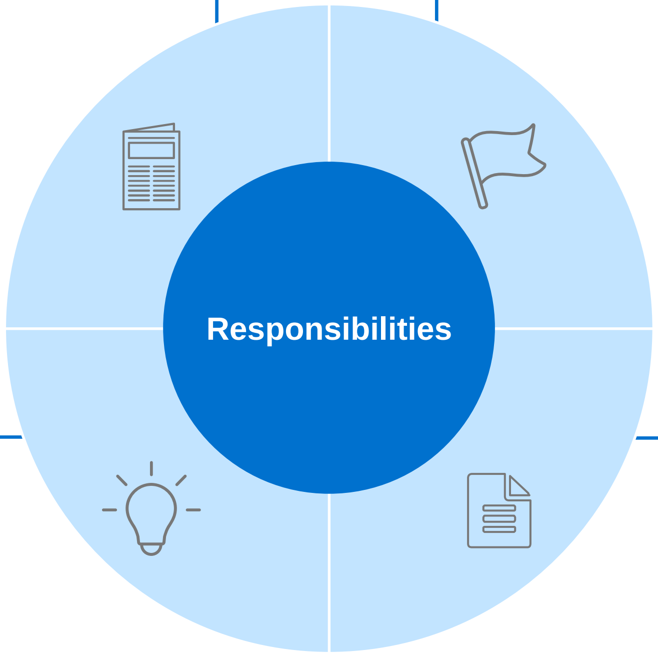
Consistency Statement

We are required to form and express an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of London Borough of Hackney.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

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 London Borough of Hackney and consider any objection made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

02

Section 02:

Your audit engagement team

2. Your audit engagement team

Suresh Patel

Partner and Engagement Lead

Email: suresh.patel@mazars.co.uk

Telephone: 07387 242052

Stuart Frith

Senior Manager and Engagement Manager

Email: Stuart.Frith@mazars.co.uk

Telephone: 07909 982774

Tom Greensill
Assistant Manager and lead auditor
Email: Tom.Greensill@mazars.co.uk
Telephone: 07583138245

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We have retained your core audit team for 2021/22. They will continue to work in collaboration with the Council's finance team to deliver the audit efficiently and effectively.

03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

3. Audit scope, approach and timeline

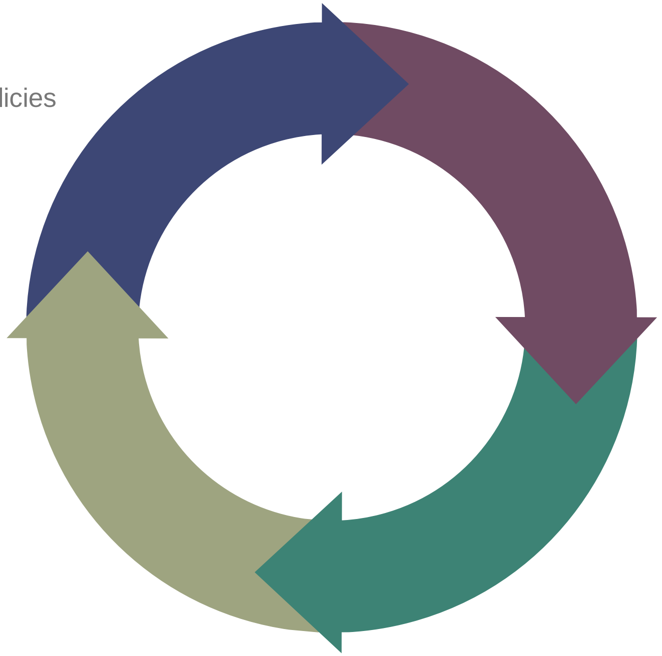
Under the Accounts and Audit Regulations the Council is required to publish the draft Pension Fund statement of accounts for 2021/22 by the end of July. The Department of Levelling Up, Housing and Communities have proposed that the target date for publishing audited statements will be the end of November 2022. We have agreed with the Council a timetable for the audit that is subject to a number of assumptions and we will update the Committee on any significant changes that we agree with the Council.

Planning - September 2022

- Planning visit and developing our understanding of the Council
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Interim – September - October 2022

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



Completion – December '22 – Jan '23

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit committee
- Reviewing subsequent events
- Signing the auditor's report

Fieldwork – October – November 2022

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Reliance on internal audit

We do not intend to rely on the work of internal audit. However, we will review their work and it to inform our assessment of the control environment and we will modify the nature, extent and timing of our audit procedures.

Management's and our experts

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.

Item of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson, Actuaries	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	At this stage we have not engaged our own expert for the valuation of level 3 investments. However, we may engage an expert if considered necessary to support the valuation level 3 investments if they are considered unusual or complex.

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 management and maintenance of administrative information to allow for calculation of pension payments, transfers, etc., as well as the actuarial assessment of funding levels based on up to date membership data.	Equiniti	We will seek appropriate confirmation that the organisation'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 they provide to the London Borough of Hackney Pension Fund.
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 custodians and substantively test transactions occurring in the year and the valuations applied to investments at the year end.

