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

Wednesday 18 January 2023

at 6.30 pm

The Council Chamber, Hackney Town,

Mare Street, London, E8

The live stream can be viewed here:

Main - https://youtu.be/Od8XSLMISDE

Backup - https://youtu.be/B837ombMQl0

Members of the Committee:

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

Mark Carroll
Chief Executive
Wednesday 11 January 2023
www.hackney.gov.uk

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

Audit Committee
Wednesday 18 January 2023
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 any 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.

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD ON THURSDAY 20 OCTOBER 2022

AT 6:30PM

HACKNEY TOWN HALL

The meeting was live streamed and and can be viewed here:

Main - https://youtu.be/wJ1SNhfHVks

Backup - https://youtu.be/eOrrLMNYpBs

Present: **Councillors:**

In Person:

Cllr Anna Lynch in the Chair
Cllr Frank Baffour, Cllr Zoe Garbett, Cllr Margaret Gordon, Cllr Gilbert Smyth

Councillor Robert Chapman

Virtually: Cllr Lynne Troughton

Officers:

Dawn Carter-McDonald (Director of Legal, Democratic and Electoral Services), Peter Gray (Governance Officer), Jackie Moylan (Director of Financial Management), 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 Apologies for absence were submitted on behalf of Councillor Polly Billington, Councillor Caroline Selman and Councillor Sarah Young.

2. **Declarations of Interest**

2.1 There were no apologies for absence.

3. **Minutes of the previous meeting on 8 June 2022**

RESOLVED:

That the minutes of the meeting on 8 June 2022 be agreed as a true and accurate record of the proceedings subject to amending minute number 6.23 to reflect the correct date.

4. Finance Update

- **2022/23 General Fund Forecast**
- At the end of August 2022 the Council was forecast to have an overspend of £7.856m after the application of the cyber attack and cost pressures set asides, cyber reserve and savings from the National Insurance reduction;
- Both residents and the Council would continue to face significant financial pressures as the inflation surge was showing no sign of abating;
- Inflation will impact on various components of many of the Council's services but in particular on those with significant energy, fuel and contract costs;
- A considerable pressure as a result of 2022/23 pay negotiations was forecasted;
- **2022/23 Housing Revenue Account Position (HRA)**
- The HRA was forecasting an overspend in net operating expenditure of £9,530m. However, an overspend could be brought back into balance by a reduction in revenue contributions to capital outlay;
- £9.530m could be used of the £10.712m RCCO budget to mitigate the overspend because a full capital programme was not being delivered in 2022/23 due to the delay in the procurement of the housing maintenance main contracts;
- The main areas of overspend were in energy cost, reactive repairs and a forecast increase in supervisions and management costs and bad and doubtful debts;
- **London Picture: Boroughs plan to make an estimated £2.5bn of savings over the next 4 years;**
- **London picture - An increase of c.£1bn from the 2021 survey and higher than at any point since 2016;**
- **London picture - Upward pressure on contracts. The largest general pressure (£650m) over the 4 years followed by pay award (£521m) and other running costs (£379m);**
- **Economic context and pay award;**
- Bleak economic outlook with ongoing cost of living crisis;
- Bank of England forecasting 13 % inflation by the end of the year;
- Counter-inflationary measures of the Bank of England had seen the cost of borrowing rising;

- PWLB rates had increased, meaning a higher cost of borrowing to fund the capital programme;
- Relief from energy prices for households was announced by the Prime Minister;
- **Economic Context and Pay Award;**
- The 2022-23 pay award was likely to have a significant financial impact on the Council. A flat rate of £1,925 was made by the National Employer (£2,355 inner-London). The cost to the General Fund of the employer proposal was estimated to be £11m in 2022-23 with a cost to HRA of £2.2m;
- **The Mini-Budget;**
- Series of measures put in place including a significant package of cuts and other measures;
- Since then announcements had been made, culminating in the statement by the new Chancellor reversing many of these proposals;
- On a related matter, counter-inflationary measures of the Bank of England had seen the cost of borrowing rising with the official bank rate increased from 1.75% to 2.25% on 21 September 2022;
- **The Council's Energy Costs;**
- From late 2021, wholesale prices had reversed their usual trend and were now higher nearer the point of delivery. In response, for 2023/24, the Council authorised Laser to purchase energy earlier to try to take advantage of the volatility and to seek to buy in the price dips;
- **Pension Fund Impact;**
- The Hackney Pensions Fund had not been affected by current issues;
- **The Council's Capital Programme and Borrowing;**
- Update on the Council's capital programme forms part of the performance report with total forecast spend for the current financial year estimated at £180m;
- **Cost of Living**
- A corporate response was being put in place to cover the ways that the cost of living crisis was impacting residents, council staff and businesses. Enhanced governance was also under development to support the response;
- The Council already had a poverty framework in place. Key aspects of work underway builds on learning from the pandemic with delivery in partnership with health and voluntary community sector providers:
- Financial support made available: Household Support Fund. Information to residents including Help at Hand.
- Council approach to debt in cost of living crisis set out;
- **Accounts Update;**

The Director of Financial Management highlighted**:**

- Opinion on the 2020/21 accounts remained outstanding as a result of the moratorium that Mazars have placed on audit opinions resulting from the infrastructure asset issue previously advised;
- 2021/22 draft statement of accounts published on 29 July in line with statutory deadline;
- Audit of 2021/22 accounts has now started with Mazars due to report progress to the Audit Committee in November 2022;
- Progress report on the 2021/22 audit to come to the November Audit

Committee, but with the draft Audit Committee Completion Report in January 2023;

- **Deep Dive - Term of Reference**
- The deep dive would be an overall analysis of the General Fund reserves. The terms of reference would be circulated to members and comments would be welcomed.

4.2 The Chair thanked the Finance Team for their work during a time of much change nationally.

4.3 Councillor Gilbert asked for details of the take up on the discretionary hardship grant and Pensions credit.

4.4 Councillor Gordon asked for clarification on the Council's relationship with the Pan London Energy Framework (PLEF) and how much control there was over the sources of energy and the sustainability of energy sources.

4.5 Councillor Garbett asked for clarification on the impact of the reduction in the contributions to the Capital Outlay. She referred to good presentation on benefits team at a recent ward forum. She asked for clarification on the payment of the £150 Council Tax refund.

4.6 Councillor Baffour asked for clarification on the rent cap.

4.4 The Group Director of Finance and Corporate Resources responded as follows:

- That the Council had set up a team to signpost residents to ensure maximum take up of all benefits available. The Group Director agreed to circulate details how the team was operating together with case studies that have come through. It was proposed that the team present to the Committee on their activities;

  Action: Group Director of Finance and Corporate Resources

  Take up of the discretionary grant was part of the Council Tax billing for the current financial year with increased communication to residents on it. It was anticipated that it would be used by the end of the financial Year;

- The PLEF was a framework that the Council participated in enabling it to lock in within the 6 month period. Work was ongoing with Laser to see what can be locked by 1 April 2023. Work was also underway with the Head of Energy and the Head of Procurement on this. The Council bought green energy as opposed to brown source energy;

- The reduction in contributions to the Capital Outlay for the HRA this year to mitigate the overspend was deliverable because we are not delviering a full capital programme in 2022/23 due to the delay in the procurement of the Housing Maintenance main contracts;

- Government consultation on the rent cap had been carried out at the end of the summer with a closing date of 12 October. Work had been carried out with other Councils to ensure that a considered message was conveyed to the Government in regard to the pressure on the HRA and the need for proper investment in housing. The inflation figure in September 2022 was 10 per cent and this plus one per cent would normally be the indice applied to the calculation for rent setting. The Government consultation sought views on various caps including 5 per cent but with no compensation proposed for the Housing Revenue Account For the difference. The Group Director suggested that these matters could be the subject of member finance training in the future.

5. Directorate Risk Register- Chief Executive

5.1 The Director of Legal, Democratic and Electoral Services introduced the report advising 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. The Committee was referred to the summary of the key risks at paragraphs 4.2 to 4.8 of the report. The key risks facing the Legal and Governance Service centred on ensuring that directorates seek timely Legal and Governance advice in any decision making and follow the advice received. The Director of Legal, Democratic and Electoral Services confirmed that the Cost of Living crisis would require constant review on how it impacts on other risks in the Directorate.

5.2 The Director of Legal, Democratic and Electoral Services confirmed that there was an emphasis on the importance of the Council communicating clearly and transparently together with effective and meaningful community engagement. Long Covid had become an important issue and a motion on this matter would be made at a forthcoming Council meeting.

5.3 Councillor Troughton asked for clarification on the difficulties in the use of Windows and Microsoft products.

5.4 Councillor Garbatt asked for clarification on the reference to trust and confidence in the report.

5.5 Councillor Gordon asked for an update on the volume of claims that were being made against the Council. She referred to the large indices of inequality and whether this would be fed into the risk registers.

5.6 Councillor Smyth asked for a timeline on the production of frameworks and strategies referred to in the report.

5.7 The Director of of Legal, Democratic and Electoral Services responded that;

- There was an ongoing and constructive conversation with the Council's ICT Department on the use of Windows with the development of workarounds to tackle these issues. The use of Windows documents was currently being reviewed in regard to contracts;

- The reference to trust and confidence related to the local council and to institutions of the state;

- Claims that were made were directed to the Insurance Team. They would be asked for an update on the volume of these claims

Action: Director of Legal, Democratic and Electoral Services

5.8 The Group Director of Finance and Corporate Resources clarified that:

- The frameworks referred to included the poverty framework and details of these frameworks would be circulated to members;

Action: Group Director of Finance and Corporate Resources

- The budget setting process took account of the Inequalities impact assessments. However, it was considered that the average indices of the Inequality did not properly capture ?

RESOLVED:

- To note the report and the Directorate Risk Register.

6. Directorate Risk Register - Finance and Resources

6.1 The Corporate Risk Adviser introduced the report updating members on the current Finance and Corporate Resources Directorate Risk Register of the Council as at October 2022. It also identified how risks within the Council are identified and managed throughout the financial year and our approach to embedding risk management.

6.2 The Corporate Risk Adviser highlighted the following risks:

- The cost of living crisis and the broader impacts on increased costs for the council including on contractors and suppliers.
- Pressures on temporary accommodation;
- The aftermath of the cyber-attack - although recovery was proceeding well, vulnerabilities remained.

6.3 Councillor Garbett referred to the high turnover of Council staff and asked for clarification on any trends that emerged from the exit polls.

6.4 The Corporate Risk Adviser told the Committee that the high turnover centred on the ICT Department. The Group Director of Finance and Corporate Resources reported that ICT staff had highly transferable skills and significant numbers of staff had left to other organisations. The Recruitment and Retention Package was under review.

6.5 Councillor Troughton asked for clarification on the impact of the current interest rate rises on the Capital Programme. She asked how decisions on prioritisation of projects were made and whether ward councillors were involved in the process.

6.6 Councillor Smyth asked for details of any action currently taken in relation to the Capital Programme and whether improvements would be made to the current strategy to mitigate against the increase in interest rates.

6.7 Councillor Gordon asked for an update on the current difficulties with temporary accommodation and any solutions being explored.

6.8 The Group Director of Finance and Corporate Resources highlighted:

- That the levels of expenditure on capital was very significant with a current increase in costs. Schemes were being reviewed to ascertain ongoing affordability and viability with an increase in resourcing or reprofiling in relation to some schemes. Work was ongoing to ensure that the best was made of the available opportunities with creative procurement. Further, the Council had refreshed its approach to the Capital Programme to improve monitoring and profiling. The Group Director of Finance and Corporate Resources offered a session on this matter at a future meeting of the Committee.

Action: Group Director of Finance and Corporate Resources

- That efforts were taken to manage slippage in relation to the highways management programme. A detailed management plan was in place and work was carried out on a priority basis with the acceleration of schemes and amalgamation of projects where appropriate.

- Temporary accommodation was a priority with consideration being given to the Council's approach in this area, reflecting demand. A further hostel was to be purchased in the Woodberry Down area.

6.9 The Director of Financial Management highlighted

- That it was necessary to consider the viability and affordability of schemes;
- There was a need to improve on profiling of capital schemes;
- The capital governance arrangements were currently being strengthened;
- Borrowing in advance was not carried out to ensure that additional interest rates were not incurred.

6.10 The Chair asked that an update be made to the next meeting on the Capital Programme.

Action: The Group Director of Finance and Corporate Resources

RESOLVED:

- To note the report and the Directorate Risk Register.

7. Corporate Risk Strategy and Policy

7.1 The Corporate Risk Adviser introduced the report and informed Members about the recently revised and reviewed Corporate Risk Management Policy and Strategy. The Policy detailed the framework for managing risk within the Council and the Strategy outlined how the Council intended to proceed in terms of managing its risks. It also outlined which approaches and techniques would be used to successfully carry this out.

7.2 Councillor Smyth asked for clarification on the methodology used in the formulation of risks. He considered that engagement with staff on risks resulted in good outcomes.

7.3 Councillor Troughton stressed the importance of engagement with frontline officers on the management of risk, seizing any opportunities arising.

7.4 The Chair stressed that this engagement with staff formed part of the culture of the council.

RESOLVED:

- To approve and ratify the contents of this report and the attached Policy and Strategy

8. Performance Update

8.1 As the Head of Performance was not present at the meeting it was agreed that any questions be made in writing to him.

9. Audit and Anti-Fraud Progress Report to September 2022

9.1 The Head of Audit, Anti-Fraud and Risk Management introduced the report on the performance of the Audit & Anti-Fraud Service, the areas of work undertaken, and information on current developments in Internal Audit and Anti-Fraud together with statistical information about the work of the investigation teams.

9.2 The Corporate Head of Audit and Fraud highlighted the following:

- The service was currently undergoing a restructure, addressing temporary staff solutions, offering new ways of working, increased flexibility and succession planning;
- 40 percent of the Audit Plan was in progress in October with 56 audits planned and underway, compared to 35 audits in progress at the same stage in the previous year;
- The Council was continuing to recover from the cyber-attack with work

that could not be carried out previously now progressing;
- The implementation of recommendations arising from Internal Audit work remains at a high level and is meeting the Division's KPI;
- Overall the number of 'no' and 'limited' assurance reports was comfortably within the range experienced in previous years, although it was also noted that some audits have not been able to start because of service issues arising from the cyberattack;
- 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
- The number of fraud referrals had increased , driven by tenancy and parking cases;
- In regard to the National Fraud Initiative the number of outcomes had significantly reduced;
- Hackney participation in the 2020/21 National Fraud Initiative was limited because of the timing of the cyber attack. The following round of matching was in progress with results in January 2023;
- The parking investigation outcomes appear lower than in previous years. This may be a reporting issue following the introduction of a new case management system;
- No Recourse to Public Funds explanation of circumstances when action is taken given to the Committee;
- Tenancy Fraud Outcomes were recovering well;
- 1000 units of housing had been recovered since 2010 and used to provide secure accommodation;

9.1 The Committee congratulated officers on the recovery of these 1000 units of housing. Councillor Chapman reiterated the congratulations for this Achievement which significantly assisted in meeting housing need in the Borough.

9.2 Councillor Gilbert asked asked when the postponed audits - climate change, etc would be carried out.

9.3 Councillor Garbett referred to the new relationship between housing benefits and the Department of Works and Pensions in regard to information sharing and whether consent was required in this regard. She referred to the human impact in relation to fraud investigation and what support was provided going forward. She asked for an update on the whistleblowing hotline.

9.4 Councillor Troughton asked whether any comparison had been carried out on Housing benefit fraud investigation performance of the Department of Work and Pensions as compared to that of the Council.

9.5 Councillor Baffour asked when properties were recovered were tenants referred directly.

8.6 Councillor Gordon referred to the fact that investigations could be stressful for those investigated and asked for details of the average duration of investigations.

8.7 The Head of Anti-Fraud and Risk Management responded as follows:

- That the postponed audit on climate change would be carried out, if not in the current year, in the following year;
- Investigations into housing benefit fraud was transferred to the Department for Work and Pensions in 2013/4. It was confirmed that the Department had the authority to carry out these investigations;
- The Whistle Blowing policy was agreed by the April 2022 meeting of the Audit Committee and circulated to staff. The provider of the service had changed;
- No comparison had been carried out on the relative Housing benefit fraud investigation performance. This no longer sat with the Fraud Section of the Council. Officers agreed to investigate if this information was available and circulate to members.

Action:The Head of Anti-Fraud and Risk Management

- In cases where properties are recovered the sub-tenants were signposted to other services where appropriate. In some cases the tenancies were sourced through the private sector, causing delays;
- Timescales varied considerably. Some older tenancy fraud cases were more than one year old, whereas some parking offences are identified proactively and may be dealt with on the spot. Court backlogs are extending the time to resolve some investigation enquiries.

10. Treasury Management Update

10.1 The Group Director of Finance and Corporate Resources reported that much of the contents of the report had been covered in the finance update and that if members had any questions these could be made in writing to the Head of Treasury.

11. Financial Statements Audit 2020/21 – Draft Audit Completion Report (Council) & Final Audit Completion Report (Pension Fund)

11.1 The Director of Financial Management highlighted the following:

- The Auditors had substantially completed audit work for 2020/21 accounts, subject to final checks;

- The Auditors would issue an non moderated opinion for 2020/21;

- The 2021/22 draft Statement of Accounts was published on 29 July in line with statutory deadline;

- The audit of the 2021/22 accounts had started with Mazars due to report progress to the Audit Committee in November 2022;

- Progress report on the 2021/22 audit to come to the November Audit Committee, but with the draft Audit Committee Completion Report in January 2023;

11.2 Suresh Patel (Mazars) introduced the report, highlighting the following:

- The material uncertainty relating to funds in the Pensions Fund resulting from the impact of COVID-19 on the valuation of the fund;

- There was one unadjusted mis-statement in the accounts of £8.5m relating to an extrapolation of an error when sample testing was carried out on income. Given the amount this was not considered to be material;

- The national issues relating to infrastructure were still not resolved. It was hoped that these would be resolved in the current year so that the 2020/21 audit could be concluded in January 2023;

- The Completion Reports would be submitted to the January 2023 meeting of the Audit Committee.

11.3 Chipo Tete Tete (Mazars) highlighted the following in relation to the Pension Fund audit:

- There were no outstanding matters;

- Additional internal procedures to get assurance on level 3 investments;

- The valuation report supporting £155m of Pooled Property Investments included a material valuation uncertainty arising from the impact of COVID 19. Mazars would included an emphasis of matter paragraph in the audit report in respect of the disclosure;

- No adjusted or unadjusted statements had been identified above the trivial threshold of £448,000.

11.4 Councillor Smyth asked when the work on Value for Money would be completed.

11.5 Suresh Patel responded that the 2020/21 Value for Money audit was now complete and a Value for Money commentary was being prepared which Mazars would aim to submit to the November meeting of the Committee.

11.5 Councillor Garbett asked for clarification on the statement that there had been no long term investment in 2020/21 and whether there had been a move to short term investment.

11.6 The Group Director confirmed that questions such as these could be addressed at training in advance of the final approval of the accounts in January 2023. He asked that members send questions to the relevant officers in regard to the accounts. The Director of Financial Management suggested a training session in regard to the 2021/22 accounts in advance of the January 2023 meeting of the Audit Committee.

11.7 The Group Director of Corporate Finance and Resources thanked all those involved in the preparation of the accounts, recognising the good relationship with the Council's External Auditors, Mazars. The Chair reiterated this thanks to all those involved with the preparation of the accounts.

RESOLVED:

To note the report

12. External Audit Plan 2021/22

12.1 Suresh Patel introduced 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. 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. These documents were presented later than in the normal cycle, this is due to the backlog created by covid and the cyber attack.

12.2 Suresh Patel highlighted the following:

- The cyber-attack had the most impact on the preparation of the Accounts for 2020/21 which resulted in several significant audit risks;
- For 2021/22 there was only one significant risk around the estimates showing positive work on the behalf of the Council in relation to liabilities it had estimated as a result of the cyber-attack;
- One objection on the 2021/22 accounts had already been received.

12.3 Councillor Gilbert asked for clarification on the objection received also asked for clarification on materiality and what Mazars reports . Suresh Patel stated that it was related to parking control notices.He clarified that they report to the Committee all misstatements above their calculation of trivial (circa £600,000).

12.4 Councillor Troughton referred to the significant risk in relation to management override of control and whether this related to middle manager budget holders and whether this related to procurement fraud rather than matters such as false accounting.

12.5 Suresh Patel confirmed

- that management override of control was pursued in all audits. The most risky areas were considered such as the Council's journals, estimates and anything outside the normal course of business;

- That the objection to the accounts related to a parking control matter;

  The Committee was reported on where errors were identified only over a certain threshold of over £600,000, the amounts that the Council has chosen not to adjust and significant disclosure on the accounts. All errors were reported to officers.

13. Audit Committee Work Plan

13.1 The Chair asked that as the Statement of Accounts would now be submitted to the January meeting of the Committee, where possible, reports from that meeting be moved forward to the November meeting.

RESOLVED:

- To note the work plan.

14. Any other non-confidential business that the Chair considers urgent

14.1 There was no other non-confidential business.

End of Meeting

Duration of Meeting

6:30 - 9:00pm

Chair - Councillor Anna Lynch

Contact: Peter Gray, Governance Officer
Peter.Gray@Hackney.Gov.UK

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Title of Report	Draft Statement of Accounts 2021/22
For Consideration By	Audit Committee
Meeting Date	18th January 2023
Classification	Open
Wards Affected	All
Group Director	Ian Williams, Finance and Corporate Resources

1. Introduction

1.1. This report presents the Statement of Accounts for 2021/22 for approval by the Audit Committee subject to the finalisation of audit processes and subject to the resolution of a sector-wide issue in relation to infrastructure assets.

1.2. Mazar's, our external auditor, audit progress report is included on the Audit Committee agenda and refers to some outstanding work in relation to the audit and a national issue on infrastructure assets. Work will need to be completed and issues resolved before an opinion can be given and therefore the Audit Committee are asked to approve that the Group Director of Finance and Corporate Resources be authorised to agree and approve the final Statements of Account for 20212/22.

2. Recommendation

The Audit Committee is recommended to:

2.1 **Approve the Council's 2021/22 Statement of Accounts subject to the finalisation of audit processes and resolution of the infrastructure asset issue**

2.2 **Approve that the Group Director of Finance and Corporate Resources be authorised to agree and approve the final Statement of Accounts for 2021/22 subject to the finalisation of the external auditor's outstanding work as set out in their Audit Progress Report and resolution of the issue in relation to infrastructure assets.**

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

3. **Reasons for decision**

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

4. **Background**

Policy context

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

Equality impact assessment

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

5. **Accounts and audit regulations**

5.1 Pre Covid, the Accounts and Audit Regulations have required that the unaudited accounts are produced on or before 31st May and during Covid, this deadline had moved to 31 August. For the 2021/22 accounts, this deadline was brought forward to 31 July. Hackney's draft 2021/22 accounts were published on 31 July 2022.

5.2 Prior to their submission to the auditors the Council's responsible financial officer (the Group Director of Finance & Corporate Resources) must, no later than 31st July immediately following the end of 2021/22, sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year.

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

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

5.4 The draft Statement of Accounts was published on the Council's website, subject to audit, following its certification by the Group Director of Finance & Corporate Resources on 31st July 2022, thus ensuring that it was available to any resident or other person entitled to inspect the accounts during the audit period formally.

6. **Accounts and audit regulations**

5.1 At the time of writing this report, the audit of the 2021/22 Statement of Accounts is progressing towards its final stages and it is anticipated that an unqualified audit opinion will be issued by the auditor.

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

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

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

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

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

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

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

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

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

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

In addition, the Statement of Accounts includes:

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

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

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

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

7. Movement in reserves statement

7.1. The Movement in Reserves Statement shows that the general balance on the General Fund was maintained at £15 million whilst the HRA general balance was increased from £12.3 million to £13.7 million. Locally managed funds held by schools decreased by £0.614 million to £16.151 million. General Fund reserves increased by £7m compared to 2020/21, this included £11.1 million of extraordinary covid-related items pertaining to NNDR, which will contribute towards financing the deficit on the Collection Fund, itself driven by the continuing impact of Covid 19 pandemic.

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

7.3. As set out above, many of the reserves are to be used in 2022/23 to finance the deficit in the Collection Fund and other specific risks which have materialised and in future years to finance approved capital schemes. Others are specifically identified to help manage service pressures and costs arising from specific projects requiring one-off resources not covered by the Council's ongoing revenue budget.

8. Comprehensive income and expenditure account

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

8.2. The account shows that the Authority spent a gross amount of £1.314 billion providing services to residents and visitors to Hackney. The Council earned a total investment income of only £1.997 million due mainly to the continued low interest rates available during the period of account.

8.3. The General Fund position continues to be challenged by the ongoing impact of Covid-19, as well as the cyber attack in 2020/21 and beyond. We implemented and delivered the savings necessary for the 2021/22 financial year at the earliest opportunity, in order to assist with the ongoing challenge presented by funding reductions and rising cost pressures in areas such as temporary accommodation, adults and children's social care and special education needs.

9. The balance sheet

9.1. The Balance Sheet sets out the overall financial position of the Council on 31 March 2022. It shows that on 31 March 2022, the Council had total net assets (worth) of £3.633 billion. It shows that the Council owns buildings, land and other property valued at £4.456 billion.

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

9.3. Details of contingent assets and liabilities are set out in notes 44 and 45 to the main accounts. These represent instances where the Council may have to pay (or may receive) as a result of past events but which are dependent on some future event such as the outcome of a legal case. Contingent assets and liabilities are less likely to arise than provisions and may be impossible to quantify. Unlike actual assets and provisions, they are not provided for in the Accounts. If they become payable they have to be funded from the current or future years' budgets. They therefore, represent an area of budgetary risk from 2022/23 onwards.

9.4. While Covid-19 and the impact of the cyber attack have not been presented as a contingent liability, there is no doubt its impact on next year's accounts will continue to be significant. The opening narrative report to the accounts provides further detail on this including how these risks are being managed and were reflected in budget setting for 2022/23 and beyond.

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

10. <u>Housing revenue account</u>

10.1. The Housing Revenue Account (HRA) details Income and Expenditure relating to the provision and management of council dwellings. It shows that the balance on the Housing Revenue Account is £13.7 million as at 31 March 2022. In addition, the HRA has earmarked reserves of £13.332 million set aside for one-off items of expenditure largely within the housing capital programme, and all in line with the HRA Medium Term Planning Forecast and the approved HRA Business Plan.

11. <u>The collection fund account</u>

11.1. The Collection Fund Accounts flow from decisions taken in March 2021 in setting the Budget for 2021/22. Income to the Collection Fund includes Council Tax and National Non Domestic Rates (NNDR). Payments are made from the Fund to its major Preceptors (the Greater London Authority for Council tax, and the GLA and Central Government for NNDR). Distribution of previous years' surpluses or deficits are also paid from the Collection Fund to the Council and GLA in respect of Council Tax and NNDR and additionally to Government in respect of NNDR only. Provision is also made for Bad Debts for both Council Tax and NNDR.

11.2. The deficit on the Collection Fund carried forward at 31st March 2022 relating to Council Tax was £1.695m million (Council element 78.25%). The deficit in relation to NNDR was much higher at £20.782 million (Council element 30%). Where the Collection Fund is estimated to be in surplus or deficit, the Council proportion of the balance is taken into account in the budget estimates for the subsequent year with any variation between the estimate and actual factored into the year following that.

As 2020/21 was recognised to be an exceptional year due to Covid-19, regulations were changed such that authorities could spread the recovery of the deficit over the following three years. In addition, for NNDR the majority of the deficit relates to Retail, Hospitality and Leisure Reliefs which were announced after the budget was set for the year with the consequence being that debts were raised which subsequently were not required to be paid. The Council was compensated for this shortfall through additional S31 grant which was subsequently applied to the 2022/23 budget to meet the ‘extraordinary’ element of this deficit.

12. The pension fund accounts

12.1. The Pension Fund Accounts show the contributions to the Council’s Pension Fund for employees during 2021/22, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund as at 31 March 2022.

12.2. The Accounts show that the net value of the assets and liabilities of the Pension Fund has increased by £100,536 million (5%) to £1,964,512 million as at 31 March 2022 from the previous year. Of this increase, £75,291 million was due to the impact of the increase in the value of stock market investments held by the Fund and associated investment income. The remaining £25,245 million represents the net additional cash flow arising from contributions received into the fund less benefits and administrative costs paid.

13. Annual governance statement

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

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

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

13.4. The AGS has been presented in accordance with best practice as set out in “Delivering Good Governance in Local Government”. The statement is signed by

Hackney's Mayor, Chief Executive and Group Director of Finance and Corporate Resources.

13.5. The statement relates to the governance arrangements in place throughout the 2021/22 financial year and reports on any identified weaknesses or areas for improvement and the action already taken or proposed in the future in order to address these.

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

13.7. During 2021/22 five areas were identified as having significant governance issues for inclusion within the corporate AGS. Actions to address these issues have been identified and included within the AGS. These issues relate to:

- Corporate impact of the cyber attack
- Covid-19 (impact on income collection)
- Significant Cost Pressures (Adult Social Care, Children & Families and Hackney Education)
- Safeguarding - Child Q
- Contract Management - Housing

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

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

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

14.2. The Council has again maintained the position of having a prudent General Fund Balance of £15 million in line with our policy on reserves and balances. In addition, specific reserves have been earmarked for use in 2022/23 and future years to fund known or expected liabilities going forward.

14.3. The financial position shown in the 2021/22 Statement of Accounts demonstrates that the Council has continued to achieve financial stability although demand pressures, inflation, the pandemic and the cyber attack are having an impact. Provisions against these and other risks were included in the 2022/23 budgets. The Council continues to budget for a revenue contribution to support capital expenditure and for contributions to be made to earmarked reserves to meet other identified future commitments and potential budgetary risks.

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

14.5. This is the fourth year that Mazars have audited the Council's account following the re-procurement 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. Whilst we are not as far advanced in terms of the audit for 2021/22 as was anticipated by both ourselves and our auditors when their Audit Strategy documents for 2021/22 were presented to Audit Committee in October 2022, Mazars and officers are working hard to conclude the process in the coming weeks, subject to the guidance on infrastructure assets.

14.6. The work to finalise the audit of the Council's 2021/22 Accounts is well underway. We anticipate that the auditors will be issuing draft Audit Completion Reports for the Councils Financial Statements and those of the Pension Fund in the coming weeks. Again it is disappointing that the audit opinion remains outstanding due to the national issues around infrastructure assets and also the much discussed resource issue in the external audit market.

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

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

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

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

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

Appendices

1 Draft 2021/22 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 are required.

Description of document (or None)

None

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London Borough of Hackney

Draft Statement of Accounts 2021/22

Ian Williams, CPFA
Group Director, Finance & Corporate Resources

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CONTENTS

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

THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES NARRATIVE REPORT

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

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

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

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

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. This statement also shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with GAAP and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The increase/decrease (movement) in-year line shows the statutory General Fund balance movements in the year following those adjustments.

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 2022. 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.

2021/22 FINANCIAL SUMMARY

Delivery of the 2021/22 Budget

The revenue budget was set against the background of continuing significant reductions in Central Government support to Local Government and increasing cost pressures, particularly in the areas of adult social care, children's services and temporary accommodation. 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 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 2022/23 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 2021/22 budget was agreed by Council in February 2021 alongside an update of progress on the corporate plan. Throughout 2021/22 we have delivered a balanced budget for 2021/22 and developed indicative budgets for 2022/23 to 2025/26 linked to the councils overall prioritises.

Financial Performance 2021/22

At the end of the 2021/22 financial year, there was a net increase of £7.8 million (excluding movement in school balances) to usable reserves from General Fund revenue activities. This included £11.1 million of extraordinary covid-related items pertaining to NNDR, which will contribute towards financing the deficit on the Collection Fund, itself driven by the continuing impact of Covid 19 pandemic.

FINANCIAL PERFORMANCE 2021/22: REVENUE

The achievement of a balanced budget should not be underestimated given that the budget was set in the context of a significant reduction in grant and substantial cost pressures over the period 2010/11 to 2019/20, and very limited increases since. 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 2021/22 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. In addition, we experienced sharply increasing inflation in the last two quarters of the year which impacted on costs particularly in the areas of energy and buildings maintenance.

Performance of the General Fund (Revenue) 2021-22 is as follows

Revised Budget £k	Service Area	Outturn £k	Variance from Revised Budget £k
84,902	Children and Education	87,356	2,454
97,540	Adults, Health and Integration	101,640	4,100
25,415	Neighbourhood & Housing	28,198	2,783
21,264	Finance & Corporate Resources	27,346	6,082
17,396	Chief Executive	16,949	(447)
44,075	General Finance Account	44,075	-
290,592	Total Cost of Services	305,564	14,972
	Budget Set Asides & Reserves	(14,972)	
	Variance from Budget	0	

Covid-19

Covid-19 continued to have a significant impact on Hackney's finances in 2021/22. 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. 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. 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 general fund revenue costs and income is shown below.

Service Area	Covid19 Impact £k
Children and Education	1,694
Adults, Health and Integration	1,214
Neighbourhood & Housing	1,884
Finance & Corporate Resources	1,170
Chief Executive	1,259
General Finance Account	0
GENERAL FUND TOTAL	**7,221**

In addition, Covid-19 reduced business rates and council tax receipts but this will not impact the General Fund until 2022-23. For 2021-22, the Government has not implemented a collection fund compensation scheme as it did in 2020-21.

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

The primary funding stream covered four categories:

- One Tranche of General Emergency Funding
- Compensation for lost sales, fees and charges income for losses in the first quarter
- Targeted funding for specific services/purposes
- Support for businesses and residents that councils administer and have varying degrees of control over

We received one tranche of general emergency funding for 2021/22 for £11 million, The emergency funding was intended to cover our additional Covid-19 related expenditure and lost income which was not covered by the targeted grants. The emergency grant wasn't ring-fenced but our 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. 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.

We also received a sales, fees and charges compensation grant of £1 million, which covered the first quarter only. We factored an estimated compensation level into our 2021/22 budget which was broadly in line with this. No further funding from this source was made available for the remainder of the year.

With regard to specifically targeted funding, the main elements were the Contain Outbreak Management Fund (COMF), Infection Control Fund, Community Testing Programme and Practical Support for Self-isolation. We received £7.1millionof funding that covered many functions including testing, track and trace, support for adult social care providers, support for vulnerable people, support for self isolation and prevention.

The Government also provided support for businesses and residents in the form of business rates relief and grant schemes. The most significant relief scheme was the roll forward of the 2020/21 eligible retail, hospitality and leisure properties business rates relief scheme into 2021/22. The rate was 100% from 1 April 2021 to 30 June 2021. This was 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. We paid out an estimated £11.1million RHL and nursery reliefs (Hackney element) for which we were fully compensated

The Government also introduced a £670 million Council Tax Local Support Grant which was designed to mitigate the additional cost of providing Local Council Tax Support to residents as a result of the pandemic. Hackney's share was £3.4m.

Cyber attack

It is clear that the cyber attack on the Council in October 2020 had a significant impact on the Council's finances in 2021-22 and this has continued into 2022-23.

The impact on service costs and income is shown in the table below

Service Area	Cyberattack Impact £k
Children and Education	64
Adults, Health and Integration	1,281
Neighbourhood & Housing	260
Finance & Corporate Resources	5,377
Chief Executive	0
General Finance Account	0
GENERAL FUND TOTAL	**6,982**

The cyberattack-related costs are primarily due to expenditure on processing backlogs, including additional staffing costs and system recovery costs. On the income side the primary components are an increase in the bad debts provision for Net Costs of Benefits in Revenues, and a loss of care charges income in Adult Social Care. 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 and costs were closely monitored and managed through a regular and robust oversight process. Sufficient funding was provided to mitigate the costs but this has had a negative impact on our one off funding sources and usable reserves. It should be 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.

Hackney's loss on collection for NNDR for 2021-22 taken together with other changes to the budgeted debit and an adjustment to the 2020-21 deficit resulted in a collection fund deficit of £6.2m. An estimate of this was factored into the 2022-23 budget and a further adjustment will be made on the basis of outturn to the 2022-23 deficit calculated and incorporated into the 2023-24 NNDR 1. Hackney's share of the 2021-22 council tax deficit was £1.3m

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.

Future Funding Risks

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

2020/21 Spending Review and 2022/23 Settlement

The 2020/21 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). However, this includes compensation for the NI increase consequent upon the introduction of the social care levy and for covid related losses in tax income.

Core spending power is planned to increase by 3.0% per annum in real terms over the period 2021/22 to 2024/25. However, this was based on an OBR estimate of inflation over the period which is much lower than the rate which applied in the last quarter of 2021/22 and which is likely to apply in 2022/23 and 2023/24.

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.
- There will be no separate compensation for Covid-19 tax losses relating to 2022/23 so this have to 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
- 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
- Resource funding for homelessness and rough sleeping will increase to £639 million in 2024/25
- For housing, £300 million 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
- 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 £300 million 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 £550 million 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

In the 2022/23 Settlement, core spending power increased by 7.1% in cash terms (£.3.7bn) which is unlikely to keep pace with inflation during 2022-23. Moreover, of this £3.7bn increase, £1.4bn relates to an assumed increase in council tax (taxbase and rate) which cannot be regarded as external funding. Also of the overall spending power total of £54bn, £0.8bn relates to the Services grant, which is for 2022/23 only and £0.6bn relates to the New Homes Bonus Grant, for which no decision has been taken on its future.

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.

Future External Funding Levels - Further Uncertainty

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 until 2024/25 at the earliest.

The latest position is now summarised. When the 2022/23 Settlement was announced, the Secretary of State announced the DLUHC would, in the coming months, work closely with the sector and other stakeholders to update the current funding system (Fair Funding Review). However, at the LGA Conference this year, he announced a 2 year funding Settlement in 2023/24 and that there will soon be a consultation. This implies that a fully fledged Fair Funding proposal would not be implemented in 2023/24 or 2024/25 but the announcement of a summer consultation implies that there could involve some kind of tinkering with the formula and associated redistribution rather than the kind of funding rollover that there was in 2020/21 and in 2021/22. He also committed to doing Fair Funding by the end of the financial year 2022/23 but this probably either means starting off the process for delivering it in 2 years' time or badging the above tinkering as delivering fair funding reforms.

There are therefore two risks here - firstly any tinkering with the formula which could involve a redistribution of resources away from Hackney while the second is a significant redistribution of resources if a fully fledged funding review is ever introduced.

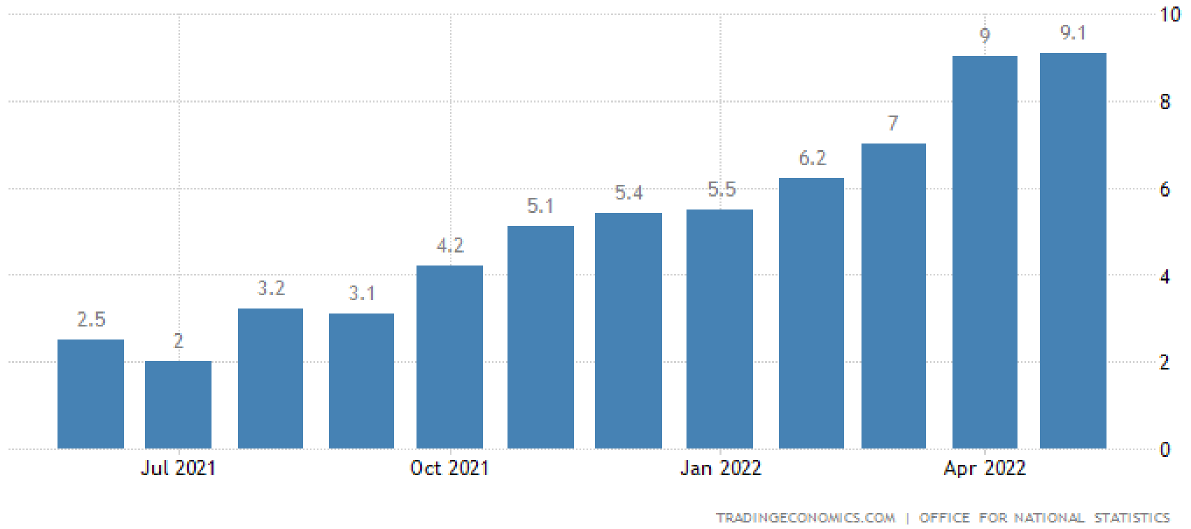
If a fully fledged Fair Funding review is implemented, it holds significant risks for the Council. For Hackney, there are 3 main factors which drive our Needs Assessment: - Deprivation, Area Costs and Population. With regards to deprivation, most of the deprivation factors used in the current needs assessment 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. In addition, prior work by the Government suggests it is proposing to allocate 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.

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.

Turning to population, on Tuesday 28 June 2022, the Office for National Statistics (ONS released the first results of the 2021 Census. The census is a count of an area's population, carried out by the ONS every ten years. The ONS estimates there were 259,200 people living in Hackney in March 2021. Although this is 5.3% higher than the 2011 Census estimate of 246,300, it is significantly lower than the 2020 mid-year estimate of 280,900, published last year. The population figures reported by the ONS for the 2021 Census have been lower than expected for England and Wales as a whole. The ONS had forecast the population of England and Wales to reach 59,980,000 at the end of 2020, but the 2021 Census estimates it at 59,597,300. According to the 2021 Census, the population of England and Wales increased by 3.5 million, or 6.3% between 2011 and 2021. The population of London is estimated to have risen by 7.7%.The population of Hackney is estimated to have increased by 5.3% between 2011 and 2021. This is lower than the London average and lower than we would have expected given recent mid-year population estimates. It follows that If the March 2021 estimate is used in any 2023-24 tinkering (which is unlikely) or in a fully fledged Fair Funding solution at some stage in the future, then these estimates could negatively impact on our allocations

Financial Risks - Inflation Risk

All councils are being affected by the ever spiralling rate of inflation. Looking at the wider inflationary picture, the Office for National Statistics (ONS) year on year inflation rate in May 2022 as measured by CPI is 9.1% and by RPI is 13.7%. The ONS CPI forecast is shown below



The Office for Budget Responsibility (OBR) in its Spring Statement forecast that inflation will be 8.7% in the fourth quarter of 2022 but the Bank of England expects inflation to peak at 10% in 2022-23. However, it expects inflation to reduce to 2% in two years. However, given that reductions aren't being forecast, the 10% increase will be permanently built into prices plus any increases in subsequent years.

This began to impact on costs in the final quarter of 2021 and it is apparent from the first forecast for 2022/23 (May Overall Financial Position Report) that inflationary pressures have heightened and are feeding through into increased costs and forecast income collection. Particular examples include a risk around our commercial tenants' ability to pay, increased fuel costs driving increased spend in areas such as Environmental Operations and SEN transport and inflationary pressures coming through from care providers. We expect as the year progresses forecasts will exceed sums set aside for specific pressures and we will need to continue to employ tight controls on non-essential spend to minimise the use of one-off funds.

On 28th June, the cross-party Local Government Association (LGA) said local services that were seemingly secure just three months ago were now at risk of closure or cuts as councils scramble to manage an unforeseen £2.4bn rise in energy and pay costs. The LGA estimates that without adequate long-term funding – in effect a revisiting of the spending review settlement agreed last autumn – the collective increase in inflationary costs faced by English councils this year will be £2.4bn, growing to £3bn in 2023/24 and £3.6bn in 2024-25. These pressures, coming on the back of more than a decade of austerity cuts to local authority funding, pose a serious risk to the future financial viability of some services and councils.

Despite these warnings from the LGA, it doesn't look like we will receive additional funding from central government to mitigate the impact of inflation. In an interview with LGC in the week beginning 28th June, Michael Gove told councils not to hold on to "false hope" of additional funding to help with inflationary pressures. Additionally, the chief secretary to the Treasury said that "Councils facing inflationary pressures will need to tighten their budgets .... "the reality is that it will be necessary to prioritise services."
As noted above, these pressures are impacting on the costs of various services particularly those with an energy element or a contractual commitment with an inflationary element. All services with a labour element will also be impacted upon given the likely 2022/23 (and future) pay awards. It is almost certain that the final agreed award will exceed what Hackney and other Councils have in their budgets for 2022/23 and 2023/24. The Council's current year's budget factors in an assumption of a 2 per cent pay increase. Unsurprisingly given the cost of living pressures and the recent history of NJC union pay claims of 10 per cent, pay claims for 2022/23 significantly exceed the budget assumption. Also, there are Press reports (unconfirmed currently) that the Prime Minister has agreed 5% for various categories of public sector workers

Further complications include the need to consider the impact of London Living Wage increases on pay scales and a recognition that, like other councils, we are experiencing difficulty in recruiting for some roles, for example social workers, regulatory officers and ICT and legal professionals. In the MTFP Forecast we have assumed a 3% pay award in 2023/24 (plus any shortfall carried forward from 2022/23), and 2% for 2024/25 and 2025-26. To illustrate the impact of pay claims on our budget, a one per cent increase on the pay bill for the Council represents a total cost of approximately £2.56 million (GF £2.11 million+ HRA £450k). To put that into perspective, a 1% increase in Council Tax raises c£972k. A final point is that recent press reports from the Treasury claim that the settlement given in November 2021 spending review assumed pay rises for no more than 3 per cent and anything more than that would require spending cuts or efficiencies. Further, Government funding or council tax is unlikely to increase anywhere near enough to meet such increases or indeed other ongoing demand pressures, which could then only be paid for by cuts elsewhere.

These pressures are not contained to our revenue budgets, as already noted, construction inflation is having an impact on some of our capital schemes. The levels of inflation experienced at present mean that tender prices are significantly exceeding pre-tender estimates in some instances by as much as 25-40% (e.g. Kings Crescent & Nightingale, both part of the Regeneration programme, but also Stoke Newington Library). If the programme was to proceed as is, the need to borrow will increase leading to higher capital financing costs (interest and the provision for the repayment of debt) which will need to be managed through the MTFP.

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 rates and recovery costs, and adult social care income; 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 are also significant underlying demand pressures in various services including adult social care and temporary accommodation; growing SEND pressures and the potential for an ongoing negative 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. The final update of the Corporate Plan went to Cabinet in February 2022. Link to Corporate Plan Update available on the council's website - here This was a full update of progress and identified key issues to address in the next financial year. A new Strategic Plan is under development and will replace the current corporate plan. It will go to Cabinet in November 2022.

Capital

The capital programme budget for 2021/22 was £166 million while the planned expenditure for 2022/23 to 2024/25 is £940 million. Actual capital expenditure for 2021/22 was £154 million, giving a net in-year variance of £12 million against the 2021/22 budget.

Delivery of the capital programme was adversely impacted by Covid-19 and the additional financial pressures impacting on the start times and the delivery of projects and programmes.

CAPITAL 2021/22 OUTTURN				PLANNED 2022/23 TO 2024/25		
	Budget £m	Outturn £m	Variance £m	2022/23 £m	2023/24 £m	2024/25 £m
General Fund	60	52	-8	120	113	98
HRA	106	102	-4	124	235	249
Total	**166**	**154**	**-12**	**244**	**348**	**347**

Key investments include:

- £10.2 million 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.
- £18 million on housing estate regeneration, £9 million on housing supply, and £44 million on maintenance of existing housing stock.

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 £146.7 million from rents, service charges, leasehold and other income, and expenditure of £190.4 million on repairs and maintenance, general management services, special services and other items of spend.

Collection Fund

The collection fund shows the transactions of the Authority as a billing authority in relation to Council tax and non-domestic rates (NNDR). It illustrates the way in which both have been distributed to precepting authorities and the comprehensive income and expenditure statement. In 2021/22 the Council collected £86.4 million Council tax, of which £26.2 million was collected on behalf of the GLA.

Business rates or National Non-Domestic Rates (NNDR), is a tax on business premises, collected locally by local authorities. With covid-19 and the cyber attack it was a challenge to predict our business rates income, in 2021/22 we budgeted for a business rate income of £43.7 million. Due to the effects and impact of covid-19, the London business rates retention pool was not in operation during 2021/22. Our share of last year's estimated NNDR deficit was £16.5 million which impacts on the General Fund this year; the earmarked reserves which was created (from section 31 grant funding) and set aside for this year together with the Tax Income Guarantee compensation will fund the £16.5 million deficit.

Treasury Management

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. UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%. In the January- March quarter the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.

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 decrease in the liability of £203.5 million to a net total of £691.0 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 (£577m) and the operational boundary (£547m) throughout 2021/22.

Summary

The **2021/22 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 2021/22 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. A workforce profile covering the organisation's employment profile is produced annually and available on the council's website here.

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 on what the Council will seek to obtain assurance. Hackney's Local Code of Corporate Governance and Constitution can be found here or through the Council's website.

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 2022, up to the date of approval of the statement of accounts.

During 2021/22 the review of governance identified areas for improvement, an action plan has been developed which sets out how we will manage the most significant issues. Details of the issues identified in 2021/22 are provided on page 25 and 26, the outcomes of issues identified in 2020/21 can be viewed here.

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 had a huge impact on the Council, its workforce, residents, partners and other stakeholders. As we emerge from these unprecedented times we are confident that good governance, democratic accountability and transparency continues in Hackney.

The criminal cyber attack in October 2020 posed significant challenges for the authority with work to rebuild systems and recover data continuing throughout 2021/22. The Council focussed resources on rebuilding business critical systems to enable essential services to be delivered. The ongoing recovery work accelerated the delivery of the Council's technology strategy, with significant progress to recover data onto modern cloud technologies, which in many cases presented a faster route to recovery and supported delivery of the Council's longer term strategy for technology and data. This included 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 presented the best strategic fit. This will help the Council to ensure it is protected against the new and emerging cyber risks facing all organisation

Scope of Responsibility

Hackney Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, public money is safeguarded and accounted for properly. 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 economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has in place a local Code of Governance which sets out its commitment to good governance which 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. The Council is committed to the ongoing strengthening of its governance arrangements and will consider 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, Council owned companies, shared service arrangements and arm's length bodies.