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

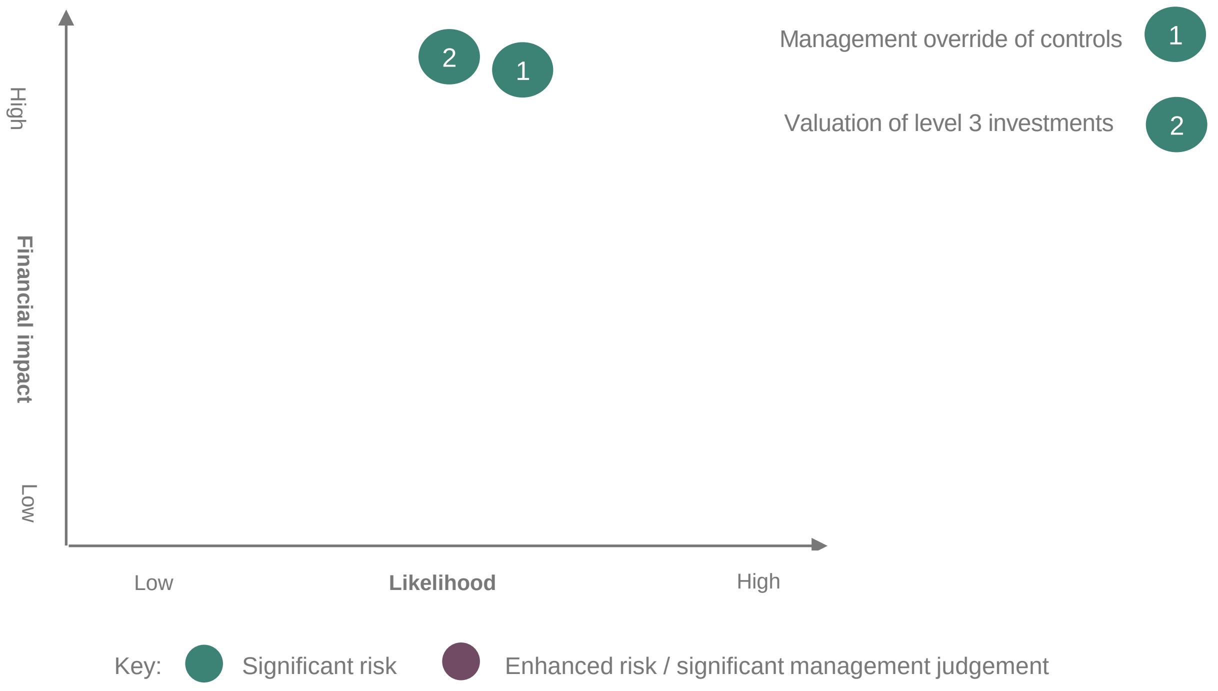
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Pension Fund. We have summarised our audit response to these risks on the next page.



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 502	**Management override of controls** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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 there is a risk of material misstatement due to fraud on all audits.	●	○	○	We will address the risk through performing audit procedures, covering a range of areas including (but not limited to): • accounting estimates included in the financial statements for evidence of management bias; • any significant transactions outside the normal course of business; and • journals and other adjustments recorded in the general ledger in preparing the financial statements.

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	**Valuation of level 3 investments** As at 31 March 2022 the Pension Fund held investments with a fair value of £415m (£257m at 31 March 2022) 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 21.4% 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.	○	●	●	We plan to address this risk by completing the following additional procedures: • agree holdings from fund manager reports to the global custodian's report; • agree the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • review and assess the independence of the information used in assessing the fair values of assets classed as level 3; • agree 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.

05

Section 05:

Fees for audit and other services

5. Fees for audit and other services

Fees for work as the Pension Fund’s appointed auditor

We have included in the table below the scale fee set by PSAA and our current estimate of additional work arising audit risks and the assurances we provide to the auditor of the London Borough of Hackney on IAS19. We will provide supporting information and seek agreement with the Group Director of Finance and Corporate Resources and then approval by PSAA. *The final fees for 2020/21 are yet to be agreed with the Director or PSAA.

Area of work	2021/22 Proposed Fee	2020/21 Proposed Fee
Code Audit Work	£19,170	£19,170
Fee variations:		
- Level 3 investments & ISA 540	£2,000 - £4,000	£2,000 - £4,000
- IAS19 assurances to auditor of LB Hackney	£2,100	£2,100

Fees for non-PSAA work

We confirm that we have not been separately engaged by the Fund to carry out additional work for the London Borough of Hackney Pension Fund. Further information about our responsibilities in relation to independence is provided in section 6.

06

Section 06:

Our commitment to independence

Page 506

6. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Suresh in the first instance.

Prior to the provision of any non-audit services Suresh will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

07

Section 07:

Materiality and other misstatements

7. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	£19.6m
Performance materiality	£15.73m
Specific materiality:	
Fund account overall materiality	£7.6m
Fund accounts performance materiality	£6.1m
Trivial threshold for errors to be reported to the Audit Committee	£589k

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of Net Assets as at 31 March 2022. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

7. Materiality and misstatements

Materiality (continued)

We consider that net assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We expect to set a materiality threshold at 1% of Net Assets, this is at the top of our range and consistent with the prior year. Based on the prior year financial statements we have set the overall materiality for the year ending 31 March 2022 as £19.6m (£20.9m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on medium inherent risk, meaning that we have applied 80% of overall materiality as performance materiality. This is at the top of our range and consistent with the prior year.