The system of internal control is a significant part of the framework, designed to manage risks to a reasonable level. The system of internal control is based on an ongoing process developed 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 2021/22. 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 2019/20.

The publication of the draft statement of accounts for 2020/21 was delayed until December 2021 as a result of the cyber attack. The external auditors began their audit in December and provided an update to Audit Committee in April 2022 where they noted that to date they have not identified any issues which would result in them proposing to issue a modified audit opinion. Unfortunately the audit opinion has been further delayed as a result of a 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 July 2022 as a result of this matter.

The auditors' work in relation to the Council's value for money (VFM) arrangements also remains in progress and to date they have not identified any significant weaknesses in the arrangements that have required them to make a recommendation. It is anticipated that their commentary on our VFM arrangements will be provided in their annual report in October 2022.

The governance framework has been in place at Hackney Council for the year ended 31 March 2022 and up to the date of approval of the annual report and statement of accounts.

Adequate assurance can be given that the systems and processes in place throughout the Council support the achievement of 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 COVID-19 pandemic which affected the whole country and continues to impact the Council 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 Climate Change (Net Zero)

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 January 2022.

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
- Members Training and Development Programme

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

Since the start of the pandemic the scrutiny commissions have not conducted any in depth scrutiny reviews.

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 Interim Head of Internal Audit & Corporate Risk Management, having reviewed the available evidence, including the cumulative knowledge and experience from audit review of the systems and controls in place over many years, the results of previous audit work and the work completed in 2021/22, supported by other sources of assurance is satisfied a reasonable conclusion can be drawn on the adequacy and effectiveness of the Council's arrangements 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 environment and governance processes were in operation during the year to 31 March 2022 despite the challenges the Council experienced during the year. There are areas where improvements to enhance the Council's governance framework were identified, these have been recognised and improvement plans are in place.

Full details of the assurance provided in this statement can be found within the Internal Audit Annual Report for 2021/22, submitted to the Audit Committee on 8 June 2022. An outline of the rationale for the 'Adequate' assurance opinion can be viewed here.

The ability to undertake audit reviews during 2021/22 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, however, following the cyber attack, all internally hosted legacy systems were unavailable, this continued to severely restrict the completion of audit reviews during the reporting year. The recovery work has been complex and extensive, with priority being given in line with Cyber Gold priorities. As a result of the Council's pre-existing plans to move its systems to cloud based platforms, data held on systems that had already moved to cloud platforms remained available (e.g. Hackney website, communications systems, intranet).

The loss of data and access to systems as a result of the cyber attack and the challenges this posed when undertaking audit reviews has understandably impacted upon the level of assurance that can be given under what are extraordinary circumstances. The Council moved to put in place alternative working practises to ensure essential services continued to be provided to our residents. It was recognised that the use of interim measures involved accepting a greater level of risk than under normal circumstances but these were unprecedented times and the risks needed to be accepted in order for the Council to deliver essential services.

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. Following the recruitment of a new Chief Executive in October 2021 a restructuring of directorates took place designed to give us a single, coherent and powerful team focusing on key corporate priorities. Our governance arrangements have responded to the pandemic, 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 and the cyber attack.

During the reporting year reviews were undertaken of the Council's compliance with CIPFA's Financial Management Code and the business continuity arrangements were reviewed and updated. A review of our corporate risk management arrangements is scheduled to take place in 2022/23, there may also be a need to further review our corporate resilience.

The Accounts and Audit (England) Regulations 2015 and the PSIAS, require the Council to undertake a review of the effectiveness of its Internal Audit function and to report the results in the Annual Governance Statement. Hackney was due to undergo an external peer review in 2021 however all such reviews remained suspended at that time due to the pandemic. Reviews are due to restart in 2022/23 however, Hackney has opted to postpone their review until 2023/24 as a result, similar to many authorities nationwide, we are not fully compliant with the requirements of PSIAS. The cyber attack has further complicated our position with the effect on our systems and data making it impractical to undergo a review any earlier. We continue to undertake self assessments which supports the view that, as in previous years, it is considered the Council has effective arrangements in place for the provision of its Internal Audit Service.

Improving Governance

Based on our review of the governance framework, the following significant issues will be addressed in 2022/23.

Issues identified 2021/22	Planned Action
1. Cyber Attack	
The cyberattack of 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 learnings 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 cyberattack includes significant investment in replacement/recovery of the Council's systems. The Council's Cyber Gold and Cyber Silver arrangements have now been stood down and risks are managed through the Council's 'business as usual' directorate governance arrangements. Regular Member briefings include briefings for the Council's Audit Committee to ensure effective scrutiny and oversight. Whilst significant work has taken place to recover the Council's position, recovery of a number of systems/data sources remains in progress. A comprehensive work programme is in place to address these remaining gaps, with the intention that recovery work is completed during the 2022/23 financial year.
2. Covid 19	
The impact of the Coronavirus pandemic on services throughout 2021/22 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 from £4.5m to £12m during the year, the impact of the Pandemic was compounded by the Cyber attack as Universal Housing was and continues to be unavailable. Housing services has	Controls are in place and ongoing. In many areas of Hackney life is returning back to a 'pre-Covid' state, but there remain areas of concern. Impacts of this risk also cross over into other areas, particularly financial, with overlaps relating to the current cost of living crisis.

Issues identified 2021/22	Planned Action
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.	
3. Significant Cost Pressures	
Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily care packages in Adult Social Care, Children & Families and Hackney Education.	High-level pressures are subject to ongoing challenge through budget meetings and the monthly Budget Board which is jointly chaired by the Group Director Finance and Corporate Resources and the Group Directors of Adults, Health & Integration and Children and Education.
4. Safeguarding - Child Q	
The publication of the Child Safeguarding Practice Review (CSPR) on 14th March in relation to the experience of Child Q has had a far-reaching impact for the Children and Education Directorate, as well as for partner agencies.	The CSRP detailed actions needed by all partner agencies in response to the incident and the Children and Education leadership team are working closely with the Group Director to develop a comprehensive plan that involves support to the family, support to our children in schools, support for staff and the wider community engagement around recovery and impetus for change.
5. Contract Management - Housing	
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 Strategic 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

These issues will be supported by a detailed action plan, progress on which will be monitored during 2022/23 and reported to senior management.

Signed on behalf of Hackney Council:

Phillip Glanville	Mark Carroll	Ian Williams
Mayor	Chief Executive	Group Director Finance & Corporate Resources

27th July 2022

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 2022 and its income and expenditure for the year then ended.

Ian Williams

Group Director, Finance and Corporate Resources
29th July 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 31/03/2021	(160,942)	(23,352)	(87,261)	0	(28,525)	(300,078)	(3,021,364)	(3,321,442)
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure	52,751	1,261	0	0	0	54,012	(365,876)	(311,864)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(59,926)	(4,942)	(17,254)	0	2,143	(79,979)	79,979	0
(Increase) / Decrease in 2021/22	(7,175)	(3,681)	(17,254)	0	2,143	(25,967)	(285,897)	(311,864)
Balance as at 31/03/2022	(168,117)	(27,033)	(104,515)	0	(26,382)	(326,045)	(3,307,261)	(3,633,306)

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

*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.

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	2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000	2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000
Children, Adults and Community Health							
Education & Schools		324,650	(262,321)	62,329	319,365	(257,953)	61,412
Children & Families		89,628	(16,275)	73,353	85,377	(15,608)	69,769
Adult Services		150,037	(80,065)	69,972	143,849	(64,875)	78,974
Public Health		41,946	(41,616)	330	36,313	(36,393)	(80)
Neighbourhoods and Housing							
Public Realm		123,253	(82,462)	40,791	127,336	(75,999)	51,337
Housing & Regeneration GF		5,371	(2,021)	3,350	4,918	(1,678)	3,240
Finance & Corporate Resources							
Revenues & Benefits		332,807	(302,103)	30,704	357,738	(334,281)	23,457
Finance and Resources Other		37,685	(17,166)	20,519	26,791	(9,060)	17,731
Chief Executives							
Chief Executive		13,129	(3,067)	10,062	10,968	(2,302)	8,666
Housing Revenue Account							
HRA		195,128	(146,676)	48,452	238,330	(145,044)	93,286
Cost of Services		**1,313,634**	**(953,772)**	**359,862**	**1,350,985**	**(943,193)**	**407,792**
Other operating expenditure	9			(4,449)			(8,371)
Financing and investment income and expenditure	10			8,894			68,882
Taxation and Non-Specific Grant Income and expenditure	11			(310,295)			(304,355)
(Surplus) or Deficit on Provision of Services				**54,012**			**163,948**
(Surplus)/deficit on revaluation of Property, Plant and Equipment assets				(107,688)			(146,924)
(Surplus)/deficit on revaluation of financial assets (Fair Value through P&L)				62			(100)
Remeasurement of net defined benefit liabilty				(258,250)			227,463
Other Comprehensive Income and Expenditure				**(365,876)**			**80,439**
Total Comprehensive Income and Expenditure				**(311,864)**			**244,387**

Balance Sheet

	Notes	31st March 2022	31st March 2021
		£'000	£'000
Property, Plant and Equipment	13	4,212,507	4,161,846
Heritage Assets	12	2,465	2,322
Investment Property	14	199,043	175,843
Intangible Assets	15	6,253	3,068
Long Term Investments		20,830	5,830
Long Term Debtors		15,398	14,363
Long Term Assets		**4,456,496**	**4,363,272**
Assets Held for Sale	19	53,352	72,251
Short Term Investments		15,043	13,499
Inventories		1,062	1,224
Short Term Debtors (incl PIA)	17	140,374	129,550
Cash and Cash Equivalents	18	83,336	41,555
Current Assets		**293,167**	**258,079**
Short Term Borrowing		(355)	(332)
Short Term Creditors (incl RIA)	21	(172,714)	(176,180)
Revenue Grants Receipts in Advance	37	(71,953)	(33,302)
Capital Grants Receipts in Advance	37	(153)	(1,116)
Provisions	20	(25,009)	(28,551)
Current Liabilities		**(270,184)**	**(239,481)**
Long Term Creditors		(6,570)	(7,595)
Provisions	20	(13,704)	(14,682)
Long Term Borrowing		(71,700)	(76,200)
Other Long Term Liabilities	41,43	(700,695)	(905,204)
Revenue Grants Receipts in Advance	37	(1,202)	(506)
Capital Grants Receipts in Advance	37	(52,301)	(56,240)
Long Term Liabilities		**(846,172)**	**(1,060,427)**
Net Assets		**3,633,306**	**3,321,442**
Usable Reserves	22	(326,045)	(300,078)
Unusable Reserves	23	(3,307,261)	(3,021,364)
Total Reserves		**(3,633,306)**	**(3,321,442)**

Cash Flow Statement

	Note	31st March 2022 £'000	31st March 2021 £'000
Net (surplus) / deficit on the provision of services		54,012	163,948
Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	(279,525)	(431,679)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	162,066	118,525
Net cash flows from Operating Activities		**(63,446)**	**(149,206)**
Investing Activities	25	13,255	63,864
Financing Activities	26	8,410	88,127
Net (increase) or decrease in cash and cash equivalents		**(41,781)**	**2,785**
Cash and cash equivalents at the beginning of the reporting period		41,555	44,340
Cash and cash equivalents at the end of the reporting period	18	**83,336**	**41,555**

1. Accounting Policies

(i) General principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. The 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 2021/22, 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 2.7% actual (2.0% in 2020/21). 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 2021/22 and 2020/21 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 events: 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.

<u>Financial Liabilities</u>

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 contract

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 strategic CIL 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) have 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 the 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 six 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)

and a commercial waste company

- Hackney Commercial Services (London) Limited

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 2024.

(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 or both, not held for sale and not occupied by the council.

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 Historical Cost
- Heritage assets – Sum Insured Valuation
- Assets that have short useful lives and / or low values such as vehicles, plant and equipment – Depreciated Historical 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 relate 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 2021/22 (SeRCOP). Elements of support costs remaining within core unit budgets at year-end are, where material, are 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 the 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. However, they 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.

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 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 2022 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 2021/22 Hackney retained 30% (30% in 2020/21) of the rates raised, the GLA 37% (37% in 2020/21) and the Governments share was 33% (33% in 2020/21). 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 2022. 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 2022	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount (£000)
0.1% decrease in Real Discount Rate	2%	49,853
1 year increase in member life expectancy	4%	105,071
0.1% increase in the Salary Increase Rate	0%	2,980
0.1% increase in the Pension Increase Rate (CPI)	2%	46,533

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 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 31st July 2022. 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 2022, 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 2021/22	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	(25,947)	(43,746)	0	0	0	69,693
- Revaluation losses on Property, Plant and Equipment	(8,051)	(46,891)	0	0	0	54,942
- Movement in the market value of Investment Properties	14,841	(341)	0	0	0	(14,500)
- Amortisation of intangible assets	(2,305)	0	0	0	0	2,305
- Capital grants and contributions applied	22,547	7,903	0	0	1,945	(32,395)
- Revenue expenditure funded from capital under statute	(348)	(869)	0	0	0	1,217
- 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	(78,202)	(11,733)	0	0	0	89,935
Insertion of items not debited or credited to the Comprehensive I&E Statement						
- Statutory provision for the financing of capital investment	3,288	0	0	0	0	(3,288)
- Reversal of entries included in the surplus or deficit on the provision of services in realtion to capital expenditure	814	0	0	0	0	(814)
Adjustments primarily involving the Capital Grants Unapplied Account:						
- Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	1,595	(1,793)	0	0	198	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	(13)	(25,054)	0	0	0	25,067
Adjustments primarily involving the Capital Receipts Reserve:						
- Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	0	0	42,852	0	0	(42,852)
- Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	50,330	81,484	(131,828)	0	0	14
- Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	68,469	0	0	(68,469)
	(21,451)	(41,040)	(20,507)	0	2,143	80,855

Movement during 2021/22	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:	(21,451)	(41,040)	(20,507)	0	2,143	80,855
- Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(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	43,746	0	(43,746)	0	0
- Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	43,746	0	(43,746)
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	(23)	0	0	0	23
Adjustments primarily involving the Pensions Reserve:						
- Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	(46,930)	(7,831)	0	0	0	54,761
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	15,731	0	0	0	0	(15,731)
Adjustments primarily involving the Dedicated School Grant Adjustment Account:						
- Transfer in-year Dedicated Schools Grant deficit (to DSG Deficit Reserve)	(4,770)	0	0	0	0	4,770
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	747	206	0	0	0	(953)
Total Adjustments	**(59,926)**	**(4,942)**	**(17,254)**	**0**	**2,143**	**79,979**

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	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:	(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**

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 2021/22.

	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Balances held by schools under scheme of delegation	(13,196)	0	(3,569)	(16,765)	614	0	(16,151)
Replacement and development of financial systems	(684)	557	0	(127)	0	0	(127)
Rising Energy Costs	(492)	0	0	(492)	384	(33)	(141)
Future increases in NLWA levy	(500)	0	0	(500)	0	0	(500)
Unspent contingencies	(765)	0	0	(765)	120	0	(645)
Revenue contributions to capital programme	(5,505)	0	0	(5,505)	591	(3,518)	(8,432)
Children's Services Transformation	(1,600)	1,600	0	0	0	0	0
Homelessness	(2,000)	0	0	(2,000)	0	0	(2,000)
Revenue contribution to primary school building programme	(1,323)	0	0	(1,323)	0	0	(1,323)
General Legal Costs	(1,068)	0	0	(1,068)	0	0	(1,068)
Insurance	(5,150)	0	(1,000)	(6,150)	0	0	(6,150)
Fleet Replacement	(3,774)	3,854	(80)	0	0	(823)	(823)
CYP Commissioning Activity/Looked After Children	(3,269)	0	(438)	(3,707)	3,707	(2,600)	(2,600)
Adult Social Care	(7,177)	2,130	(3,358)	(8,405)	1,419	(10,585)	(17,570)
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)	355	0	(345)
Building capacity and mitigation of government funding loss	(5,387)	1,473	(3,468)	(7,382)	11,112	(11,353)	(7,603)
Taxation Income Grant	0	0	(6,041)	(6,040)	2,000	0	(4,040)
NNDR Reserve	0	0	(14,373)	(14,372)	14,372	(11,088)	(11,088)
Cyber Attack	0	0	(1,000)	(1,000)	(1,332)	0	(2,332)
Children in Need - s17 cases	(300)	0	(400)	(700)	700	(900)	(900)
Disabled Children Services	(476)	0	(768)	(1,244)	1,244	(500)	(500)
Election Costs Reserve (including boundary changes, impact of	(400)	0	(200)	(600)	454	(454)	(600)
Public Health	0	0	(1,621)	(1,621)	0	0	(1,621)
Disabled Facilities Grant	0	0	(898)	(898)	0	0	(898)
Hackney Education	(5,351)	0	(1,600)	(6,951)	1,600	(1,600)	(6,951)
Hackney Education Dedicated Schools Grant	5,028	(5,028)	0	0	0	0	0
Whole Life Costings and repairs to civic estate	(4,699)	0	(400)	(5,099)	0	(400)	(5,499)
Leisure Centre Management	(1,888)	0	0	(1,888)	0	0	(1,888)
Revenue grants received in advance of expenditure incurred	(24,692)	10,703	(4,324)	(18,313)	6,612	(658)	(12,359)
General Fund Sub Total	(89,419)	15,289	(43,538)	(117,668)	43,952	(44,512)	(118,225)

	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/22
General Fund b/f from above	**(89,419)**	**15,289**	**(43,538)**	**(117,668)**	**43,952**	**(44,512)**	**(118,225)**
Depot Upgrade	(944)	488	0	(456)	189	0	(267)
Hardship Fund	(416)	93	(500)	(823)	156	0	(667)
Children's services housing costs	(425)	44	0	(381)	0	0	(381)
Hackney Walk	(5,655)	0	(1,919)	(7,574)	0	(418)	(7,992)
Woodberry Down - MOU	(594)	0	0	(594)	0	0	(594)
CACH Transformation	(4,415)	1,798	(10)	(2,627)	747	0	(1,880)
Adult Social Care - DFG	(1,205)	0	0	(1,205)	357	(916)	(1,763)
Sleep In	(522)	200	0	(322)	322	0	(0)
Empty Corporate Properties	(750)	444	0	(306)	3	0	(303)
Day Services Transport	(800)	0	0	(800)	0	(186)	(986)
Private Sector Housing - Licensing income	(1,772)	551	0	(1,221)	345	0	(876)
Regeneration Night Time Economy	(616)	230	0	(386)	267	0	(119)
Delayed Budget Growth	(600)	600	0	0	0	0	0
AHI Workforce Contingency	0	0	0	0	0	(824)	(824)
Unplanned Care Integrated Discharge Hub Scheme	0	0	0	0	0	(2,000)	(2,000)
Unplanned Care Learning Disabilities	0	0	0	0	0	(757)	(757)
Other miscellaneous reserves	(10,426)	1,603	(2,749)	(11,569)	1,781	(5,682)	(15,470)
Total GF Earmarked Reserves	**(118,559)**	**21,340**	**(48,716)**	**(145,935)**	**48,119**	**(55,295)**	**(153,110)**
GF Working Balance	**(15,007)**			**(15,007)**			**(15,007)**
Total GF Reserves per MiRS	**(133,574)**			**(160,942)**			**(168,117)**

	Balance at 31/03/20	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/22
HRA:	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Tenant Levy	(273)	0	(109)	**(382)**	0	(25)	**(407)**
Aerial Mast Income	(1,491)	0	(238)	**(1,729)**	0	(238)	**(1,967)**
HRA Rightsizing	(835)	0	(4,793)	**(5,629)**	0	(2,017)	**(7,646)**
Utilities	(2,762)	0	0	**(2,762)**	0	0	**(2,762)**
HRA Insurance	(600)	50	0	**(550)**	0	0	**(550)**
Total HRA Earmarked Reserves	**(5,961)**	**50**	**(5,141)**	**(11,052)**	**0**	**(2,280)**	**(13,332)**
HRA Working Balance	**(11,200)**			**(12,300)**			**(13,700)**
Total HRA Reserves per MiRS	**(17,161)**			**(23,352)**			**(27,032)**

9. Other Operating Expenditure

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

	2021/22	2020/21
	£'000	£'000
Levies	9,178	8,694
Payments to the Government Housing Capital Receipts Pool	3,267	3,253
(Gains) / Losses on the disposal of non-current assets	(16,894)	(20,318)
	(4,449)	**(8,371)**

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.

	2021/22	2020/21
	£'000	£'000
Interest payable and similar charges	14,031	20,509
Pensions interest cost and expected return on pensions	18,238	15,008
Interest receivable and similar income	(1,997)	(1,577)
Income and expenditure in relation to investment properties and changes in their fair value	(21,378)	34,983
Other Investment Income	0	(41)
	8,894	68,882

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.

	2021/22	2020/21
	£'000	£'000
Council tax income	(89,447)	(84,963)
Non domestic rates	(57,244)	(44,453)
Non domestic rates grant top up	(76,305)	(72,526)
Revenue Support Grant	(35,556)	(35,361)
Non-ringfenced government grants	(21,490)	(37,311)
Capital grants and contributions	(30,252)	(29,741)
	(310,295)	**(304,355)**

12. Heritage Assets

All of the Council's heritage assets are reported in the Balance Sheet at the insurance valuation which is based on market values. These insurance valuations are updated annually. The heritage assets valuation was conducted in January 2022 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 47). The following is a reconciliation of the carrying value of heritage assets held by the Council recorded on the Balance Sheet.

	Civic Regalia	Artwork	Artefacts	Total Assets
	£000	£000	£000	**£000**
Cost or Valuation				
Balance as at 1 April 2021	707	862	752	**2,322**
Revaluations	3	35	105	**143**
Balance as at 31 March 2022	**710**	**897**	**857**	**2,465**
Cost or Valuation				
Balance as at 1 April 2020	682	857	737	**2,277**
Revaluations	25	5	15	**45**
Balance as at 31 March 2021	**707**	**862**	**752**	**2,322**

13. Property, Plant and Equipment

Movements in 2021/22	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 2021	2,280,366	1,585,567	40,681	298,975	46,023	129,958	**4,381,570**	26,317
Adjustment:	0	(4,867)	(4,700)	0	0	0	**(9,567)**	0
Additions	65,767	29,074	3,167	13,541	4,047	31,894	**147,490**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	74,352	41,646	0	0	(3,651)	0	**112,347**	0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(54,035)	(39,948)	(43)	(840)	(329)	(12,617)	**(107,812)**	0
Derecognition - disposals	(10,728)	(62,145)	0	0	0	0	**(72,873)**	0
Other movements in cost or valuation	4,154	90,265	0	0	0	(103,119)	**(8,700)**	0
At 31st March 2022	**2,359,876**	**1,639,592**	**39,105**	**311,676**	**46,090**	**46,116**	**4,442,455**	**26,317**
Accumulated Depreciation and Impairment								
At 1st April 2021	(35,232)	(18,754)	(27,394)	(138,344)	0	0	**(219,724)**	(334)
Adjustment:	0	1,621	7,946	0	0	0	**9,567**	0
Depreciation charge	(37,461)	(17,723)	(5,818)	(8,691)	0	0	**(69,693)**	(354)
Depreciation written out to the Surplus/Deficit on the Provision of Services	30,890	16,962	215	0	0	0	**48,067**	340
Derecognition - disposals	136	1,700	0	0	0	0	**1,836**	0
At 31st March 2022	**(41,667)**	**(16,194)**	**(25,051)**	**(147,035)**	**0**	**0**	**(229,947)**	**(348)**
Net Book Value at 31st March 2022	**2,318,209**	**1,623,398**	**14,054**	**164,641**	**46,090**	**46,116**	**4,212,508**	**25,969**

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**	0
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**

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 2022, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment into 2022/23 and future years, budgeted to cost £31.296 million. Similar commitments as of 31st March 2021 were £46.774 million. The major commitments are as follows:

- Estate Regeneration of Tower Court, Bridge House and Pedro Street, £9.032 million (£22.670 million as at 31st March 2021).

- Hackney Planned Asset Management - Hackney HiP's and former Decent Homes Programme, £12.870 million (£12.832 million as at 31st March 2021).

- Tiger Way and Nile Street new build schools and mixed-use developments, £3.401 million (£5.321 million as at 31st March 2021). Please note that the outstanding commitments are in relation to retention sums with these projects currently in their defects period.

- Britannia mixed-use developments (Education and Leisure element), £1.592 million (£5.951 million as at 31st March 2021). Please note that the outstanding commitments are in relation to retention sums with these projects currently in their defects period.

- Abney Park Restoration and Shoreditch Park Project (Leisure, Parks and Green Spaces), £4.401 million (nil as at 31st March 2021).

Effects of Changes in Estimates

In 2021/22 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. 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 2021 to 31st March 2022. 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 sources listed in the market review.

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.

	2021/22	2020/21
	£000	£000
Rental income from investment property	(5,843)	(7,824)
Direct operating expenses arising from investment property	246	1,263
Net (gain) / loss	**(5,597)**	**(6,561)**

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.

	2021/22	2020/21
	£000	£000
Balance at start of the year	175,843	198,515
Additions - Subsequent expenditure	0	79
Transfers to/from PPE	8,700	19,250
Net (gain)/losses from FV adjustments	14,500	(42,001)
Balance at the end of the year	**199,043**	**175,843**

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 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 £2.305 million charged to revenue in 2021/22 is shown across various headings in the Net Expenditure of Services.

There are no changes in accounting estimates which 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.

	2021/22	2020/21
	£000	£000
Balance at start of the year		
- Gross carrying amount	6,537	6,851
- Accumulated amortisation	(3,469)	(3,840)
Net carrying amount at start of the year	3,068	3,011
Additions - Purchases	5,490	2,148
Amortisation for the period	(2,305)	(2,091)
Net carrying amount at the end of year	**6,253**	**3,068**
Comprising:		
- Gross carrying amounts	12,027	8,999
- Accumulated amortisation	(5,774)	(5,931)
	6,253	**3,068**

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,
- lease payables,
- private finance initiative contract

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 31.3.2022 £000s	Long Term 31.3.2021 £000s	Short Term 31.3.2022 £000s	Short Term 31.3.2021 £000s
Loans at amortised cost:				
- Principal sum borrowed	(71,700)	(76,200)	(400)	(400)
- Accrued interest	(422)	(441)	(7)	(9)
Total Borrowing	**(72,122)**	**(76,641)**	**(407)**	**(409)**
Liabilities at amortised cost:				
- Finance leases	(23)	(111)	0	0
- PFI arrangements	(9,676)	(10,697)	0	0
Total Other Long-term Liabilities	**(9,699)**	**(10,808)**	**0**	**0**
Liabilities at amortised cost:				
- Finance leases	0	0	(88)	(129)
- PFI arrangements	0	0	(1,020)	(949)
Included in Creditors	**0**	**0**	**(1,108)**	**(1,078)**
Total Financial Liabilities	**(81,821)**	**(87,449)**	**(1,515)**	**(1,487)**

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

Financial Assets	Long Term 31.3.2022 £000s	Long Term 31.3.2021 £000s	Short Term 31.3.2022 £000s	Short Term 31.3.2021 £000s
At amortised cost:				
- Principal	29,900	13,900	10,000	13,500
- Accrued interest	173	0	7	37
- Loss allowance	(127)	(938)	0	0
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	5,830	5,830	0	0
Total Investments	**35,776**	**18,792**	**10,007**	**13,537**
At amortised cost:				
- Principal	0	0	5,045	20,043
- Accrued interest	0	0	0	78
- Loss allowance	0	0	(1)	(8)
At fair value through profit & loss:				
- Fair value	0	0	94,968	35,730
Total Cash and Cash Equivalents	**0**	**0**	**100,012**	**55,843**
At amortised cost:				
- Lease receivables	430	463	32	67
Included in Debtors	**430**	**463**	**32**	**67**
Total Financial Assets	**36,206**	**19,255**	**110,051**	**69,447**

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	
	31.3.2022 £000s	31.3.2021 £000s	31.3.2022 £000s	31.3.2021 £000s
Municipal Bond Agency	30	30	0	0
Shareholding 1	4,800	4,800	0	0
Shareholding 2	1,000	1,000	0	0
Total	**5,830**	**5,830**	**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		2021/22	2020/21
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Total £'000	Total £'000
Interest expense	0	0	2,310	0	2,310	1,263
Interest payable and similar charges	**0**	**0**	**2,310**	**0**	**2,310**	**1,263**
Interest income	0	0	(252)	0	(252)	(508)
Dividend income	0	0	0	(69)	(69)	(125)
Interest and investment income	**0**	**0**	**(252)**	**(69)**	**(321)**	**(633)**
Net impact on surplus/deficit on provison	0	0	2,058	(69)	1,989	630
Net Gain/(Loss) for the Year	**0**	**0**	**2,058**	**(69)**	**1,989**	**630**

(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 2022, 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) at the appropriate AA-rated corporate bond yield.

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 31.3.2022 £000s	Fair Value 31.3.2022 £000s	Balance Sheet 31.3.2021 £000s	Fair Value 31.3.2021 £000s
Financial liabilities held at amortised cost:					
Other long-term loans	**2**	(72,122)	(67,636)	(76,641)	(78,764)
Lease payables and PFI liabilities	**2**	(10,807)	(9,620)	(11,885)	(11,214)
TOTAL		**(82,929)**	**(77,256)**	**(88,526)**	**(89,978)**
Liabilities for which fair value is not disclosed *		(407)		(409)	
TOTAL FINANCIAL LIABILITIES		**(83,336)**		**(88,935)**	
Recorded on balance sheet as:					
Short-term creditors		(1,108)		(1,078)	
Short-term borrowing		(407)		(409)	
Long-term borrowing		(72,122)		(76,641)	
Other long-term liabilities		(9,699)		(10,807)	
TOTAL FINANCIAL LIABILITIES		**(83,336)**		**(88,935)**	

	Fair Value Level	Balance Sheet 31.3.2022 £000s	Fair Value 31.3.2022 £000s	Balance Sheet 31.3.2021 £000s	Fair Value 31.3.2021 £000s
Financial assets held at fair value:					
Money market funds	**1**	94,995		35,730	
Corporate, covered and government bonds	**1**	0		0	
Shares in unlisted companies	**3**	30		30	
Financial assets held at amortised cost:					
Corporate, covered and government bonds	**1**	0	0	0	0
Long-term loans to local authorities	**2**	0	0	0	0
Long-term loans to companies	**2**	20,700	0	19,700	0
Lease receivables	**3**	463	263	530	363
TOTAL		**116,188**	**95,288**	**55,990**	**36,123**
Assets for which fair value is not disclosed *		30,225		33,658	
TOTAL FINANCIAL ASSETS		**146,413**		**89,648**	
Recorded on balance sheet as:					
Long-term debtors		430		463	
Long-term investments		35,903		19,730	
Short-term debtors		33		67	
Short-term investments		15,052		13,537	
Cash and cash equivalents		94,995		55,851	
TOTAL FINANCIAL ASSETS		**146,413**		**89,648**	

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31.3.2022 Liabilities £000s	Assets £000s	Net £000s	31.3.2021 Liabilities £000s	Assets £000s	Net £000s
Not over 1	(407)	110,047	109,640	(409)	69,388	68,979
Over 1 but not over 2	(800)	15,173	14,373	(400)	0	(400)
Over 2 but not over 5	(400)	200	(200)	(1,200)	200	(1,000)
Over 5 but not over 10	(12,004)	0	(12,004)	(13,505)	0	(13,505)
Over 10 but not over 20	0	0	0	0	0	0
Over 20 but not over 40	(58,918)	14,700	(44,218)	(61,536)	13,700	(47,836)
Uncertain date	0	5,830	5,830	0	5,830	5,830
Total	**(72,529)**	**145,950**	**73,421**	**(77,050)**	**89,118**	**12,068**

17. Debtors

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

	2021/22	2020/21
	£000	£000
Trade receivables	25,873	50,240
Prepayments	2,760	3,020
Other receivable amounts	111,741	76,290
Total	**140,374**	**129,550**

18. Cash and Cash Equivalents

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

	2021/22	2020/21
	£'000	£'000
Cash held by the Council	142	143
Bank current accounts	(11,774)	(14,361)
Short-term investments	94,968	55,773
Total	83,336	41,555

19. Assets Held for Sale

All assets held for sale are classed as current assets.

	2021/22	2020/21
	£000	£000
Balance at start of year	72,251	115,875
Assets newly classified as held for sale:		
- Property, Plant and Equipment	0	2,855
Assets declassified as held for sale:		
- Assets sold	**(18,899)**	**(46,479)**
Balance at end of year	**53,352**	**72,251**

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 2021	(11,219)	(4,475)	(1,976)	(14,768)	(10,795)	(43,233)
Provisions made in 2021/22	(5,544)	0	0	(516)	(116)	(6,176)
Amounts used in 2021/22	6,475	0	0	1,534	451	8,460
Unused amounts reversed	0	0	0	0	2,236	2,236
Balance at 31st March 2022	**(10,288)**	**(4,475)**	**(1,976)**	**(13,750)**	**(8,224)**	**(38,713)**

	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)	(43,311)
Provisions made in 2020/21	(6,322)	(2,000)	(427)	(2,395)	(5,474)	(22,090)
Amounts used in 2020/21	5,394	0	0	1,275	5,214	10,450
Unused amounts reversed	622	0	0	8,190	1,658	5,983
Balance at 31st March 2021	**(11,219)**	**(4,475)**	**(1,976)**	**(14,768)**	**(10,795)**	**(43,233)**

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 2022 was £10.288 million (£11.219 million as at 31st March 2021). Of this total, £1.560 million represents the provision made for the Housing Revenue Account (£1.547 million as at 31st March 2021) .

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 remained at £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% (30% in 2020/21) 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.

	2021/22	2020/21
	£'000	£'000
Trade payables	(87,106)	(86,349)
Other payables	(85,608)	(89,831)
Total	**(172,714)**	**(176,180)**

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

	31/3/2022	31/3/2021
	£'000	£'000
Revaluation Reserve	(1,246,496)	(1,149,105)
Financial Instruments Revaluation Reserve	202	140
Capital Adjustment Account	(2,780,440)	(2,782,186)
Financial Instruments Adjustment Account	(45)	(68)
Dedicated Schools Grant Adjustment Account*	13,915	9,145
Deferred Capital Receipts	(465)	(25,532)
Pensions Reserve	691,019	894,508
Collection Fund Adjustment Account	7,556	23,288
Accumulated Absences Account	7,492	8,446
Total	**(3,307,261)**	**(3,021,364)**

*The DSG deficit earmarked reserve was reclassified as an unusable reserve from 1st April 2020.

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.

	2021/22	2020/21
	£'000	£'000
Balance as at 1st April	**(1,149,105)**	**(1,015,775)**
Upward revaluation of assets	(164,031)	(236,884)
Downward revaluation of assets	56,343	89,960
Difference between fair value depreciation and historical cost depreciation	10,297	13,594
Balance as at 31st March	**(1,246,496)**	**(1,149,105)**
Amount written off to the Capital Adjustment Account	10,297	13,594

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

	2021/22	2020/21
	£'000	£'000
Balance as at 1st April	**140**	**240**
Upward revaluation of investments	0	(100)
Downward revaluation of investments	62	0
Balance as at 31st March	**202**	**140**

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.

	2021/22	2020/21
	£'000	£'000
Balance as at 1st April	**(25,532)**	**(25,593)**
Long term operating leases reclassified as finance leases	67	61
Transfer to the Capital Receipts Reserve upon receipt of cash	25,000	0
Balance as at 31st March	**(465)**	**(25,532)**

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.

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
Balance as at 1st April		**(2,782,186)**		**(2,890,040)**
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	69,693		75,343	
- revaluation losses and reversals of losses on Property, Plant and Equipment	54,942		123,547	
- amortisation of intangible assets	2,305		2,091	
- expected credit losses	(814)		(127)	
- revenue expenditure funded from capital under statute	1,217		2,471	
- 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	89,935		68,465	
		217,278		271,790
Adjusting amounts written out of the Revaluation Reserve	(10,296)	(10,296)	(13,594)	(13,594)
Net written out amount of the cost of non-current assets consumed in the year		206,982		258,196
Capital financing applied in the year				
- use of the Capital Receipts Reserve to finance new capital expenditure	(68,469)		(44,975)	
- use of the Major Repairs Reserve to finance new capital expenditure	(43,746)		(41,180)	
- capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(30,450)		(25,813)	
- capital grants and other contributions that have been applied to capital financing	(1,945)		(10,572)	
- capital expenditure charged against the General Fund and HRA balances	0		(8,251)	
- capital receipts applied to debt	(42,839)		(58,439)	
		(187,449)		(189,230)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,210)		(2,096)	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(14,500)		42,001	
Finance lease and PFI movements	(1,077)	(17,787)	(1,016)	38,889
Balance as at 31st March		**(2,780,440)**		**(2,782,186)**

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.

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
Balance as at 1st April		**(68)**		**(95)**
Amounts by which finance costs charged to CI&ES are different from finance costs chargeable in year in accordance with statutory requirements		23		27
Balance as at 31st March		**(45)**		**(68)**

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.

	2021/22	2020/21
	£'000	£'000
Balance as at 1st April	**894,508**	**654,064**
Remeasurements of net defined liability / (asset)	(258,250)	227,463
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on Provision of Services	116,049	77,742
Employer's pension contributions and direct payments to pensioners payable in the year	(61,288)	(64,761)
Balance as at 31st March	**691,019**	**894,508**

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.

	2021/22	2020/21
	£'000	£'000
Balance as at 1st April	**23,288**	**(2,054)**
Movement in year	(15,731)	25,342
Balance as at 31st March	**7,557**	**23,288**

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	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Balance as at 1st April	**7,361**	**4,022**	**1,085**	**444**
Settlement / cancellation of accrual made at the end of the preceding year	(7,361)	(4,022)	(1,085)	(444)
Amounts accrued at the end of the current year	6,614	7,361	879	1,085
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from charges in accordance with statutory requirements	(747)	3,339	(206)	641
Balance at 31st March	**6,614**	**7,361**	**879**	**1,085**

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

	2021/22	2020/21
	£'000	£'000
Interest Received	(357)	(1,151)
Interest Paid	2,295	2,886
Total	**1,938**	**1,735**

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

	2021/22	2020/21
	£'000	£'000
Depreciation	(69,693)	(75,343)
Impairment and downward valuations	(54,942)	(133,873)
Amortisation	(2,305)	(2,091)
(Increase)/decrease in impairment for bad debts	(12,844)	(14,537)
(Increase)/decrease in creditors	(35,185)	(53,758)
Increase/(decrease) in debtors	20,707	(18,404)
Increase/(decrease) in inventories	(160)	0
Movement in pension liability	(54,761)	(12,982)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(89,935)	(68,465)
Other non-cash movements charged to the surplus or deficit on provision of services	19,595	(52,226)
Total	**(279,524)**	**(431,679)**

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

	2021/22	2020/21
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	131,814	88,783
Any other items for which the cash effects are investing or financing	30,252	29,742
Total	**162,066**	**118,525**

25. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2021/22	2020/21
	£'000	£'000
Balance as at 1st April		
Purchase of PPE, investment property and intangible assets	147,490	199,658
Purchase of investments	31,044	0
Other payments for investing activities		
Proceeds from the sale of Non Current Assets	(131,814)	(88,783)
Proceeds from investments	(14,500)	(15,394)
Other receipts from investing activities	(18,964)	(31,617)
Balance as at 31st March	**13,255**	**63,864**

26. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

	2021/22	2020/21
	£'000	£'000
Other receipts from financing activities	0	0
Cash Payments for the reduction of the outstanding liabilities relating to the finance leases and on Balance Sheet PFI contracts	949	882
Repayments of short and long term borrowing	4,500	49,500
Other payments for financing activities	2,961	37,745
Net Cash flows from financing activities	**8,410**	**88,127**

27. 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.

	2021/22 Net Expenditure Chargeable to the GF & HRA Balances	2021/22 Adjustments between accounting basis and funding basis	2021/22 Net Expenditure in CI&ES	2020/21 Net Expenditure Chargeable to the GF & HRA	2020/21 Adjustments between accounting basis and funding basis	2020/21 Net Expenditure in CI&ES
	£'000	£'000	£'000	£'000	£'000	£'000
Children Adults and Community Health Services						
Education & Schools	(8,440)	70,769	62,329	(14,591)	76,003	61,412
Children & Families	68,924	4,429	73,353	69,199	570	69,769
Adult Services	66,510	3,462	69,972	78,665	309	78,974
Public Health	(191)	521	330	(142)	62	(80)
Neighbourhoods and Housing						
Public Realm	26,400	14,391	40,791	44,912	6,425	51,337
Housing & Regeneration GF	4,068	(718)	3,350	6,919	(3,679)	3,240
Finance & Corporate Resources						
Revenues & Benefits	26,733	3,971	30,704	22,163	1,294	23,457
Finance and Resources Other	60,686	(40,167)	20,519	27,824	(10,093)	17,731
Chief Executives						
Chief Executive	10,050	12	10,062	8,642	24	8,666
Housing Revenue Account						
HRA	43,510	4,942	48,452	(3,994)	97,280	93,286
Net Cost of Services	**298,250**	**61,612**	**359,862**	**239,597**	**168,195**	**407,792**
Other income and expenditure	(309,106)	3,256	(305,850)	(268,134)	24,289	(243,845)
(Surplus) / Deficit on Provision of Services	**(10,856)**	**64,868**	**54,012**	**(28,538)**	**192,485**	**163,947**
Opening GF & HRA Balance "	(184,293)			(155,757)		
Less Deficit on GF & HRA Balance in Year	(10,856)			(28,536)		
Closing General Fund & HRA Balance at 31st March 2022	(195,149)			(184,293)		

Analysed between General Fund and HRA	2020/22 GF	2020/22 HRA	2020/22 Total	2020/21 GF	2020/21 HRA	2020/21 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening GF & HRA Balance 2021	(160,942)	(23,351)	(184,293)	(133,570)	(17,159)	(150,729)
Reporting change to Schools Budget Deficit at 1st April 2021	0	0	0	(5,028)	0	(5,028)
Restated Opening GF & HRA Balance 2021	(160,942)	(23,351)	(184,293)	(138,598)	(17,159)	(155,757)
Less Deficit on GF & HRA Balance in Year	(7,175)	(3,681)	(10,856)	(22,344)	(6,192)	(28,536)
Closing General Fund & HRA Balance at 31st March 2022	**(168,117)**	**(27,032)**	**(195,149)**	**(160,942)**	**(23,351)**	**(184,293)**

28. Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22 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	53,830	12,134	4,804	70,769
Children & Families	12	4,536	(119)	4,429
Adult Services	(44)	3,638	(133)	3,462
Public Health	9	502	10	521
Neighbourhoods and Housing	0			0
Public Realm	6,065	8,700	(375)	14,391
Housing and Regeneration GF	(1,205)	506	(20)	(718)
Finance & Corporate Resources	0			0
Revenues & Benefits	(11,480)	2,936	(104)	(8,648)
Finance and Resources Other	(24,446)	(2,279)	(824)	(27,548)
Chief Executives	0	0		0
Chief Executives	(491)	534	(31)	12
Housing Revenue Account	0			0
Local authority housing (HRA)	(2,683)	7,831	(206)	4,942
Net Cost of Services	**19,570**	**39,041**	**3,004**	**61,612**
Other income and expenditure from the Expenditure and Funding Analysis	3,267	15,721	(15,731)	3,256
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**22,836**	**54,762**	**(12,727)**	**64,869**

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**

29. Expenditure and Income Analysed by Nature

	2021/22	2020/21
	£000's	£000's
Expenditure:		
Employee expenses	279,198	240,876
Other service expenses	870,616	878,823
Support services recharges	67,640	66,628
Capital related	109,327	240,823
Interest and investment expenditure	68,716	51,233
Precepts and levies	9,178	8,694
Payments to Housing Capital Receipts Pool	3,253	3,253
Total expenditure	**1,407,928**	**1,490,330**
Income:		
Fees, charges and other service income	(378,414)	(359,901)
Interest and investment income	(8,534)	(9,285)
Income from council tax, non domestic rates	(130,022)	(105,987)
Government grants and contributions	(836,946)	(851,209)
Total income	**(1,353,916)**	**(1,326,382)**
Surplus or Deficit on the Provision of Services	**54,012**	**163,948**

30. Agency Services

The Council carries out income collection services on behalf of Thistle Insurance whereby it collects (from tenants) contents insurance premiums. Insurance premiums collected on behalf of Jardine Lloyd Thompson amounted to £0.169 million in 2021/22 (£0.175 million in 2020/21).

There was no cost to the Council in providing this service. The commission received for the Jardine Lloyd Thompson arrangement was £0.035 million for 2021/22 (£0.039 million in 2020/21).

31. Members' Allowances

The council paid £1.299 million in allowances to members of the council during 2021/22 (£1.270 million in 2020/21).

32. 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.

	2021/22	2020/21
	£'000	£'000
Fees payable to External Audit with regard to external audit services carried out by the appointed auditor for the year	174*	170*
Fees payable to External Audit for the certification of grant claims and returns for the year	35	22
Fees payable to Baker Tilly for the certification of grant claim for the year	35	
Fees payable to External Audit with regard to external audit services carried out on the London Borough of Hackney Pension Fund	16	16
Total	**256**	**208**

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

33. 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 *	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Funding provided to the pooled budget						
- provided by the Council	(6,919)	(6,775)	(20,824)	(19,446)	(17,878)	(17,878)
- provided by other Partners	(11,104)	(11,104)	(10,255)	(9,046)	(23,101)	(21,920)
Expenditure met from the pooled budget						
- met by the Council	8,189	8,094	22,725	22,257	28,678	28,322
- met by other Partners	11,363	11,363	10,255	9,046	12,301	11,476
Net deficit arising on the pooled budget during the year	1,529	1,578	1,901	2,811	0	0
Council's share of the net (surplus) / deficit arising on the pooled budget	**1,270**	**1,319**	**1,901**	**2,811**	**10,800**	**10,444**

* 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.

34. 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	
		2021/22	2020/21	2021/22	2020/21	**2021/22**	**2020/21**	2021/22	2020/21	**2021/22**	**2020/21**
		£	£	£	£	£	£	£	£	£	£
Chief Executive - Mark Carroll (started 04/10/2021)		95,631	0	0	0	**95,631**	**0**	17,692	0	**113,323**	**0**
Chief Executive - Tim Shields (period 01/04/2021 to 31/05/2021, working 4 days a week)		24,906	155,602	0	0	**24,906**	**155,602**	4,608	28,786	**29,513**	**184,388**
Acting Chief Executive - Ian Williams (period 01/06/2021 to 03/10/2021)		66,367	0	0	0	**66,367**	**0**	12,278	0	**78,645**	**0**
Group Director Finance & Corporate Resources - Ian Williams (01/04/2021 to 31/05/2021 and 04/10/2021 to 31/03/2022)	i.	109,347	163,575	0	0	**109,347**	**163,575**	20,229	30,261	**129,576**	**193,836**
Group Director Neighbourhoods & Housing - Ajman Ali		165,821	162,533	0	0	**165,821**	**162,533**	30,677	30,069	**196,498**	**192,602**
Group Director Adults, Health and Integration - Helen Woodland (started 15/04/2021)		154,960	0	0	0	**154,960**	**0**	28,668	0	**183,628**	**0**
Group Director Children & Education- Jacquie Burke (started 02/08/2021)		102,981	0	0	0	**102,981**	**0**	19,035	0	**122,016**	**0**
Group Director Children & Education- Anne Canning (01/04/2021 to 31/05/2021)		27,262	163,575	3,294	0	**30,556**	**163,575**	5,653	30,261	**36,209**	**193,836**

Notes
(i) Commenced year as Group Director of Finance & Corporate Resources. Acted up as Acting Chief Executive between 01/06/21 to 03/10/21. Returning to Group Director of Finance & Corporate Resources for remainder of year

**No Bonuses or expenses allowances awarded in 2021/22 and 2020/21

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	
		2021/22	2020/21	2021/22	2020/21	**2021/22**	**2020/21**	2021/22	2020/21	**2021/22**	**2020/21**
		£	£	£	£	**£**	**£**	£	£	**£**	**£**
Director of Legal & Governance		142,175	124,613	0	0	**142,175**	**124,613**	26,302	23,053	**168,477**	**147,666**
Strategic Director Engagement, Culture and Organisational Development		131,162	122,590	0	0	**131,162**	**122,590**	24,265	22,679	**155,427**	**145,269**
Strategic Director Inclusive Economy, Corporate Policy and New Homes *		114,837	124,771	0	0	**137,804**	**124,771**	25,494	23,083	**163,298**	**147,854**

* (reported to Chief Exec until Jan 2022)

**No Bonuses or expenses allowances awarded in 2021/22 and 2020/21

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			
	2021/22		2020/21		2021/22		2020/21		2021/22		2020/21		**2021/22**		**2020/21**	
	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council £	Schools	Council £	Schools
£0 - £20,000	15	6	5	24	23	28	19	35	38	34	24	59	363,621	289,988	255,193	572,282
£20,001 - £40,000	7	1	6	2	12	4	9	10	19	5	15	12	510,768	146,336	397,053	308,975
£40,001 - £60,000	1	0	2	0	1	1	6	0	2	1	8	0	91,241	41,911	418,055	0
£60,001 - £80,000	1	1	0	0	1	0	1	1	2	1	1	1	149,935	72,172	79,834	62,048
£80,001 - £100,000	0	0	0	0	0	1	0	0	0	1	0	0	0	84,789	0	0
£100,001 - £150,000	0	0	0	0	0	0	3	0	0	0	3	0	0	0	394,710	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	0	0
	24	**8**	**13**	**26**	**37**	**34**	**38**	**46**	**61**	**42**	**51**	**72**	**1,115,565**	**635,196**	**1,544,845**	**943,305**

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more is detailed below in bands of £5,000. The bandings include only the remuneration of employees that have not been disclosed separately in the 'Senior officer remuneration' note.