Specific materiality

If, in specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements, the auditor shall also determine the materiality level or levels to be applied to those particular transactions, account balances or disclosures. We have therefore assessed a specific materiality for the following transactions, account balances or disclosures:

- Contributions receivable
- Benefits payable

Specific materiality has been assessed as the higher of 10% of contributions receivable or benefits payable. Based on the 2021/22 draft financial statements we anticipate a specific materiality of £7.6m. We will continue to monitor materiality through the audit to ensure it is set at an appropriate level.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £589k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Suresh.

Reporting to the Audit Committee

The following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

A

Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

Page 512

We will present the following reports:

- Our Audit Strategy Memorandum; and
- Our Audit Completion Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee, Audit Planning and Clearance meetings

Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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.

Agenda Item 13

AUDIT COMMITTEE WORK PROGRAMME 2022/23

	8 June 2022	**Decision**	**Group Director & Lead Officer**
1.	FINANCE UPDATE	For information and comment	Ian Williams
2.	PERFORMANCE REVIEW REPORT	For information and comment	Bruce Devile Matthew Powell
3.	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Pradeep Waddon)
4.	CORPORATE RISK REGISTER	For information and comment	Matthew Powell
6.	FRAUD AND IRREGULARITY ANNUAL REPORT 2021/22	For information and comment	Ian Williams (Michael Sheffield)
9..	AUDIT COMMITTEE WORK PROGRAMME 2021/22	For information	All

	20 October 2022	**Decision**	**Group Director & Lead Officer**
1.	FINANCE UPDATE	For information and comment	Ian Williams
2.	PERFORMANCE REPORT	For information and comment	Matthew Powell Bruce Devile
3.	DIRECTORATE RISK REGISTER REVIEW – CHIEF EXECUTIVE	For information and comment	Chief Executive
4.	DIRECTORATE RISK REGISTER REVIEW- FINANCE AND RESOURCES	For information and comments	Ian Williams (Matthew Powell)
5.	AUDIT AND ANTI-FRAUD PROGRESS REPORT TO SEPTEMBER 2021	For information and comment	(Ian Williams) Michael Sheffield
6.	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Pradeep Waddon)
7.	AUDIT COMMITTEE WORK PROGRAMME 2021/22	For information and comment	All

	17 November 2022 (Special)	**Decision**	**Group Director & Lead Officer**

1.	Annual Accounts 2021/22	For information and comment	Ian Williams (Jackie Moylan)

	18 January 2023	Decision	Group Director & Lead Officer
1.	FINANCE UPDATE	For information and comment	Ian Williams
2.	PERFORMANCE REVIEW REPORT	For information and comment	Bruce Devile Matthew Powell
3.	DIRECTORATE RISK REGISTER REVIEW – Climate, Home and Economy	For information and comment	Ajman Ali
4.	CORPORATE RISK REGISTER	For information and comment	Chief Executive (Matthew Powell)
5.	TREASURY MANAGEMENT UPDATE REPORT 2021/22	For information and comment	Ian Williams (Pradeep Waddon)
6.	REVIEW OF TREASURY MANAGEMENT STRATEGY 2022/23	To approve	Ian Williams (Pradeep Waddon)
7.	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Ian Williams (Michael Sheffield)
8.	CERTIFICATION OF GRANTS & RETURNS 2022/23	For information and comment	Ian Williams (Jackie Moylan)
9.	EXTERNAL AUDIT PLAN PROGRAMME 2022/23	For information and approval	Ian Williams (Michael Sheffield)
10.	AUDIT COMMITTEE WORK PROGRAMME 2022/23	For information and approval	All

	19 April 2023	Decision	Group Director and Lead Officer
1.	FINANCE UPDATE	For information and comment	Ian Williams
2.	PERFORMANCE REVIEW REPORT	For information and comment	Bruce Devile Matthew Powell
3.	DIRECTORATE RISK REGISTER REVIEW - CHILDREN AND EDUCATION	For information and comment	Jacqui Burke
4.	DIRECTORATE RISK REGISTER REVIEW - ADULTS, HEALTH AND INTEGRATION	For information and comment	Helen Woodland
5.	TREASURY MANAGEMENT UPDATE REPORT 2022/23	For information and comment	Ian Williams (Pradeep Waddon)

6.	INTERNAL AUDIT ANNUAL PLAN	To approve	Ian Williams (Michael Sheffield)
7.	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Ian Williams (Michael Sheffield)
8.	REVIEW OF WHISTLEBLOWING	For information and comment	Ian Williams (Michael Sheffield)
9.	AUDIT COMMITTEE – ANNUAL REPORT	For information and comment	Cllr Nick Sharman (Chair)/ Michael Sheffield
10.	AUDIT COMMITTEE WORK PROGRAMME 2022/23	For Information	All

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