	2021/22		**2020/21**	
	No. of employees		No. of employees	
	Council	Schools	Council	Schools
£50,000 - £54,999	264	138	219	144
£55,000 - £59,999	182	135	210	119
£60,000 - £64,999	102	57	66	61
£65,000 - £69,999	58	40	51	35
£70,000 - £74,999	27	24	24	21
£75,000 - £79,999	18	13	11	19
£80,000 - £84,999	5	14	9	8
£85,000 - £89,999	17	9	14	9
£90,000 - £94,999	6	9	7	8
£95,000 - £99,999	5	4	9	2
£100,000 - £104,999	11	2	8	1
£105,000 - £109,999	1	4	2	3
£110,000 - £114,999	2	1	1	4
£115,000 - £119,999	2	1	3	2
£120,000 - £124,999	7	2	4	1
£125,000 - £129,999	3	1	2	1
£130,000 - £134,999	0	2	3	0
£135,000 - £139,999	2	0	2	0
£140,000 - £144,999	1	0	0	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	0	0	1	0
£155,000 - £159,999	0	0	0	0
£160,000 - £164,999	0	0	1	0
£165,000 - £169,999	0	0	0	0
£170,000 - £174,999	0	0	1	0
Total	713	456	648	438

35. Termination Benefits

The Council terminated the contracts of 103 employees in 2021/22, incurring liabilities of £1.751 million (£2.488 million in 2020/21) in the form of compensation for loss of office and Payment in Lieu of Notice. These disclosures rely on information obtained from payroll providers and other third parties.

36. 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 2021. 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 2021/22 are as follows.

	Central	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2021/22 before academy recoupment			**303,353**
Academy figure recouped for 2021/22			**(79,941)**
Total DSG after academy recoupment for 2021/22			**223,412**
Plus Brought forward from 2020/21			**(9,145)**
Less Carry forward to 2022/23 agreed in advance			**0**
Agreed initial budget distribution in 2021/22	41,371	172,896	**214,267**
In year adjustments	0	0	**0**
Final budgeted distribution for 2021/22	**41,371**	**172,896**	**214,267**
Less Actual central expenditure	(55,468)		(55,468)
Less Actual ISB deployed to schools 2021/22		(172,714)	(172,714)
Plus Local authority contribution for 2021/22	0	0	0
Deficit	**(14,097)**	**182**	**(13,915)**

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 2021/22. 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 an 89% increase in Education, Health and Care Plans (EHCP's) between 2014 (1,399 plans) and 2021 (2,645 plans).

37. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22. No donations were received during the year.

	2021/22	2020/21
	£'000	£'000
Credited To Taxation and Non-Specific Income		
Revenue Support Grant	(35,556)	(35,361)
Business Rates Grant Top up	(76,305)	(72,526)
PFI Grant	(1,387)	(1,387)
New Homes Bonus	(4,514)	(7,551)
COVID 19 Grant	(11,088)	(22,257)
Other Grants	(4,501)	(6,115)
HRA Capital Grant	(6,110)	(2,743)
Other Capital Grants	(24,142)	(26,999)
Total	**(163,603)**	**(174,939)**
Credited to Services		
Department for Education	(250,365)	(245,459)
Department for Work and Pensions	(245,988)	(260,559)
Department of Health	(53,996)	(54,307)
Department for Levelling Up, Housing and Communities	(43,388)	(53,236)
Contribution from Health Authorities	(20,344)	(9,268)
Contribution from other partners	(16,779)	(16,563)
Other Grants and Contributions	(26,893)	(19,480)
Total	**(657,753)**	**(658,872)**

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.

	2021/22	2020/21
	£'000	£'000
Capital Grants Receipt in Advance		
Department for Education	0	(1,039)
Other Grants	(153)	(77)
Total	**(153)**	**(1,116)**

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

	2021/22	2020/21
	£'000	£'000
Revenue Grants Receipt in Advance		
Department for Work and Pensions	(45,838)	(15,334)
Department for Leveling up, Housing and Communities	(16,338)	(353)
Business, Energy and Industrial Strategy	(1,581)	(8,781)
Department for Education	(2,762)	(1,323)
Department of Health	(2,377)	(4,673)
Other Grants	(3,057)	(2,838)
Total	**(71,953)**	**(33,302)**

Long term liabilities

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

	2021/22	2020/21
	£'000	£'000
Capital Grants Receipt in Advance		
Other Grants	0	0
Section 106 Grants	(52,301)	(56,240)
Total	**(52,301)**	**(56,240)**

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

	2021/22	2020/21
	£'000	£'000
Revenue Grants Receipt in Advance		
Department for Education	(1,202)	(506)
Total	**(1,202)**	**(506)**

Following the annual review of grant conditions in 2021/22, 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.

38. 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 £594million (£627 million in 2020/21), 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 2021/22 are summarised in the paragraphs below.

The Council made payments totalling £1.365 million (£0.651 million in 2020/21) to ten voluntary organisations in which there are eleven declared interests by Members. Payments of £3.376 million (£2.976 million in 2020/21) were made to six Housing Associations and Tenant Management Organisations in which nine controlling interests was declared by Members. In addition, payments of £4.242 million (£1.704 million in 2020/21) were made to seven public-related organisations in which there are seven 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 2021/22 (up to 31 May 2022), 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 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 and refurbished schools via the Government funded Building Schools for the Future initiative and followed on to deliver some elements of Asset Management for Hackney Schools.

The Board has 4 Council appointees with the private sector ownership held by Kier Educational Services.

The total amount spent for the financial year 2021/22 on HSFL £3.2m and HSF2L £2.3m.

Wholly owned subsidiaries

The London Borough of Hackney has established six wholly owned subsidiaries, limited by shares, to facilitate and enable its interests in the borough. Set out below are details of the six 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)

and a commercial waste company

- Hackney Commercial Services (London) Limited

Otto and Makers provide building management services to the private dwellings 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. Neither company forms part of London Borough of Hackney's group accounts on the basis of falling well below materiality.

These 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 2021/2022 attributable to the Makers £1.3m and attributable to Otto £137k

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.

Hackney Commercial Services (London) Limited was established in October 2021 but did not start trading until April 2022.

Directors for all of the six 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 2021/22, 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 coordination 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 £58.46 million to the Fund in 2021/22 (£59.34 million in 202/21). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.42 million in 2021/22 (£0.36 million in 2020/21) 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.

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 £7.585 million (£7.076 million in 2020/21). The council also incurred charges of £1.738 million (£1.896 million in 2020/21) towards non-household waste and £0.547 million (£0.557 million in 2020/21) 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 four Chief Officers.

The council is the seed investor in the Municipal Bond Agency during 2014/15, investing a total of £0.100 million worth of equity. Subsequently, the council has 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 2021/22.

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. During 2021/22, the Pension Fund made a significant transition of investments into the London CIV sub-funds.

The Pension Fund incurred costs of £110k in 2021/22 (£110k in 2020/21) in relation to charges from the London CIV Ltd (the operating company).

The Pension Fund incurred costs of £151k in 2021/22 (£32k in 2020/21) in relation to the custody and management of investments held and managed within the London CIV regional asset pool.

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.

	2021/22		2020/21	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		**503,329**		**493,014**
Adjustment to opening CFR*		0		590
Capital investment				
- Property, Plant and Equipment	147,487		193,932	
- Investment properties	0		79	
- Intangible Assets	5,490		2,147	
- Revenue Expenditure Funded from Capital under Statute	1,217		2,471	
- Loans and Investments	0	154,194	3,500	202,129
Sources of finance				
- Capital receipts	(68,469)		(44,975)	
- Government grants and other contributions	(32,395)		(36,384)	
- Direct revenue contributions	(3,355)		(11,426)	
- Repayment of debt	(42,853)		(58,439)	
- Major Repairs Allowance	(43,746)	(190,818)	(41,180)	(192,404)
Closing Capital Financing Requirement		**466,705**		**503,329**
Explanation of movements in year				
Increase in underlying need to borrow (unsupported by government financial assistance)		9,584		71,339
Minimum Revenue Provision		(3,355)		(3,175)
Additional repayment of debt		(42,853)		(58,439)
Increase / (decrease) in Capital Financing Requirement		**(36,624)**		**9,725**

40. Leases

Authority as Lessee

Finance Leases

As at 31st March 2021 the Council leased 14 assets which have been classified as finance leases, this decreased to 7 assets as at 31st March 2022. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	2021/22	2020/21
	£000	£000
Other Land and Buildings	2,550	17,331
Vehicles, Plant, Furniture and Equipment	0	20
Total	**2,550**	**17,351**

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.

	2021/22	2020/21
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)		
- current	88	129
- non-current	23	111
Finance costs payable in future years	1	4
Minimum lease payments	**112**	**244**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Not later than one year	88	132	88	129
Between one year and not later than five years	4	91	3	90
Later than five years	20	21	20	21
Total	**112**	**244**	**111**	**240**

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.

	2021/22	2020/21
	£000	£000
Children and Education		
Education and Schools	98	110
Finance and Coporate Resources		
Finance and Resources Other	1	1
Climate, Homes and Economy		
Public Realm	30	24
	129	**135**

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 some of its fleet consisting of electric vehicles and temporary accommodation buildings by entering into operating leases, with lease terms of 10 years or less. 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.

	2021/22	2020/21
	£000	£000
Not later than one year	4,266	5,199
Later than one year and not later than five years	13,349	12,173
Later than five years	13,184	15,233
Total	**30,800**	**32,605**

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 76 years and 243 Old Street with a remaining term of 41 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.

	2021/22	2020/21
	£000	£000
Finance lease debtor (net present value of minimum lease payments)		
- current	32	67
- non-current	431	463
Unearned finance income	80	101
Gross investment in the lease	**543**	**631**

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	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Not later than one year	32	67	47	88
Later than one year and not later than five years	99	109	136	154
Later than five years	332	354	360	389
Total	**463**	**530**	**543**	**631**

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.

	2021/22	2020/21
	£000	£000
Not later than one year	3,830	3,692
Later than one year and not later than five years	10,797	12,108
Later than five years	9,890	11,410
Total	**24,517**	**27,210**

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). 2021/22 was the twenty first 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 2021/22.

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 2022 (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 2022/23	1,857	1,020	802	**3,679**
Payable within 2 to 5 years	8,374	4,906	2,377	**15,657**
Payable within 6 to 10 years	16,377	4,771	729	**21,877**
Payable within 11 to 15 years	0	0	0	**0**
Total	**26,608**	**10,697**	**3,908**	**41,213**

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.

	2021/22	2020/21
	£'000	£'000
Balance at start of year	**(11,646)**	**(12,528)**
Payments during the year	949	882
Balance at end of year	**(10,697)**	**(11,646)**

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 2021/22 the Council paid £15.056 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/21 were £14.957 million at 23.68%. 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	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Cost of Services				
- current service cost (incl.admin)	96,950	61,285	158	148
- Past Service cost incl settlement and	703	1,301	0	0
Total	97,653	62,586	158	148
Financing and Investment Income and Expenditure				
- Net interest cost	18,192	14,955	46	53
Total	18,192	14,955	46	53
Re-measurements of net defined benefit liability				
- Return on plan assets	(74,443)	(325,222)	(7,320)	(7,833)
- changes in demographic assumptions	(14,192)	32,192	0	(541)
- changes in financial assumptions	(182,223)	542,539	(1,242)	7,117
Other	12,632	(22,224)	8,538	1,435
Total	(258,226)	227,285	(24)	178

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	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Reversal of net charges made to the Surplus/Deficit for the Provision of Services in accordance with the Code	(115,845)	(77,541)	(204)	(201)
Actual amount charged for pensions in the year	60,988	64,450	300	310

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 2021/22 this amounted to £0.260 million (£0.260 million in 2020/21).

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 2021/22 accounts in respect of the above commitments was £3.627 million (£3.829 million in 2020/21).

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

	LBH		LPFA	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Balance as at 1st April	**1,820,030**	**1,448,773**	**50,704**	**46,720**
Interest Income	36,447	33,443	1,019	1,091
Remeasurement gain/loss				
- Return on assets	74,443	325,222	7,320	7,833
- Other Actuarial gains/losses	0	0	(8,500)	(2,234)
Employer contributions	57,482	60,977	300	310
Contributions by scheme participants	13,325	13,007	13	16
Unfunded benefit contributions	3,506	3,473	260	260
Unfunded benefit payments	(3,506)	(3,473)	(260)	(260)
Benefits paid	(63,570)	(61,392)	(2,980)	(2,969)
Other	0	0	(71)	(63)
Balance as at 31st March	**1,938,157**	**1,820,030**	**47,805**	**50,704**

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

	LBH		LPFA	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Balance as at 1st April	**(2,712,018)**	**(2,100,385)**	**(53,225)**	**(49,172)**
Current service cost	(96,950)	(61,285)	(87)	(85)
Interest cost	(54,639)	(48,398)	(984)	(1,097)
Contributions by scheme participants	(13,325)	(13,007)	(13)	(16)
Remeasurement (gains) and losses				
- Actuarial (gains) and losses arising in changes in demographic assumptions	14,192	(32,192)	0	541
- Actuarial (gains) and losses arising on changes in financial assumptions	182,223	(542,539)	1,242	(7,117)
- Other	(12,632)	22,224	(119)	752
Past service cost (including Curtailments)	(703)	(1,301)	0	0
Benefits paid	67,076	64,865	2,980	2,969
Balance as at 31st March	**(2,626,776)**	**(2,712,018)**	**(50,206)**	**(53,225)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	LBH		LPFA	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Present value of liabilities	(2,626,776)	(2,712,018)	(47,519)	(50,271)
Fair value of assets	1,938,157	1,820,030	60,563	54,962
Present value of unfunded obligation	0	0	(2,687)	(2,954)
Impact of asset ceiling	0	0	(12,758)	(4,258)
Net liability arising from defined benefit obligation - Surplus / (Deficit)	**(688,619)**	**(891,988)**	**(2,401)**	**(2,521)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £2,676.982 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 £691.020 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 £57.254 million.

The total contribution expected to be made to the London Borough of Hackney Pension Scheme by the Council in the year to 31st March 2022 is £57.254 million (£59.340 million, 2020/21). Expected contributions for the London Pension Fund Authority scheme in the year to 31st March 2022 are £0.041 million (£0.056 million, 2020/21).

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

	LBH		LPFA	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Cash and cash equivalents:	**390**	**7,872**	**1,443**	**2,295**
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	89,428	95,451	0	0
- Government Bonds	144,659	137,134	0	0
- Other	7,550	4,063	0	0
	241,636	**236,647**	**0**	**0**
Property:				
- UK Property	188,257	153,960	0	0
	188,257	**153,960**	**0**	**0**
Other investment funds and Unit				
- Equities	1,029,581	1,046,700	34,472	30,516
- Bonds	312,395	205,693	0	0
- Commodities	24,962	0	0	0
- Infrastructure	141,063	0	6,170	4,694
- Property	0	0	5,434	4,845
- Other	0	169,099	0	0
	1,508,002	**1,421,492**	**46,076**	**40,055**
Derivatives:				
- Foreign Exchange	(128)	59	0	0
Other				
- LDI/Cashflow matching	0	0	0	0
Target Return Portfolio	0	0	13,044	12,612
	(128)	**59**	**13,044**	**12,612**
Balance as at 31st March	**1,938,157**	**1,820,030**	**60,563**	**54,962**

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	
	2021/22	2020/21	2021/22	2020/21
Mortality assumptions				
Longevity at 65 for current pensioners (years)				
- male	21.1	21.3	20.9	20.9
- female	23.6	23.8	23.7	23.6
Longevity at 65 for future pensioners (years)				
- male	22.5	22.8	22.2	22.1
- female	25.6	25.8	25.4	25.4
Financial assumptions				
- Pension increases (CPI) (% p.a.)	3.2%	2.8%	3.4%	2.9%
- Salary increases (% p.a.)	3.5%	3.2%	4.4%	3.9%
- Discount rate (% p.a.)	2.7%	2.0%	2.6%	1.9%

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	49,596	50,206	50,825
- Projected service cost	80	82	84
Adjustment to long term salary increase			
- PV of total obligation	50,221	50,206	50,192
- Projected service cost	82	82	82
Adjustment to pension increases and deferred revaluation			
- PV of total obligation	50,804	50,206	49,615
- Projected service cost	84	82	80
Adjustment to mortality age			
- PV of total obligation	53,935	50,206	46,752
- Projected service cost	86	82	78

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

Change in Assumptions at 31 March 2022	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount (£000)
0.1% decrease in Real Discount Rate	2%	49,853
1 year increase in member life expectancy	4%	105,071
0.1% increase in the Salary Increase Rate	0%	2,980
0.1% increase in the Pension Increase Rate (CPI)	2%	46,533

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 (52.9%) and bonds (17.9%). The proportion in equities has decreased slightly over the year from 57.4% to 52.9%, 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 18.7% to 17.9% 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 valuation under way as at 31st March 2022. The Council paid a contribution of 30.0% of payroll during the year, a reduction in pension contributions from the previous year at 31.5% 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 2022, 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 2021.

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 Department for Levelling Up, Housing and Communities (formerly MHCLG) / 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 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 smaller 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	31.3.2022		31.3.2021	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	0	94,995	0	35,730
A+	0	5,045	0	5,043
A	0	0	0	0
A-	15,173	0	0	15,078
Unrated local authorities	0	10,007	0	13,537
Unrated other	0	0	0	0
Unrated housing associations	14,900	0	13,900	0
Total	**30,073**	**110,047**	**13,900**	**69,388**
Credit risk not applicable	5,830		5,830	0
Total Investments	**35,903**	**110,047**	**19,730**	**69,388**

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 67% (2021: 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 2022, £4k 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.

	31.3.2022		31.3.2021	
	Trade receivables	Lease receivables	Trade receivables	Lease receivables
Neither past due nor impaired	0	543	0	631
Total Receivables	**0**	**543**	**0**	**631**

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 31st March 2022 £72.1 million (2021 £76.6 million) 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:

	31.3.2022 £000s	31.3.2021 £000s
Increase in interest receivable on variable rate investments	(856)	(339)
Decrease in fair value of investments held at FVPL	144	69
Impact on Surplus or Deficit on the Provision of Services	**(712)**	**(270)**
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	**(712)**	**(270)**
Decrease in fair value of loans and investments at	289	97
Decrease in fair value of fixed rate borrowing	(33)	(33)

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 currently held in an arts storage facility. It was previously located outside the old Britannia leisure centre and is planned to be relocated to the new Tree Plaza later this year as shown within the Shoreditch Park improvement plan. Other artefacts on display at the Hackney Museum are an Anglo-Saxon long boat (unearthed in Springfield Park) and a nineteenth century hand-pumped fire engine.

Preservation and Management

The artworks collection is managed by the Cultural Development and Heritage Manager who reports to the Strategic Director Engagement, Culture and Organisational Development. The collection is managed in accordance with policies that are approved by the Authority.

2020/21	HRA Income & Expenditure Statement	2021/22	
£'000		£'000	£'000
	Expenditure		
42,136	Repairs and maintenance	46,345	
39,991	Supervision and management	46,861	
1,423	Rents, rates, taxes and other charges	1,501	
144,112	Depreciation and impairment of non-current assets	91,926	
71	Debt Management Costs	55	
4,559	Movement in the allowance for bad debts	3,662	
0	Sums directed by the Secretary of State that are expenditure in accordance with the Code	0	
232,292	**Total Expenditure**		**190,350**
	Income		
(111,858)	Dwelling rents	(114,881)	
(4,657)	Non-dwelling rents	(5,026)	
(15,050)	Charges for services and facilities	(13,963)	
(13,479)	Contributions towards expenditure	(12,807)	
(145,044)	**Total Income**		**(146,677)**
87,248	**Net Cost of HRA Services as included in the Comprehensive Income**		**43,674**
547	HRA service share of Corporate and Democratic Core		550
5,491	HRA share of other amounts included in the whole authority Cost of		4,228
93,286	**Net Income / (Cost) for HRA Services**		**48,452**
	HRA share of operating income and expenditure included in the Comprehensive I&E Statement		
(2,812)	(Gain) or loss on sale of HRA non-current assets		(44,751)
1,545	Interest payable and similar charges		1,434
(238)	Interest and investment income		(234)
2,050	Net Interest on the net defined benefit liability (asset)		2,471
(2,743)	Capital grants and contributions receivable		(6,110)
91,088	**(Surplus) or deficit for the year on HRA services**		**1,262**

2020/21	Movement on the HRA Statement	2021/22	
£'000		£'000	£'000
(11,200)	**Balance on the HRA at the end of the previous year**		**(12,300)**
91,088	(Surplus) or deficit for the year on the HRA Income and Expenditure	1,262	
	Adjustments between accounting basis and funding basis under statute		
(641)	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory	206	
2,763	- Gain or (loss) on sale of HRA non-current assets	44,697	
(2,092)	- HRA share of contributions to or from the Pensions Reserve	(7,831)	
41,180	- Transfer to/(from) Major Repairs Reserve	43,746	
(140,449)	- Transfer to/(from) Capital Adjustment Account	(84,891)	
2,829	- Capital expenditure funded by the HRA	0	
(869)	- 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)	
(6,191)	Net increase or (decrease) before transfers to or from reserves	(3,680)	
	Transfers to or (from) reserves		
4,793	- HRA Rightsizing reserve	2,017	
109	- Tenants Levy Reserve	25	
(50)	- HRA Insurance Reserve	0	
238	- Aerial Mast income reserve	238	
(1,100)	Increase or (decrease) in year on the HRA		(1,400)
(12,300)	**Balance on the HRA at the end of the year**		**(13,700)**

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	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Expenditure	99,698	90,460	5,407	954
	99,698	**90,460**	**5,407**	**954**
Funded by				
Borrowing	0	20,322	0	0
Usable Capital Receipts	49,366	25,291	54	
Grants and Contributions	6,586	3,667	2,353	954
Major Repairs Reserve	43,746	41,180	0	0
	99,698	**90,460**	**2,407**	**954**

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.

	2021/22	2020/21
	£000	£000
Dwellings	56,484	26,512
	56,484	**26,512**

3. Land, Housing Stock and Other Property

	2021/22	2020/21
Number of Dwellings	No.	No.
Hostels	59	59
Houses and Bungalows	2,107	2,108
Flats and Maisonetted	19,523	19,540
	21,688	**21,706**
Value of Assets	£000	£000
Dwellings	2,355,557	2,171,755
Other Property	162,907	251,091
Investment Property	793	1,228
Value at 31st March	**2,519,257**	**2,424,074**

4. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 31st March 2022 was £9,096 million (£8,805 million as at 31st March 2021). The difference of £6,786 million between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to the 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.

	2021/22	2020/21
Operational Assets	£000	£000
Dwellings	37,314	36,040
Other Land and Buildings	6,432	5,140
	43,746	**41,180**

There was £46.891 million debited to the HRA for the net impairment loss reversals of HRA fixed during 2021/22 (£101.608 million debited in 2020/21). This was due to an increase in the balance sheet valuation of HRA assets in 2021/22.

6. Revenue Costs funded from Capital

There is an amount of £0.869 million (£0.869 million in 2020/21) 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 £7.830 million in 2020/21 (£2.092 million in 2020/21). 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 2021/22 permanent tenants and licence arrears, as a proportion of gross income due is 8.4% (6.7% in 2020/21). The Arrears as at the 31st March 2022 are set out below.

	2021/22	2020/21
	£'000	£'000
Total arrears of current and former tenants	20,284	15,357
Expected Credit Loss (ECL)	14,680	11,204

The average rent for permanent tenants was £114.82 per week in 2021/22, an increase of £1.15 (1%) from the 2020/21 average rent of £113.67 per week.

The total provision included in the Balance Sheet in respect of HRA uncollectible debts is £14.7 million (£11.2 million as at 31st March 2021)

9. Exceptional Items and Prior Period Adjustments

There were no exceptional items or prior period adjustments in respect of the HRA during 2021/22

2020/21 CTAX £000	2020/21 NNDR £000	The Collection Fund	Note	2021/22 CTAX £000	2021/22 NNDR £000
		Amounts required by statute to be credited to the Collection Fund			
(115,674)		Council Tax (net of discounts for prompt payment and transitional relief)	2	(129,961)	
		Transfers from General Fund			
(3,549)		- S13A(1)(C)		0	
0		- Transitional relief		0	
	(108,305)	Non-domestic rates	1		(136,625)
	(5,797)	Transitional protection payments non-domestic rates			(1,875)
	(2,757)	Income collectable in respect of Business Rate Supplements (BRS)			(3,020)
		Contributions towards previous year's estimated Collection Fund deficit		(2,063)	(55,244)
		Amounts required by statute to be debited to the Collection Fund			
		Precepts & demands from GLA & LBH and Shares of non-domestic rates			
87,747	44,108	- London Borough of Hackney	1	89,219	43,714
24,701	54,400	- Greater London Authority	1	26,198	53,913
	48,519	Payment in respect of central share of non-domestic rates to Central Gov	1		48,085
	0	Transitional protection payments non-domestic rates			0
	2,748	- Payments to levying authority's BRS Revenue Account			3,011
	9	- Administration costs			9
		Impairment of debts and appeals for council tax & non-domestic rates			
10,331	33,610	- Allowance for impairment	3	14,263	1,122
	572	Charge to General Fund for allowable collection costs for non-domestic rates			596
3,999	1,979	Contributions towards previous year's estimated Collection Fund surplus			
7,555	**69,086**	**Movement on fund balance**		**(2,344)**	**(46,314)**
(3,516)	(1,990)	Opening fund Balance at 1st April		4,039	67,096
4,039	**67,096**	**Closing fund balance at 31st March**	4	**1,695**	**20,782**

1. National Non-Domestic Rates

NNDR is organised on a national basis. From 1st April 2013 the Business Rates Retention (BRRS) 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 2021/22 authorities decided to temporarily discontinue London Authorities NNDR Pooling; therefore for 2021/22 Hackney returns to individual authority NNDR arrangements and keeps 30% of its non-domestic income, Central Government gets 33% and 37% goes to the Greater London Authority. Under the new BRRS system, the rateable value on the rating list on 30th December 2020 was £400,194 million (25th December 2019 was £391,260 million), this value is multiplied by small business non-domestic rating multiplier for 2021/22 of 49.9 pence (49.9 pence for 2020/21) to arrive at the council's gross rates of £199.697 million (£195.239 million in 2020/21) gross of mandatory and discretionary reliefs, unoccupied property relief, and transitional arrangements/adjustments. After applying all reliefs the net rates payable was £157,041 million (£147.198 million in 2020/21). After 2021/22 estimated losses and repayments/refunds (NNDR appeals) collectable rates (net rates) payable was £141.965 million (£141.198 million in 2020/21). After factoring in if any transitional protection payments where applicable, and cost of collection allowance the resulting 2021-22 non-domestic rating income for sharing between Hackney Council (30%), Central

Government (33%) and the Greater London Authority (37%) was £145,712 million (£147,027 million in 2020/21).

2021/22 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 30th March 2022 was £396.609 million (£399.782 million as at 31st March 2021). The small business non domestic rating multiplier for 2021/22 was 49.9 pence (49.9 pence in 2020/21). Net rates payable (before write-offs, allowance for non-collection, losses on appeal was £133.234 million (£112.038 million in 2020/21). Non-Domestic Rating Income for sharing inclusive of transitional protection payments was £136.782 million (£79.920 million 2020/21). The actual 2021/22 deficit for sharing was £20.782 million (£67.096 million deficit in 2020/21) and will be shared between Greater London Authority (GLA), Central Government (DLUHC), 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 2021/22 totalled £76.305m (£75.433m in 2020/21) and have been credited to the General Fund.

2. Council Tax Base

Council Tax income was received from the following sources.

	2021/22	2020/21
	£'000	£'000
Gross bills	129,961	115,674
Less Council Tax Benefit	n/a	n/a
Add Transitional relief adjustment	0	0
Income from Council Tax	**129,961**	**115,674**

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 72,039.30 for 2021/22 (74,386 for 2020/21). This basic amount of Council Tax for Band D property, £1,602.13 for 2021/22 (£1,511.68 for 2020/21), 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. 2021/22	2020/21
A	up to	40,000	8,092	3,678	0.67	2,452	2,667
B	40,001	52,000	31,763	18,331	0.78	14,258	14,895
C	52,001	68,000	35,126	24,124	0.89	21,443	22,165
D	68,001	88,000	24,119	18,940	1.00	18,940	18,873
E	88,001	120,000	12,546	9,971	1.22	12,186	12,302
F	120,001	160,000	4,666	3,735	1.44	5,395	5,131
G	160,001	320,000	1,231	1,125	1.67	1,875	1,788
H	320,001	and above	48	44	2.00	87	71
			117,591	79,948		76,636	77,892
Other Adjustments							
Band D equivalent for Taxbase calculation						76,636	77,892
Collection rate assumed in the budget setting						94.00%	95.50%
Council Tax base						**72,039**	**74,386**

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 2021/22	NNDR 2021/22	Council Tax 2020/21	NNDR 2020/21
	£'000	£'000	£'000	£'000
Provision brought forward at 1st April	(29,123)	(63,051)	(18,861)	(29,441)
Impairment (made)/released	(14,263)	(1,122)	(10,331)	(33,610)
Write-offs /(write backs) charged directly to the Impairment Allowance	24	0	69	0
Provision carried forward at 31st March	**(43,362)**	**(64,173)**	**(29,123)**	**(63,051)**

4. Collection Fund (Surplus)/Deficit

Deficit on Council tax

The estimate of the deficit on the Collection Fund as at 31st March 2022, which was made on the 15th January 2022 for the purposes of the 2022/23 budget, was £1.663 million (£5.225 million deficit at 31st March 2021, this deficit will be recovered over a three year period ending in 2023/24). An element of this deficit amounting to £0.366 million will be recovered from the Greater London Authority (GLA) in 2022/23.

The actual overall deficit on the Collection Fund at 31st March 2022 is £1.695 million (£4.039 million deficit at 31st March 2021). The increase 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 2023 for the purposes of the 2023/24 budget. The amount of the increase attributable to the GLA in 2023/24 is estimated at £0.008 million.

The total actual cumulative deficit to 31st March 2022 was £1.695 million, the amount which will therefore be recovered from the GLA is estimated at £0.373 million. This amount has been included in the Council's Balance Sheet as a debtor (GLA). Hackney's share of £1.322 million at 31st March 2022 (£3.161 million deficit at 31st March 2021) represents the estimated amount needed from the Council's budget in 2022/23 and 2023/24.

Deficit on NNDR

The estimate of the deficit (adjusted for spreading) on the Collection Fund as at 31st March 2022, which was made on the 31st January 2022 for the purposes of the 2022/23 budget, was £10.186 million (£55.244 million deficit at 31st March 2021). This will be shared out and recouped in 2022/23 as follows: Central Government (DLUHC) £3.361million, with Hackney £3.056 million, and Greater London Authority (GLA) £3.769 million.

The above estimated deficit will be repaid to the collection fund in 2022.23. The estimated deficit was in part due to residual Expanded discount/relief: Retail, Hospitality and Leisure reliefs given to businesses due to covid-19. The government will compensate Hackney under section 31 funding for its share of the expanded 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 2022 was £20.782 million (£67.096 million deficit as at 31st March 2021). 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 2023 for the purposes of the 2023/24 budget.

The total actual cumulative deficit to 31st March 2022 was £20.782 million (£67.096 million deficit as at 31st March 2021) the attributable shares are as follows: Central Government £6.858m, and the Greater London Authority (GLA) £7.689m.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 £6.235 million as at 31st March 2022, (£20.127 million deficit as at 31st March 2021) represents the estimated amount that will negatively impact the Council's budget in 2022/23 and 2023/24.

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 2021/22 Consolidation

Of the six wholly owned subsidiaries that have been established, three have been consolidated into the group for 2021/22. The rationale for this is outlined in the table below.

Subsidiary	**Status for 2021/22 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 Commercial Services (London) Limited	Not Consolidated	Established in October 2021 but did not start trading until April 2022
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 p98

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 2021/22

During 2021/22 London Borough of Hackney provided a working capital loan of £1 million to Hackney PRS. There was no further financing provided to Hackney Housing Companies, beyond that provided in 2020/21.

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.

2021/22	Single entity £'000	Group Adjustments £'000	Group presentation £'000
Investment Property	199,043	19,043	218,086
Long Term Investments	20,830	(5,800)	15,030
Long Term Debtors	15,398	(14,700)	698

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
Balance as at 31/03/2021	(300,078)	726	48	(299,304)	(3,021,364)	0	0	(3,021,364)	(3,320,668)
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure	54,012	321	25	54,358	(365,876)	0	0	(365,876)	(311,518)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(79,979)	0	0	(79,979)	79,979	0	0	79,979	0
(Increase) / Decrease in 2021/22	(25,967)	321	25	(25,621)	(285,897)	0	0	(285,897)	(311,518)
Balance as at 31/03/2022	(326,045)	1,047	73	(324,925)	(3,307,261)	0	0	(3,307,261)	(3,632,186)

	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.

Comprehensive Income and Expenditure

	Notes	2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000	2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000
Children, Adults and Community Health							
Education & Schools		324,650	(262,321)	62,329	319,365	(257,953)	61,412
Children & Families		89,628	(16,275)	73,353	85,377	(15,608)	69,769
Adult Services		150,037	(80,065)	69,972	143,849	(64,875)	78,974
Public Health		41,946	(41,616)	330	36,313	(36,393)	(80)
Neighbourhoods and Housing							
Public Realm		123,253	(82,462)	40,791	127,336	(75,999)	51,337
Housing & Regeneration GF		5,371	(2,021)	3,350	4,918	(1,678)	3,240
Finance & Corporate Resources							
Revenues & Benefits		332,807	(302,103)	30,704	357,738	(334,281)	23,457
Finance and Resources Other		37,685	(17,166)	20,519	26,791	(9,060)	17,731
Chief Executives							
Chief Executive		13,129	(3,067)	10,062	10,968	(2,302)	8,666
Housing Revenue Account							
HRA		195,128	(146,676)	48,452	238,330	(145,044)	93,286
Hackney PRS Housing Company							
PRS		344	(790)	(446)	306	(690)	(384)
Cost of Services		**1,313,978**	**(954,562)**	**359,416**	**1,351,291**	**(943,883)**	**407,408**
Other operating expenditure	9			(4,449)			(8,371)
Financing and investment income and expenditure	10			9,686			69,685
Taxation and Non-Specific Grant Income and expenditure	11			(310,295)			(304,355)
(Surplus) or Deficit on Provision of Services				**54,358**			**164,367**
(Surplus) / deficit on revaluation of fixed assets				(107,688)			(146,924)
(Surplus) / deficit on revaluation of financial assets (Available for sale)				62			(100)
Remeasurement of net defined benefit liabilty				(258,250)			227,463
Other Comprehensive Income and Expenditure				(365,876)			80,439
Total Comprehensive Income and Expenditure				(311,518)			244,806

Balance Sheet

	Notes	31st March 2022	31st March 2021
		£'000	£'000
Property, Plant and Equipment	13	4,212,507	4,161,847
Heritage Assets	12	2,465	2,322
Investment Property	14	218,086	194,923
Intangible Assets	15	6,253	3,068
Long Term Investments		15,030	30
Long Term Debtors		698	663
Long Term Assets		**4,455,039**	**4,362,853**
Assets Held for Sale	19	53,352	72,251
Short Term Investments		15,043	13,499
Inventories		1,062	1,224
Short Term Debtors (incl PIA)	17	140,407	128,814
Cash and Cash Equivalents	18	83,734	42,023
Current Assets		**293,598**	**257,811**
Short Term Borrowing		(355)	(332)
Short Term Creditors (incl RIA)	21	(172,845)	(176,293)
Revenue Grants Receipts in Advance	37	(71,953)	(33,302)
Capital Grants Receipts in Advance	37	(153)	(1,116)
Provisions	20	(25,009)	(28,551)
Current Liabilities		**(270,315)**	**(239,594)**
Long Term Creditors			(7,595)
Provisions	20	(6,570)	(14,682)
Long Term Borrowing		(13,704)	(76,174)
Other Long Term Liabilities	41,43	(71,663)	(905,204)
Revenue Grants Receipts in Advance	37	(700,695)	(506)
Capital Grants Receipts in Advance	37	(1,202)	(56,240)
Long Term Liabilities		**(52,301)**	**(1,060,401)**
Net Assets		**3,632,188**	**3,320,669**
Usable Reserves	22	(324,927)	(299,305)
Unusable Reserves	23	(3,307,261)	(3,021,364)
Total Reserves		**(3,632,188)**	**(3,320,669)**

Cash Flow Statement

	Note	31st March 2022	31st March 2021
		£'000	£'000
Net (surplus) / deficit on the provision of services		54,358	164,367
Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	(278,834)	(431,957)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	162,066	118,525
Net cash flows from Operating Activities		**(62,410)**	**(149,065)**
Investing Activities	25	13,278	67,210
Financing Activities	26	7,421	84,627
Net (increase) or decrease in cash and cash equivalents		**(41,711)**	**2,772**
Cash and cash equivalents at the beginning of the reporting period		42,023	44,795
Cash and cash equivalents at the end of the reporting period	18	**83,734**	**42,023**

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

2020/21 £'000	Fund Account	Notes	2021/22 £'000
	Dealings with members, employers and others directly involved in the Scheme		
(76,326)	Contributions	7	(76,104)
(4,625)	Transfers in from other pension funds	8	(5,026)
(80,951)			(81,130)
63,528	Benefits	9	62,658
6,394	Payments to and on account of leavers	10	8,414
69,922			71,072
(11,029)	**Net (additions)/withdrawals from dealings with members**		**(10,058)**
12,003	**Management Expenses**	11	**15,174**
	Returns on investments		
(20,119)	Investment income	12	(19,252)
(351,463)	(Profit) and losses on disposal of investments and changes in the market value of investments	13c	(86,404)
(20)	Taxes on Income		4
(371,602)	**Net returns on investments**		**(105,652)**
(370,628)	**Net (increase)/decrease in the Fund during the year**		**(100,536)**
1,493,348	**Opening net assets of the Scheme**		**1,863,976**
1,863,976	**Closing net assets of the Scheme**		**1,964,512**

2020/21 £'000	Net Assets Statement	Notes	2021/22 £'000
1,833,627	Investment Assets	13a	1,933,215
150	Long-Term Investment	13a	150
10,606	Cash Deposits	13a	4,880
1,844,383			**1,938,245**
(133)	Investment Liabilities	13a	**(332)**
1,844,250	**Net Value of Investment Assets**	13a	**1,937,913**
158	Long-term debtors	20a	226
22,741	Current Assets	20	30,170
(3,173)	Current Liabilities	21	(3,797)
19,726			**26,599**
1,863,976	**Net Assets of the Fund available to fund benefits at the period end**		**1,964,512**

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 2021/22, 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 2022 there are 39 active employer organisations within the Fund, including the London Borough of Hackney.

London Borough of Hackney Pension Fund	31 March 2022	31 March 2021
Number of Employers with active members	39	41
Number of Employees in scheme		
Council	6,682	6,502
Scheduled bodies	537	524
Admitted bodies	53	57
Total	7,272	7,083
Number of pensioners		
Council	7,125	6,870
Scheduled bodies	53	56
Admitted bodies	11	23
Ceased Employers	608	553
Total	7,797	7,502
Deferred members		
Council	8,868	8,581
Scheduled bodies	844	767
Admitted bodies	30	72
Ceased Employers	991	932
Total	10,733	10,352
Grand Total	25,802	24,937

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 2022.

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 2021/22 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 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 other 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 2021/22, there were no fees based on such estimates (2020/21 no fees estimated).

A similar procedure is used for custodian fees, and in 2021/22 there were no fees estimated (2020/21: 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 2022 (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 2022 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 2021-22.

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 2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in 'real discount rate'	2%	52
0.1% p.a. increase in the 'salary increase rate'	0%	3
0.1% increase in the 'pension increase rate (CPI)'	2%	48
1 year increase in member life expectancy	4%	106

- 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 2022 on varying bases. The approach taken is consistent with that adopted for IAS19.
- 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

There have been no events since 31 March 2022 and up to the date when these accounts were authorised, which require any adjustments to these accounts.

The Fund remains alert to ongoing developments in the Russian invasion of Ukraine. In determining whether post balance sheet events require the accounts to be adjusted, the Fund's management has considered whether events after 31 March 2022 provide any further information about the effect of sanctions applied prior to 31 March 2022. The Fund has determined that this is not the case and that no adjustments are required to the amounts recognised in the accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category	2021/22	2020/21
	£'000	£'000
Employers' Contributions split by:		
Normal Funding	(39,163)	(37,935)
Deficit Funding	(22,289)	(24,395)
Members' Contributions	(14,652)	(13,996)
Total	**(76,104)**	**(76,326)**

By Employer	2021/22 £'000	2020/21 £'000
London Borough of Hackney	(71,633)	(72,042)
Scheduled Bodies	(4,133)	(3,965)
Admitted Bodies	(338)	(319)
Total	**(76,104)**	**(76,326)**

8. TRANSFERS IN

	2021/22 £'000	2020/21 £'000
Individual Transfers	(5,026)	(4,625)
Total	**(5,026)**	**(4,625)**

9. BENEFITS PAYABLE

By Category	2021/22 £'000	2020/21 £'000
Pensions	51,261	50,708
Commutation and Lump Sum Retirement Benefits	9,220	11,785
Lump Sum Death Benefits	2,177	1,035
Total	**62,658**	**63,528**

By Employer	2021/22	2020/21
London Borough of Hackney	58,211	59,129
Scheduled Bodies	2,919	2,900
Admitted Bodies	1,528	1,499
Total	**62,658**	**63,528**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2021/22 £'000	2020/21 £'000
Refunds to Members leaving service	160	209
Group Transfers	-	-
Individual Transfers	8,157	6,185
Employer Exit Credits	97	-
Total	**8,414**	**6,394**

11. MANAGEMENT EXPENSES

	2021/22	2020/21
	£'000	£'000
Administrative Costs	785	849
Investment Management Expenses*	13,020	9,988
Oversight and Governance Costs	1,369	1,166
Total	**15,174**	**12,003**

The investment management expenses disclosed above include non-invoiced management, transaction and other costs paid/payable to the Fund's investment managers of £11,057k (£8,234k in 20/21). 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 £21k including an additional fee variation for 2019/20 audit (£16k in 20/21) were incurred and are included in Oversight and Governance Costs in the above table.

11a. INVESTMENT MANAGEMENT EXPENSES

2021/22	Management Fees	Transaction Costs	Custody Fees	Performance Fees	Total
Asset Class	£'000	£'000	£'000	£'000	£'000
Bonds	433	51	-	-	484
Equities	-	-	-	-	-
Pooled Investments	4,556	2,856	132	-	7,544
Pooled Property Investments	2,599	584	-	20	3,203
Private Debt	1,678	4	21	-	1,703
Infrastructure	39	-	4	-	43
Cash	-	-	12	-	12
Custodian	-	-	31	-	31
Total	**9,305**	**3,495**	**200**	**20**	**13,020**

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**

An estimate of £99k for management fees of an equities fund manager that exited the Fund was settled in 2020/21.

12. INVESTMENT INCOME

	2021/22 £'000	2020/21 £'000
Fixed Interest Securities	(3,736)	(4,179)
Equity Dividends	(6,712)	(9,065)
Index Linked Securities	(183)	(185)
Pooled Investment Income	(7,424)	(5,471)
Interest on Cash Deposits	(26)	(68)
Other Income	(1,171)	(1,151)
Total	**(19,252)**	**(20,119)**

2020/21 has been restated to reflect a reclassification of private debt income from “Other Income” to “Pooled Investment Income”

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 2022	Market value 31 March 2021
		£'000	£'000
Investment Assets:			
Fixed Interest Securities		187,045	184,247
Index Linked Securities		50,951	53,706
Equities	Long-Term Investment	150	150
Pooled Investments	Corporate Fixed Interest	109,947	106,803
	Diversified Growth Funds	140,709	171,050
	Property	187,783	155,736
	Emerging Markets Equity - Active	76,415	97,123
	Global Equity - Active	528,491	290,405
	Global & UK Equity - Passive	422,056	671,220
	Private Debt	202,600	101,263
	Infrastructure	24,900	-
		1,692,901	1,593,600
Derivative Contracts			
	Forward Currency	24	60
	Futures	448	135
		472	195
Other Investment Assets			
	Cash Deposits	4,880	10,606
	Other Investment Balances	1,846	1,879
		6,726	12,485
Total Investment Assets		**1,938,245**	**1,844,383**
Investment Liabilities:			
Derivative Contracts			
	Forward Currency	(151)	(0)
	Futures	(181)	(133)
		(332)	(133)
Other Investment Liabilities		-	-
Total Investment Liabilities		**(332)**	**(133)**
Net Investment Assets		**1,937,913**	**1,844,250**

b. Investments analysed by fund managers

As at 31 March 2022 the Fund's investments are managed by nine investment managers within the London CIV and five investment managers outside of the London CIV 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
	2021/22	2021/22	2020/21	2020/21
Investments managed by London CIV:				
BlackRock (Global & UK Equity Index)	422,086	21.8%	671,249	36.4%
LCIV/RBC (Global Active Equity)	316,647	16.3%	290,405	15.7%
LCIV/JP Morgan (Global Emerging Markets)	76,415	3.9%	-	0.0%
LCIV/Baillie Gifford (Global Multi Asset)	140,709	7.3%	-	0.0%
LCIV/Baillie Gifford (Global Equities)	211,844	10.9%	-	0.0%
LCIV/Churchill & Pemberton (Private Debt)	73,242	3.8%	-	0.0%
LCIV/BlackRock, Quinbrook,Stonepeak & Foresight (Infrastructure)	24,900	1.3%	-	0.0%
	1,265,843	**65.3%**	**961,654**	**52.1%**
Investments managed outside of London CIV:				
BMO (Fixed Interest)	254,430	13.1%	255,782	13.9%
Threadneedle (Property)	187,783	9.7%	155,736	8.4%
GMO (Global Real Return)	-	0.0%	104,421	5.7%
BlackRock (Ultra Short Bond Fund)	93,513	4.8%	88,974	4.8%
RBC (Global Emerging Market Equities)	-	0.0%	97,123	5.3%
Invesco (Global Multi Asset)	-	0.0%	66,629	3.6%
Churchill (Private Debt)	58,428	3.0%	54,041	2.9%
Permira (Private Debt)	70,930	3.7%	47,222	2.6%
Other investments (including MMFs & Derivatives)	6,986	0.4%	12,668	0.7%
	672,070	**34.7%**	**882,596**	**47.9%**
Total	**1,937,913**	**100%**	**1,844,250**	**100%**

c. Reconciliation of movements in investments and derivatives

For each asset class, the opening position is reconciled with the closing position as set out in the tables below.

Investment type	Market Value 31/03/2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2022
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	184,247	63,128	(48,323)	(12,007)	187,045
Index Linked Securities	53,706	-	(5,179)	2,424	50,951
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,593,600	815,507	(801,094)	84,888	1,692,901
Derivative Contracts					
Forward Currency Contracts	60	2,137	(2,270)	(54)	(127)
Futures	2	3,329	(3,104)	40	267
	1,831,765	**884,101**	**(859,970)**	**75,291**	**1,931,187**
Other Investment balances:					
Cash Deposits	10,606				4,880
Receivable for Sales	-				-
Investment Income due	1,879				1,846
Payable for Purchases	-				-
Net Investment Assets	**1,844,250**			**75,291**	**1,937,913**

The increase in market value of £75,291k is £11,113k less than the change in market value on the Fund Account of £86,404k, as the above movement includes indirect manager fees.

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.

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 2022 £'000	% of total fund	Market Value 31 March 2021 £'000	% of total fund
LCIV 'RBC' Sustainable Equity Fund	316,647	16.1%	290,405	15.6%
BlackRock ACS World Low Carbon Equity Fund	241,530	12.3%	208,108	11.2%
LCIV Global Alpha Growth Paris-Aligned Fund	211,844	10.8%	-	0.0%
BlackRock Aquila Life UK Equity Fund	180,556	9.2%	310,330	16.7%
Threadneedle Property Fund (TPEN)	163,091	8.3%	130,750	7.0%
LCIV 'Baillie Gifford' Diversified Growth Fund	140,709	7.2%	-	0.0%
BlackRock Aquila Life MSCI World Equity Fund	-	0.0%	152,811	8.2%
GMO (Global Real Return)	-	0.0%	104,421	5.6%

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 2022 is given below.

Open forward currency contracts

Settlement	Currency Bought	Local Value £'000	Currency Sold	Local Value £'000	Fair Value £'000
Assets					
One to six months	GBP	3,086	USD	(4,047)	12
	GBP	3,087	USD	(4,047)	12
Total Assets					**24**
Liabilities					
One to six months	GBP	7,380	EUR	(8,813)	(76)
	GBP	7,379	EUR	(8,813)	(76)
Total Liabilities					**(151)**
Net Forward Contracts 2021/22					**(127)**

Settlement	Currency Bought	Local Value £'000	Currency Sold	Local Value £'000	Fair Value £'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 2020/21					**60**

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-22	Economic Exposure	Market value 31-Mar-21
		£'000	£'000	£'000	£'000
Assets					
UK Bonds	Under one year	-	-	(8,293)	39
Overseas Bonds	Under one year	(13,972)	448	(55)	96
Total Assets			**448**		**135**
Liabilities					
UK Bonds	Under one year	(4,001)	(23)	(3,317)	(17)
Overseas Bonds	Under one year	434	(158)	17,603	(116)
Total Liabilities			**(181)**		**(133)**
Net Futures			**267**		**2**

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	2021/2022 Designated as Fair Value through Profit & Loss	2021/2022 Financial Assets at amortised costs	2021/2022 Financial Liabilities at amortised costs	2020/2021 Designated as Fair Value through Profit & Loss	2020/2021 Financial Assets at amortised costs	2020/2021 Financial Liabilities at amortised costs
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Fixed Interest Securities	187,045	-	-	184,247	-	-
Index Linked Securities	50,951	-	-	53,706	-	-
Equities	150	-	-	150	-	-
Pooled Investments	1,505,118	-	-	1,437,864	-	-
Pooled Property funds	187,783	-	-	155,736	-	-
Derivative Contracts	472	-	-	195	-	-
Cash	-	22,880	-	-	22,028	-
Other Investment Balances	4,968	-	-	4,994	-	-
Debtors	-	9,296	-	-	8,377	-
	1,936,487	32,176	-	1,836,892	30,405	-
Financial Liabilities						
Derivative Contracts	(332)	-	-	(133)	-	-
Other Investment Balances	(22)	-	-	(15)	-	-
Creditors	-	-	(3,797)	-	-	(3,173)
	(354)	-	(3,797)	(148)	-	(3,173)
Total	**1,936,133**	**32,176**	**(3,797)**	**1,836,744**	**30,405**	**(3,173)**
Grand Total		**1,964,512**			**1,863,976**	

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'.

Fair Value through Profit and Loss	75,265	343,424
Financial Assets measured at amortised cost	26	68
Financial Liabilities measured at amortised cost	-	-
Total	**75,291**	**343,492**

The increase in market value of £75,291k is £11,113k less than the change in market value on the Fund Account of £86,404k, 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 2022		31 March 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets				
Fair Value through Profit and Loss	1,936,487	1,936,487	1,836,892	1,836,892
Financial Assets measured at amortised cost	32,176	32,176	30,405	30,405
Total Financial Assets	**1,968,663**	**1,968,663**	**1,867,297**	**1,867,297**
Financial Liabilities				
Fair Value through Profit and Loss	(354)	(354)	(148)	(148)
Financial Liabilities measured at amortised cost	(3,797)	(3,797)	(3,173)	(3,173)
Total Financial Liabilities	**(4,151)**	**(4,151)**	**(3,321)**	**(3,321)**
Grand Total	1,964,512		1,863,976	

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 exceptions are the £150k of Regulatory Capital to the London Collective Investment Vehicle (LCIV), required from each member of the pool and the current year initial investments in LCIV Private Debt Fund and LCIV Renewable Infrastructure Fund, which have all 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	Level	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	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 funds	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
Pooled investments - Infrastructure fund	Level 3	Most recent valuations updated for cashflow transactions.	Cashflow transactions, i.e. distributions or capital calls. 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

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial Assets			
Fair Value through Profit and Loss	5,416	1,515,638	415,433
Financial Assets measured at amortised cost	32,176	-	-
Total Financial Assets	**37,592**	**1,515,638**	**415,433**
Financial Liabilities			
Fair Value through Profit and Loss	(203)	(151)	-
Financial Liabilities measured at amortised cost	-	(3,797)	-
Total Financial Liabilities	**(203)**	**(3,948)**	
Net Financial Assets	**37,389**	**1,511,690**	**415,433**

	Level 1	Level 2	Level 3	Total
Values at 31 March 2022	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	-	187,045	-	187,045
Index Linked Securities	-	50,951	-	50,951
Equities	-	-	150	150
Pooled Investment Vehicles	-	1,277,618	227,500	1,505,118
Pooled Property Funds	-	-	187,783	187,783
Derivative Contracts	448	24	-	472
Other Investment Balances	4,968	-	-	4,968
Total Financial Assets at FVTPL	**5,416**	**1,515,638**	**415,433**	**1,936,487**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(181)	(151)	-	(332)
Other Investment Balances	(22)	-	-	(22)
Total Financial Liabilities at FVTPL	**(203)**	**(151)**	**-**	**(354)**
Net Financial Assets at FVTPL	**5,213**	**1,515,487**	**415,433**	**1,936,133**

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2021	**Level 1** **£'000**	**Level 2** **£'000**	**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**

Reconciliation of Fair Value Measurement and Transfers Within Level 3

2021/22	Opening Balance	Transfers into 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	101,263	-	-	131,659	(32,624)	2,302		202,600
Pooled Investments - Property Funds	155,736	-	-	-	-	-	32,047	187,783
Pooled Investments - Infrastructure	-	-	-	28,772	(3,872)	-	-	24,900
Total	**257,149**	**-**	**-**	**160,431**	**(36,496)**	**2,302**	**32,047**	**415,433**

During 2021/22 the Fund began to make capital investments toward its commitment in pooled renewable infrastructure.

The following assets have been carried at cost:

Values at 31 March 2022	Level 1	Level 2	Level 3
	£'000	£'000	£'000
Investment in London CIV Ltd			150
LCIV Private Debt Fund			73,242
LCIV Renewable Infrastructure Fund			24,900
Investments held at cost	**0**	**0**	**98,292**

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 2022 as the reliability of any observable or unobservable inputs used to calculate fair value cannot be assessed with certainty.

The LCIV Private Debt and LCIV Renewable Infrastructure Funds have been valued as Level 3 Investments which are initially recognised at cost and subsequently measured at fair value. There is a time lag on receiving valuations for these funds after each quarter of the year.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13.

2020/21	Opening Balance	Transfers into 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	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**

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 2022 and 31 March 2021.

2021/22	Potential Variation in Fair Value	Value at 31 March 2021	Potential Value on Increase	Potential Value on Decrease
	£'000	£'000	£'000	£'000
Equity	+/- 19.9%	150	180	120
Private Debt	+/- 9.0%	202,600	220,834	184,366
Property	+/- 15.0%	187,783	215,950	159,616
Infrastructure	+/- 14.6%	24,900	28,535	21,265
Total		**415,433**	**465,499**	**365,367**

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**

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
Infrastructure Equity	14.6	1.3
UK Equities	19.9	0.0
Global Equities (ex UK)	20.1	49.3
Emerging Market Equities	27.0	4.0
Property	15.0	9.7
Corporate Bonds (short term)	3.5	3.9
Corporate Bonds (medium term)	8.1	2.0
Corporate Bonds (long term)	9.9	1.0
UK Fixed Gilts (short term)	2.1	0.8
UK Fixed Gilts (medium term)	6.8	1.9
UK Fixed Gilts (long term)	9.2	2.1
UK Index Linked Gilts (medium term)	7.3	0.3
UK Index Linked Gilts (long term)	9.2	2.3
Cash	0.3	3.8
Diversified Growth Fund	9.1	7.3
Senior Loans	9.0	10.3
Total fund volatility	**12.1**	**100.0**

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 2022. 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 2022		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,937,913	12.1	2,172,400	1,703,426
	1,937,913	**12.1**	**2,172,400**	**1,703,426**

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	1,654,29
	1,844,250	**10.3**	**2,034,208**	**1,654,292**

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 2022 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 2022	Balance at 31 March 2021
	£'000	£'000
Cash Deposits	4,880	10,606
Cash Balances	21,099	14,522
Fixed Interest Securities	296,992	291,051
Total	**322,971**	**316,179**

Interest Rate Risk – Sensitivity Analysis

The Fund 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 2022	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	4,880	49	(49)
Cash Balances	21,099	211	(211)
Fixed Interest Securities*	296,992	(26,432)	26,432
Total	**322,971**	**(26,172)**	**26,172**

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**

* 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 2022 and as at the previous period end:

Currency Exposure – asset type	Asset Value as at 31 March 2022	Asset Value as at 31 March 2021
	£'000	£'000
Equities	-	-
Fixed Interest Securities	22,215	20,560
Indexed Linked Securities	-	-
Pooled Investment Vehicle	58,428	54,041
Cash and Deposits	543	573
Total	**81,185**	**75,174**

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 2022		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	81,185	9.5	88,898	73,472
Total change in assets			**7,713**	**(7,713)**

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)**

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 2022	Balance at 31 March 2021
		£'000	£'000
Cash (Current Assets)			
Lloyds Bank Plc	A+	21,099	14,522
Cash Deposits (Investment Assets)			
Cash held outside fund managers and custodian			
Money Market Funds (Various)	AAA	3,100	3,100
Cash held by fund managers and custodian			
Cash	AA-	1,780	7,506
Call Accounts (Various)	AA- to A	-	-
Total		**25,979**	**25,128**

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 £202,600K and its infrastructure mandate currently valued at £24,900K. 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 2023.

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 2023 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 2022, calculated in line with IAS 19 assumptions, is estimated to be £2,656 million (£2,742 million in 2020/21).

Present Value of Promised Retirement Benefits	31 March 2022	31 March 2021
	£m	£m
Active members	1,049	1,018
Deferred members	779	835
Pensioners	828	889
Total	**2,656**	**2,742**

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 2022 valuation have been revised from the 2019 valuation report as set out in the table below:

Assumption	2022	2021
Pension increase rate assumption	3.20%	2.75%
Salary increase rate	3.50%	3.05%
Discount rate	2.7%	1.95%

20. CURRENT ASSETS

The following is an analysis of the **non-investment** debtor and cash balances carried on the Net Asset Statement.

	31 March 2022	31 March 2021
	£'000	£'000
Short-Term Debtors:		
Contributions due	7,222	6,272
Sundry debtors	1,767	1,792
Cash Balances	21,099	14,522
VAT	82	155
Total	**30,170**	**22,741**

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 reduced benefits. The following figure represents the balance of amounts paid over to HMRC for those members who have exceeded the life-time or annual-allowance pension tax free allowance less repayments recovered through a reduction of member benefits on retirement.

		31 March 2022	31 March 2021
		£'000	£'000
Long-Term Debtors:			
Reimbursement of LTA / AA		226	158
Total		**226**	**158**

21. CURRENT LIABILITIES

The following is an analysis of the non-investment creditors balance carried on the Net Asset Statement.

Creditors		31 March 2022	31 March 2021
		£'000	£'000
Short-Term Creditors:			
Benefits Payable		(1,670)	(1,031)
Sundry Creditors		(2,127)	(2,142)
Total		**(3,797)**	**(3,173)**

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 2022 was £5.030 million (£5.037million as at 31 March 2021). Contributions received into the AVC facility during the year amounted to £0.197 million (£0.203 million in 2020/21). 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 £58.46 million to the Fund in 2021/22 (2020/21: £59.34 million). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.42 million in 2021/22 (£0.36 million in 2020/21) 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 2021/22 (£110k in 2020/21) in relation to charges from the London CIV Ltd (the operating company).

The Fund incurred costs of £151k in 2021/22 (£32k in 2020/21) in relation to the custody and management of investments held and managed 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 2022 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 2022	31 March 2021
	£'000	£'000
Short term benefits	238	192
Long term/post-retirement benefits	44	36
Total	**282**	**228**

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, CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2022 were £203,586k (31 March 2021: £327,153k). 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 2022	31 March 2021
	£'000	£'000
Pooled Private Debt Funds	138,486	237,153
Pooled Renewables Infrastructure Fund	65,100	90,000
Total	**203,586**	**327,153**

26. IMPAIRMENT LOSSES

During 2021/22 there were £0k impairment losses to recognise (2020/21: £0k) for non-recovery of pension overpayments. Investment-related losses related to the Covid-19 pandemic and the impact of the Ukraine-Russia conflict 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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Agenda Item 6

Title of Report	Audit 2020/21 and 2021/22 Progress Report
For Consideration By	Audit Committee
Meeting Date	18 January 2023
Classification	Open
Wards Affected	All
Group Director	Ian Williams, Finance and Corporate Resources

1. **Introduction**

1.1 The Audit progress report from the Council's external auditors sets out the position on the audit of the Council's (including value for money commentary) and Pension Fund's financial statements for the years 2020/21 & 2021/22.

2. **Recommendation**

2.1 The Audit Committee is recommended to note the contents of the reports, including the value for money commentary.

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 can issue audit opinions on those statements.

4. **Background**

Policy context

4.1 The Audit Completion Reports (ACR) 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. The draft ACR in respect of the Council's Financial Statement 2020/21 was presented to the Audit Committee in October along with the Final ACR for the Pension Fund. The ACRs for the Council's Financial Statements and those of the Pension Fund for 2021/22 are anticipated in the coming weeks and will be reported to the April 2023 Audit Committee.

Equality impact assessment

4.3 For 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 Progress Report**

5.1 The Council's accounts for 2020/21 are subject to the resolution of a national issue relating to the accounting of infrastructure assets. The Government issued a Statutory Instrument (SI) late in 2022 which came into effect on the 25 December 2022 (see item 2 in Section 03 of appendix 1). The Council is awaiting a national guidance note from CIPFA to enable it to respond to the SI appropriately. The auditors will discuss the outcome of the Council's review of requirements, and any associated accounting adjustments or revised disclosures, and perform associated audit procedures as soon as we are able. This should enable the Council to approve the final version of the 2020/21 accounts and for auditors to issue their audit opinion. It should also enable us to certify the completion of the prior year audits 2018/19 and 2019/20.

5.2 In respect of the Council's accounts for 2021/22, the auditors have completed their interim audit work and followed up on points arising from the review completed to date. They have progressed their audit procedures on the Council and Pension Fund draft accounts and continue to follow up on outstanding points to allow their completion (see appendix 1, section 1).

5.3 The auditors have completed their risk assessment in respect of the Council's Value for Money 2020/21 arrangements and have drafted commentary on the arrangements. This is included in appendix 1 (section 2). The auditors have not identified any significant weaknesses in the arrangements subject to review.

5.4 The auditors have completed their risk assessment in respect of 2021/22 and to date, they have not identified any risks of significant weakness in VFM arrangements. However, the auditor's consideration of arrangements in respect of 2021/22 will continue and they will discuss the timing of their reporting with management in due course.

5.5 The Council has had one objection to the 2021/22 accounts made by a local elector. The auditors are completing their procedures in response to the objection and will report to the Audit Committee the outcome in due course.

5.6 The auditors have 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.

5.7 Audit fees currently stand at £174k for the Council audit, and £19k for the 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 estimates
- Additional work to address enhanced risks

5.8 The external auditors will present their reports at the Audit Committee meeting and take any questions from members of the Committee regarding the audit of the accounts.

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

6.1 As noted above we continue to wait for further guidance from CIPFA in relation to the infrastructure issue. Once received this will be reviewed and proposed actions and disclosures discussed with our external auditors, Mazars. This should enable the auditors to issue their opinion in respect of the 2020/21 audit. Whilst it is extremely disappointing that this matter remains outstanding so far after the year end, it is emphasised that this is a national issue which is preventing the finalisation of external audits across the country. It is, however, pleasing to receive the value for money commentary for 2020/21 and that the auditors have not identified any significant weaknesses in the arrangements which were subject to review.

6.2 As set out above, the work to finalise the audit of the Council's 2021/22 Accounts is well underway. We anticipate that the auditors will be issuing draft Audit Completion Reports for the Councils Financial Statements and those of the Pension Fund in the coming weeks. Again it is disappointing that the audit opinion remains outstanding due to the national issues around infrastructure assets and also the much discussed resource issue in the external audit market.

6.3. This is the fourth 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. Whilst we are not as far advanced in terms of the audit for 2021/22 as was anticipated by both ourselves and our auditors when their Audit Strategy documents for 2021/22 were presented to Audit Committee in October 2022, Mazars and officers are working hard to conclude the process in the coming weeks, subject to the guidance on infrastructure assets.

6.4 I would like to place on record my thanks to the auditors for the way they have continue to work with my Officers

6.5 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 LB Hackney January 2023 Progress Report

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 are required.

Description of document (or None)

None

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Audit Progress Report 2021/22

London Borough of Hackney &
London Borough of Hackney Pension Fund

Audit Committee - January 2023

Purpose and contents

Purpose

We have prepared this report to communicate to the Audit Committee our progress with auditing the Council's statement of accounts for the year ending 31 March 2022 and an update on our auditor responsibilities relating to prior years. In addition, we wish to highlight some national publications which the Committee may find useful in enabling them to discharge their role as those charged with governance of the Council.

Contents

01

Section 01:

Audit Progress

Audit Progress

2021/22 audit – Financial statements

The Council published its draft accounts by the deadline of 31 July 2022. The regulations require the Council to publish either audited accounts, or a notice explaining why this has not been possible, by 30 November. As previously reported, we agreed a timetable for the audit of the 2021/22 accounts that accommodated delays to the 2020/21 audit arising from the Cyber attack.

We have completed our interim audit work and followed up on points arising from the review completed to date. We have progressed our audit procedures on the Council and Pension Fund draft accounts and continue to follow up on outstanding points to allow our completion. We provide details below.

COUNCIL

- We are finalising our review of identified journal entries within the Council's financial statements.
- We selected a sample of items for testing in the following areas and are finalising our review of the Council's supporting documentation:
  - Income and Expenditure transactions.
  - Revenue and capital grant receipts.
  - Debtor and Creditor balances.
  - Council lease transactions.
- We are continuing to review and challenge the Council's year end property valuations.
- We are completing our review of the Council's disclosures in respect of its pension liabilities.
- We are completing our quality control file review procedures.

Audit Progress

As noted in our previous update, there is a national issue in respect of Infrastructure assets (specifically highways related) that impacts both the 2020/21 and 2021/22 accounts and audit completion. The Government issued a Statutory Instrument (SI) late in 2022 which came into effect on the 25 December 2022 (see item 2 in Section 03 of this report). The Council is awaiting a CIPFA national guidance note from to enable it to respond to the SI appropriately.

We will discuss the outcome of the Council's response to the national guidance note, together with any associated accounting adjustments or to disclosure revisions arising, and perform associated audit procedures as soon as we are able to. This should enable the Council to approve the final version of the 2020/21 accounts and for us to issue our audit opinion, and also allow us to certify completion of the prior year audits for 2018/19 and 2019/20.

Objection to the 2021/22 accounts

We are completing our procedures in response to an objection made by a local elector to the 2021/22 accounts. We will report to the Audit Committee the outcome in due course.

PENSION FUND

- We are performing our review of identified Fund related journal entries.
- We have selected a sample of items in Benefits paid, Contributions received and Administrative and Other expenses and are performing our review of the Fund's supporting documentation.
- We are awaiting final third party confirmations of year end investments to allow completion of our work on the Fund's financial assets.
- Performance of file review.

Audit Progress

Value for Money

2020/21 Conclusion

We have completed risk assessment in respect of the Council's Value for Money arrangements and have drafted our commentary on the arrangements. This is included in section 2 of this progress report. We have not identified any significant weaknesses in the arrangements subject to review.

2021/22 Conclusion

We have completed our risk assessment in respect of 2021/22 and to date we have not identified any risks of significant weakness in VFM arrangements. However, our consideration of arrangements in respect of 2021/22 will continue and we will discuss the timing of our reporting with management in due course.

02

Section 02:

Value for Money Commentary 2020/21

Value for money commentary

Financial Sustainability

Background to financial sustainability in 2020/21

The Council began the 2020/21 financial year as the first national lockdown began, which brought with it a range of operational requirements needed to effectively respond to the range of challenges the pandemic presented. Central government made a series of policy announcements as part of the national response to Covid-19, many of which impacted on the Council. Consequently, the Council was at the forefront of efforts to protect local residents, including the most vulnerable, and to support local businesses.

Some of the Government's initiatives to respond to the Covid-19 pandemic were supported by additional funding, and so the Council received significant additional funding in 2020/21. This included general grants to support its Covid-19 response of £32.35m, specific grants of £38.687m and compensation for business rate reliefs of £16m, alongside significant funding provided to support local business in line with the government's national initiatives. This funding helped the Council to support residents and businesses through the year and provided immediate funding to help mitigate some of the financial pressures caused by the pandemic. The Council's financial sustainability challenges from the Covid-19 pandemic will continue through the medium term and this places considerable pressure on the Council to maintain effective financial sustainability arrangements.

The Council's financial planning and monitoring arrangements

In February 2020 the Council set a balanced budget for the 2020/21 financial year. This required an increase in Council Tax of 3.99% (to include the 2% Adult Care precept). Throughout the year the Council has updated its budget forecast, enabling budgets to remain up to date in the fast-changing and uncertain operating environment of both the pandemic and the Council's cyber-attack.

Within the original budget and MTFS approved in February 2020, the Council had identified a budget reduction (savings) gap of £30m, as the Council had recognised it had to fund cost pressures and income reductions by 2022/23, with the above increase addressing approximately £3m of in the short term. While the budget for the 2020/21 period was balanced, there is recognition that a range of initiatives and measures will be required to deliver these reductions.

Value for money commentary

The Council's financial planning and budgeting arrangements are well established and include a wide range of activities and consultations. The budget setting process includes engagement with senior Council officers and incorporates discussion about the delivery of statutory services/priorities and the impact on resources. Any reallocation of resources, whether to meet assessed need or address the Council's ongoing efforts to address points within the corporate delivery plan, are scrutinised before being reflected in the budget estimates.

The Council updates its financial position to Cabinet throughout the year, and at year end reported its revenue outturn position for 2020/21 as an overall overspend of £0.787m. We have reviewed a sample of the reports presented throughout 2020/21 and 2021/22, these were detailed and comprehensive and incorporate monitoring of the revenue budget, the capital programme and a range of other financial measures and other performance information for officers and Members to review and consider overall performance. The Council follows an established timetable for reporting to Cabinet which includes reporting to directorate and divisional management teams as well as the strategic management team.

The Council's arrangements for identifying, managing, and monitoring funding gaps and savings

The Council produces a Medium-Term Financial Strategy (MTFS) each year alongside its annual budget. The MTFS sets out the resources available to deliver the Council's overall commitment to provide the services that will meet the needs of residents over the four-year period. It is subject to review as part of the budget monitoring process completed throughout the year, as well as updating (to extend for a year) as part of each years budget setting process.

The MTFS sets out the specific drivers of the Council's approach to budget setting, as well as highlight the factors that need to be addressed / considered as far as possible within each of the years covered. It reflects assumptions made to allow forecasting of the level of available resources alongside other budget pressures relating to both capital and revenue spending. It also assesses the adequacy of reserves held which may impact on the Council's resources.

The budget setting process is a detailed and comprehensive process which includes consultation and discussion with officers and Members around the drivers on which the budget is to be based. As part of the budget setting process, the Council explicitly identifies its budget reduction

Value for money commentary

requirements for the remaining years of the MTFS the budget relates to, this being through detailed consideration of budgetary pressures, funding estimates, and impact of national and local initiatives.

The Council completes a number of officer and member meetings and discussion to develop the budget and MTFS, review proposals for savings and budget reductions (with associated supporting evidence assessment). Proposals are subject to consultation with staff, officers and Members and are presented to meetings attended by Cabinet and Deputy Cabinet Members and senior officers, Overview and Scrutiny, and Cabinet before submission to, and approval at, Full Council.

As in prior years, when considering the savings that need to be identified, the Council continues to use five main methods to discuss and assist in identifying other savings initiatives to close the gap:

- Scrutiny Panel (through Budget Task and Finish Groups)
- Cabinet led working groups
- HMT / Cabinet Steering groups
- Co-ordinated Cross Council Approach to resource deployment
- Directorate specific initiatives.

We have reviewed a range of the budget preparation documents and meetings held as part of the budget setting process. This confirmed that the documents were comprehensive and detailed, that the process for development is being completed on a timely basis and delivered the intended outcomes to assist with the budget preparation.

Council’s arrangements and approach to 2021/22 financial planning

The Council’s 2021/22 budget setting process followed the arrangements in place for 2020/21, with the additional factor that the process was completed with regard to the ongoing impact of the cyber-attack. The budget for 2021/22 was approved at the March 2021 Council meeting.

Value for money commentary

The Council set a balanced budget with a total net budget for Council services of £312.878m with an increase in Council Tax of 3.99% (including 2% Adult Care precept). The budget included £10.413m of recurrent budget reductions /increases. The Council did not assume any increase or use of reserves in the Budget. If reserves are needed during the year, then the movement is discussed and agreed with the agreement of the S151 officer.

We have reviewed the supporting evidence relating to the preparation of the 2021/22 budget and these demonstrate that the arrangements are consistent with the previous year, detailed and robust and properly applied.

Conclusion

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability.

Value for money commentary

Corporate Governance

The Council's risk management and monitoring arrangements

The Council has a well-established risk management system alongside an embedded governance structure across the organisation. The Council has continued to refresh its Risk Management Strategy each year that is well integrated within the Council's service planning arrangements. The risk management arrangements detail the importance of maintaining strong arrangements and includes corporate, directorate, service and project risk registers, all of which are informed by detailed assessments of the key risks impacting on each area. The Corporate Risk Register is formally reported regularly to HMT and to Audit Committee with a supporting analysis detailing movements in risk levels.

The detailed registers are all fed from the data within the Council's risk management system which sets out the strategic and corporate risks and links these with Directorates / Services and the corporate plan / objectives (a requirement for all risks). The risk registers apply a risk score both before and after the identification and application of any mitigation measures and enable the Council to manage the risks actively and take action where necessary. We have reviewed the risk management strategy and examples of risk registers, as well as the corporate risk register and performance reviews made to the Audit Committee. Our review confirms the strategy is clear and detailed, and the registers appear comprehensive, containing sufficient and appropriate detail to inform Council officers and Members.

The Council reports its risk registers through its governance framework, with registers presented and discussed at a range of Member and officer meetings and feeding into the regular risk update reports to Cabinet and the Audit Committee. Through our attendance at the Audit Committee meetings has confirmed the Committee understands its role in the risk management framework and, through its process of review and deep dives, provides challenge to management on the overall risk management strategy, associated registers, corresponding risks and mitigating actions.

The Council maintains an internal audit function, provided by an in-house team, which provides assurance over the effective operation of internal controls. The services is managed overall by the Group Director of Finance and Resources I who also oversees the arrangements to prevent and detect fraud. The annual Internal Audit plan is agreed with management at the start of the financial year and is subject to approval, as well an

Value for money commentary

ongoing review and challenge, by the Audit Committee. The audit plan is based on an assessment of risks identified by the Council and is determined to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

During 2020/21, both the Covid-19 pandemic and the cyber-attack impacted on Internal Audit's plans and the Audit Committee was kept informed of progress, changes to plans and potential implications for overall delivery. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk-based approach and consider the implications of the pandemic and responding to the cyber-attack.

The Council has comprehensive anti-fraud and corruption policies which are updated as required. During 2020/21 the Council's anti-fraud work has included review of processes to minimise any loss on business grant payments made to businesses.

Internal Audit progress reports include reporting on the follow up of recommendations from previous Internal Audit reports and an assessment of progress in delivering these. Throughout the year we have attended all Audit Committee meetings, and from our attendance at these meetings we are satisfied this allows Members to engage with the reports and challenge the papers and reports which they receive from management, internal audit and external audit.

At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year. For 2020/21 the Head of Internal Audit concluded that an adequate level of assurance could be given that the Council's overall framework of governance, risk management and control remain appropriate and has been complied with. Whilst this reflected the significant impact of the pandemic, as well as the impact on controls arising from the cyber-attack, the annual report highlighted that improvements continue to be made in key control areas.

Council arrangements for budget setting and budgetary control

The 2020/21 Revenue and Capital Budget was approved in February 2020, outlining the estimates of the financial challenge for the financial year 2020/21, as supported by the MTFS. Financial monitoring reports were prepared through much of 2020/21, seeking to highlight key issues and

Value for money commentary

ensure any potential impact on budgets in the medium term. The cyber-attack limited the councils ability to complete these tasks for much of the year.

Over the summer of 2020, there was continued discussion between officers and Members to consider the current financial position and the impact on the budget of the Council and how to manage the impact of the pandemic on the council and its service delivery. Members were engaged closely in discussions about the financial implications for the Council of the pandemic and ongoing lobbying to maintain the financial plans that had been developed with the Council's MTFS and, through this engagement, the Council was able to maintain its commitment to its existing plans whilst continuing to maintain service delivery.

The Council has well established budget monitoring arrangements. Internal finance teams are aligned with the Council's management portfolio structure and the team work closely with budget holders to review, discuss and consider the financial pressures impacting on specific service areas.

The Council maintains a detailed internal budget monitoring timetable to ensure that reports and commentary / discussions are completed on a timely basis. Overall financial monitoring reports are prepared for the whole Council position in respect of both its Capital and Revenue budgets and these reports are presented to Cabinet throughout the year. The format of the report has been subject to some review and update to ensure relevant information, including that around the pandemic where an additional Covid-19 dashboard was prepared and reported upon, together with how the Council is delivering in respect of its previously identified key performance indicators.

Council decision making arrangements and control framework

The Council's core decision making structure and arrangements are established in the Council Constitution, with decisions being either made by Members (Cabinet, Council, or other decision making committees) the Mayor, Cabinet portfolio leads, or officers as appropriate. All Cabinet and Key Decision reports include Officer Comments, together with notes of Finance, Legal, Risk Management, Equalities and Organisational Implications. The Council has a range of overview and scrutiny committees that challenge and scrutinise Council decisions.

Value for money commentary

During 2020/21 the Council continually adapted its decision-making arrangements to respond to the challenges of Covid-19 as well as the significant impact that the cyber-attack had on the governance arrangements within the council. As both events developed and changed, the council worked to focus its governance structure to ensure decisions were made at appropriate levels and included the Council and relevant partners. As a result, the Council was able to proactively manage the developing risks and to take properly informed decisions in an appropriate timescale.

The Council has a separate Audit Committee , and this the appropriate status within the organisation to challenge management and obtain assurance on the operation of the internal control framework. The Committee has a wide range of responsibilities, but includes an agreed workplan that addresses governance issues, and requests reports on specific internal control issues if considered appropriate. The Audit Committee met regularly throughout the year, with minimal cancellations as a result of the pandemic, and received a range of reports on internal controls. Where the Committee identifies areas where it requires additional assurance, such as on IT disaster recovery and Treasury Management, reports are brought to future meetings.

Conclusion

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.

Value for money commentary

Economy, Efficiency and Effectiveness in the Use of resources

The Council's arrangements for assessing performance and evaluating service delivery

The Council prepares performance monitoring and financial monitoring reports which are presented to senior management and Cabinet as part of the overall budget monitoring and performance reporting cycle. During 2020/21, financial monitoring reports included information about the financial pressures of the Council, the response to them, updates on the impact of the pandemic and management of associated financial costs / funding received, as well as the impact of the cyber-attack as financial information became available.

For services, the performance review analysis highlighted areas of new or increased service demand whether arising from the pandemic or other service pressures, and included the impact of the many government initiatives and policies on the Council's financial and operational performance.

These reports are also used to identify service delivery challenges, for example where increased costs are incurred to address service backlogs or underlying underperformance. Where such issues are highlighted through financial monitoring, the resources required as an investment to address this are identified. It also sought to identify actions, based on performance data and forecasting, the Council could implement to seek to manage demand / need and impact on planned expenditure.

During 2020/21, many of the key performance indicators (KPIs) were suspended due to the focus on Covid-19 pressures. Performance reporting was subject to regular revision to take account of the circumstances and developments in report identified by Officers and Members.

As part of the ongoing budget monitoring the Council has a suite of performance indicators which it collects on a regular basis as well as in a large number of services access to live management data on current service performance (via Qlik). Performance (data and progress against projects etc) is monitored at all levels or the organisation to ensure that the Council is delivering its objectives (as laid out in the Corporate Plan and statutory obligations).

Performance is monitored at local management level as well as Directors, group Director, HMT and Cabinet members. HMT, Directors and Cabinet

Value for money commentary

members have access to online performance dashboards which have the top PIs (agreed by HMT/Cabinet) for the Council updated as new data becomes available. Regular review of these takes place at meetings of HMT and between HMT and Cabinet Members and the Mayor.

The Council's Audit Committee has also compiled a dashboard of KPIs which are reported on each quarter to the committee with relevant Directors available to answer questions and address concerns.

These arrangements were partly affected by the cyberattack part way through the year of account in 2019/20 and 2020/21.

The Council also employs financial and performance benchmarking across its services. Examples, include use of RA/RO, Section 251 data in determining potential areas for efficiency savings, through the ASC-FR statistical returns and through regular ADASS budget surveys as well as responded to ad hoc requests for benchmarking facilitates through the ADASS Finance Leads group, the use of benchmarking data to underpin transformation work in Housing Services and the use of national Local Environmental Quality Indicator, to compare the cleanliness of Hackney's street with other local authorities and to ensure continuous improvement in their performance.

In addition to the corporate performance reporting, the Council completes a range of internal performance and management reporting to evaluate performance and identify areas for improvement.

The latest CQC was carried out on 15 December 2020 and the Council received the results of the latest Ofsted inspection of Housing with Care services, which rated the service as 'requires improvement'. In response to this, and prior to the pandemic, the Council have developed a whole Council response and were developing a plan to move the Council to Good and onto Outstanding. While plans are in place, the pandemic has had an impact on the initial delivery of the response, although these are considered to be achievable in the short to medium-term.

The Council's arrangements for effective partnership working

Through various committees the Council monitors the work and associated service delivery of key partnerships including an ongoing assessment of changes to risks as set out in the applicable risk register. The Council's key partnerships include those with its wholly owned housing subsidiaries

Value for money commentary

and its relationship with health care partners as part of an integrated health and care system.

The Council owned housing companies all work with the Council with the developed business plans being influenced by the delivery of activities and any associated generation of income that can contribute towards the overall Council's objectives. The governance arrangements in place within the Council to ensure efficient oversight of the companies and their working are continuing to develop as the work and arrangements continue to increase and specific projects are completed and associated sales and rentals are completed.

During 2020/21 the Council has continued to work closely with the local healthcare partners to manage services with the significant impact of the Covid-19 pandemic on health and social care. The Council contributes to the North East London Health and Care Partnership, which developed from Healthwatch Hackney, to seek to develop and implement a fully integrated health and care system that builds on existing arrangements to improve health and wellbeing and reduce inequalities.

Subsequently the Council has worked extensively with these partners to develop a Recovery Plan, recognising that they need to continue to work together through the various arrangements to address delivery issues and ensure further learning and adaption. The developed Recovery Plan has taken the learning and experience from the development of responses to Covid-19 and the existing inequalities in health outcomes of Hackney's population.

The Council's arrangements for procurement and commissioning services

The Council's Constitution contains details of, and a link to, specific Procurement policy and strategy and sets out the processes the Council must follow when procuring goods or services. The strategy seeks to ensure a culture which secures value for money from our contracting activities and achieves the best outcomes for Hackney residents. We have reviewed the procedure rules and confirmed that these appear comprehensive and cover the procedures, the quotation and tender process, any use of frameworks, the post tender evaluation and development of relevant contract monitoring processes.

Value for money commentary

As part of the procurement strategy the Council has a separate Sustainable Procurement Strategy which seeks to improve the Council's contracting approach through changing its engagement with the market, in particular local and SME suppliers. The strategy focuses on environmental, economic and social sustainable developments themes of procuring green, for a better society and fairly. As part of its contract management the council has also implemented an approach to any insourcing decisions taken by service areas, to give services a more structured approach for insourcing decisions.

All procurement activities must be carried out, in accordance with the Council's Contract Standing Orders as set out in Part 4 of the Constitution, but also in compliance with the Council's General Scheme of Delegation to Officers. The Contract Standing Orders set out procurement routes applicable to various levels of spend, and in addition a risk management framework is in place for procurements above £100k. The application of the risk framework and the estimated value of the requirement determine the governance arrangements which are applicable to individual procurements. All procurements assessed as medium or high risk go through the Council's procurement gateway process with decisions taken by the Cabinet Procurement and Insourcing Committee for high risk or Hackney Procurement Board for medium risk procurements.

Contract managers are responsible for monitoring contracts to ensure that suppliers are delivering against specifications and maintaining records of supplier performance. Arrangements are proportionate to the value and risk of the contracts. Support is provided from the Procurement Team for the management of high risk and key strategic contracts.

The Head of Procurement and Corporate Contract Management unit are responsible for working with commissioners to shape the Council's strategic plans for contract management, as well as assisting in developing specifications, identifying opportunities for improvement within contracts, reviewing contract management information, monitoring KPIs, considering the value for money of contracts and ensuring that the contracts stay up to date throughout the period.

Where contract management information suggests that contracts are not being delivered to the specification, the Council seeks to engage with suppliers to develop and implement improvements to processes and service delivery. The maintenance of dialogue with suppliers is crucial in

Value for money commentary

managing the relationship, delivering services and in ensuring disputes and disagreements are minimised. The Council establishes expected outcomes and benefits from procurement in a series of key performance indicators within contracts, these being specific to each contract, and subject to active monitoring to ensure the benefits are being delivered.

Conclusion

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

03

Section 03:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	CIPFA: Audit Committees Practical Guidance for local authorities and police	Guidance and resources for audit committee members.
Department for Levelling Up, Housing and Communities		
2	Consultation on Infrastructure Asset Accounting	The Government is consulting on a proposed temporary Statutory Override to unlock the difficulty in agreeing an accounting solution to this matter.
National Audit Office (NAO)		
3	Guide to Corporate Finance in the Public Sector	The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities
Financial Reporting Council (FRC)		
4	Major Local Audits – Audit Quality Inspection	The Financial Reporting Council has published its annual report on the quality of local audit work. This follows its 2022 inspections of files for the 20/21 audit cycle.

NATIONAL PUBLICATIONS

1. CIPFA: Audit Committees Practical Guidance for local authorities and police – October 2022

The guidance and suite of publications (only available for those with a subscription) has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee. New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. The link to the publication is here:

https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police2022-edition

2. Consultation on Infrastructure Asset Accounting – October 2022

CIPFA and CIPFA LASAAC have been seeking to assist in the resolution of this issue through changes to the Code of Practice on Local Authority Accounting (the Code). An accounting solution has not so far been found that satisfies all stakeholders for the amount to be derecognised. The government, therefore, undertook to review the necessity for an accounting statutory override whereby, under the Local Government Act 2003, it may make provision for local authority accounting practices.

The government has put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure assets as nil, without the need to further evidence that this is the case. The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances. The override does not include any provision for matters relating to gross cost or accumulated depreciation, as these matters are anticipated to be addressed through the Code. Use of the override is optional, as authorities can choose not to apply it.

It is the government's view that this is a necessary, short-term solution to avoid the widespread qualification of local authority accounts. The government recognises that a long-term solution is required, but due to the complexity of the issue this will necessarily take time, and there is an immediate need to mitigate the risks of widespread qualifications and delays to audit. The override applies to all local authority accounts for which an audit certificate has not been issued, and is time limited such that the last financial year to which it applies will be 2024/25.

The date on which the Statutory Instrument took effect was 25 December 2022, and as such auditors will be unable to issue any audit opinions on clients with material infrastructure assets until late January 2023.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022: call for evidence - Department for Levelling Up, Housing and Communities - Citizen Space

NATIONAL PUBLICATIONS

3. Guide to Corporate Finance in the Public Sector

The NAO recently published a guide to corporate finance in the public sector. The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities. It covers 14 themes over three core areas:

- Principles and concepts
- Organisations and functions
- Transactions

The interactive guide contains insights from 139 NAO reports and sets out key questions for senior decision-makers to consider when overseeing corporate finance activities. It may also be of interest to professionals supporting the government to deliver a range of transactions, including commercial investments, loans and guarantees. While not directly focussed on local public services the guide may be of interest to local auditors and audited bodies.

https://www.nao.org.uk/insights/guide-to-corporate-finance-in-the-public-sector/

4. Major Local Audits – Audit Quality Inspection

See page 24

https://www.frc.org.uk/getattachment/aeb9149f-7bf9-45f2-802d-ca7b055b457e/Major-Local-Audits.pdf

Financial Reporting Council's report on local audit quality

FRC Major Local Audit Inspection Report - October 2022

The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
Ernst & Young LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
Total	**314**		**20**

20

Local audits **728**

Major local audits (FRC) **314**

Non-major local audits (ICAEW) **414**

93 Health bodies — 6 audits inspected

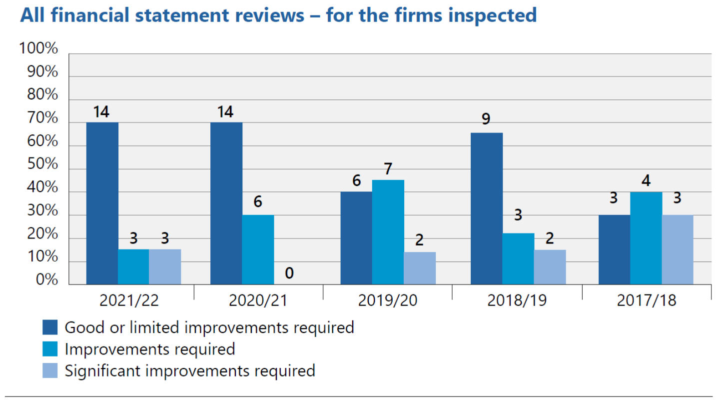
221 Local government bodies — 14 audits inspected

83 Health bodies — 4 audits inspected

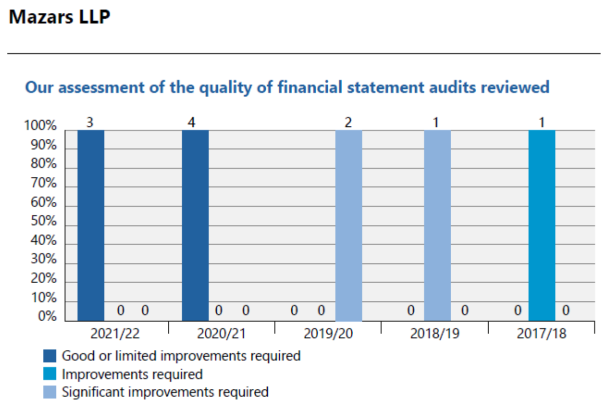
331 Local government bodies — 13 audits inspected

Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

For Mazars, the FRC found that all 3 files reviewed met the expected standards.



This was the second successive year of 100% compliance following issues with audit quality in 2019/20. Whilst the sample size is small and focused on the higher risk audits, the improvement does reflect the investment we have made in people, technical expertise, specialists (such as building on in-house valuation team and strengthening our methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.



100%

At Mazars LLP, all three financial statement audits inspected were assessed as good or limited improvements required.

Contact

Mazars

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Title of Report	Treasury Management Update
For Consideration By	Audit Committee
Meeting Date	18th January 2023
Classification	Open
Ward(s) Affected	All Wards
Group Director	Ian Williams, Group Director Finance and Corporate Resources

1. **<u>Introduction</u>**

1.1 This report covers both the half year treasury activity for 2022/23 - the detailed update on the treasury activity for the first six months of the financial year (Appendix 1) and the Q3 treasury activity update for the period October 2022 to December 2022 (Appendix 2).

2. **<u>Recommendations</u>**

2.1 There are no specific recommendations arising from this report. Audit Committee is therefore recommended to note the treasury management activity reports at Appendices 1 and 2

3. **<u>Reason(s) for decision</u>**

3.1 The Treasury Management Half Year Report is required in order to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") which the Council has adopted. The quarterly update at Appendix 2 is presented in accordance with the Council's Treasury Management Strategy.

4. **<u>Background</u>**

<u>Policy Context</u>

4.1 The CIPFA code of practice requires that those charged with oversight receive regular updates on the progress of Council's treasury strategy during the year. Members are being provided with the detailed report on the first six months activity (to September 2022) with an update of the primary treasury indicators along with the Treasury Management Report which provides details of activity during the months of October to December 2022.

<u>Equality impact assessment</u>

4.2 There are no equality impact issues arising from this report

<u>Sustainability and climate change</u>

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

<u>Consultations</u>

4.4 No consultations are required in respect of this report.

<u>Risk assessment</u>

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 The half yearly Treasury Activity Report provides an update to this Committee on the treasury activities undertaken on behalf of the Council for the first six months of the current financial year 2022/23. There are no direct financial consequences arising from the report as it reflects the first half year's performance. 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.

5.2 The treasury update report covers the period from October 2022 to December 2022 and reflects the most recent treasury activity.

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

6.1 The Accounts and Audit Regulations 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's Constitution and Financial Procedure Rules require reporting on Treasury Management activity to be carried out during the year in line with the CIPFA Code of Practice on Treasury Management. This report demonstrates that Treasury Management is meeting these requirements and adapting to changes as they arise.

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

7. BACKGROUND

7.1 The half yearly Treasury Activity Report (Appendix 1) provides a summary for the Committee on the economic background for the first six months of the current financial year 2022/23, whilst the quarterly update report provides details of treasury management activity covering the period October 2022 to December 2022 (Appendix 2).

7.2 The Council has an increasing Capital Financing Requirement due to the delivery of its capital programme and therefore may need to borrow in future years, depending on the actual level of capital expenditure, other capital resources, reserves and cash balances.

7.3 With regard to the investment portfolio, security of capital remains the prime consideration. The average rate of interest received on investments at the end of December 2022 was 1.75% compared to average rate of interest received in December 2021 of 0.4%. The Council has taken a longer term view of its cash balances and interest rates and invested an element of its core cash for a short duration in highly secure counterparties.

APPENDICES

The appendices to this report details the treasury management activities undertaken by the Council. It sets out in detail the economic background in which the treasury management function has had to operate since the beginning of the financial year and the treasury activities which have taken place in the first six months of the financial year to end of September 2022 and for the period October 2022 to December 2022.

Appendix 1 – Treasury Management Half Year Activity Report 2022/23

Appendix 2 – Treasury Management Activity Q3 Update Report 2022/23

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Appendix 1

TREASURY MANAGEMENT HALF YEAR ACTIVITY REPORT 2022/23 (6 MONTHS TO 30TH SEPTEMBER 2022)

1. Background

1.1 The Annual Treasury Management Report is a requirement of the Council's reporting procedures and this report covers the treasury activity for the first six months of the financial year 2022/23, 1st April 2022 to 30th September 2022.

1.2 The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2017, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

1.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

1.4 Treasury management is defined as: "The management of the local authority's investments, borrowings and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 The Authority's Treasury Management Strategy for 2022/23 was approved by the full Council on 2nd March 2022.

1.6 The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. Economic Background

2.1 The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event referred to as mini budget' increased uncertainty further.

2.2 The Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions. The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. the September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected. On 23rd September the UK government, following a change of leadership, announced a raft of measures in a ‘mini budget’, loosening fiscal policy with a view to boosting the UK’s trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100 bps in a single day.

2.3 After hitting 9.1% in June, annual US inflation eased in July and August to 8.5% and 8.3% respectively. The Federal Reserve continued its fight against inflation over the period with a 0.5% hike in May followed by three increases of 0.75% in June, July and September, taking policy rates to a range of 3% - 3.25%.

2.4 Eurozone CPI inflation reached 9.1% y/y in August, with energy prices the main contributor but also strong upward pressure from food prices. Inflation has increased steadily since April from 7.4%. In July the European Central Bank increased interest rates for the first time since 2011, pushing its deposit rate from –0.5% to 0% and its main refinancing rate from 0.0% to 0.5%. This was followed in September by further hikes of 0.75% to both policy rates, taking the deposit rate to 0.75% and refinancing rate to 1.25%.

3. Debt Management

3.1 In the beginning of the year the Council had one external debt of £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.

3.2 The Authority also had £70.5m of long term borrowing from PWLB at the beginning of the year. The PWLB long term borrowing was done during 2019-20 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. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates that were then available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council’s current liquidity position.

Table 1: Debt Portfolio positions as at 01/04/2022 and 30/09/2022

	Balance on 01/04/2022 £’000	**Balance on 30/09/2022 £’000**	**Avg Rate %**
Long Term Borrowing	72,100	69,850	1.93%
TOTAL BORROWING	**72,100**	**69,850**	
Other Long Term Liabilities	10,808	10,298	
TOTAL EXTERNAL DEBT	**82,908**	**80,148**	

Decrease in borrowing		**2,760**	

3.4 For the Council, the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. However, this position was not sustainable over the medium term and therefore, the Council borrowed externally from PWLB to finance part of its housing capital regeneration programmes.

3.5 **PWLB Borrowing:** The Authority qualifies for borrowing at the ‘Certainty Rate’ (0.20% below the PWLB standard rate) for a 12 month period.

3.6 **Alternative borrowing sources:** Over the April-September period short term PWLB rates rose dramatically, particularly in late September after the Chancellor’s ‘mini-budget’. Over a twenty-four-hour period some PWLB rates increased to 6%, before the intervention had the desired effect, bringing rates back down by over 1% for certain maturities. This was an unprecedented period in fixed income markets, with a direct impact on PWLB rates. The Authority will evaluate and pursue lower cost alternative borrowing solutions and opportunities with its treasury advisor.

4. Investment Activity

4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cash flow forecasts indicated that during 2022/23 the Authority’s investment balances would range between £50m and £150 million.

4.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority’s aim is to achieve a yield commensurate with these principles.

<u>Table 2: Investment Portfolio positions as at 01/04/2022 and 30/09/2022</u>

	Balance as at 01/04/2022 £’000	**Average Rate of Interest %**	**Balance as at 30/09/2022 £’000**	**Average Rate of Interest %**
Short term Investments*	15,045	-	20,049	-
Long term Investments	290	-	290	-
AAA-rated Stable Net Asset Value Money Market Funds	82,000	-	48,500	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	13,000	-	13,000	-
Housing Associations	15,000	-	15,000	-
	125,335	**0.7**	**96,839**	**1.49**

* *Less than one year*

4.2 Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement. Investments are currently held with the following below institutions:

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- AAA rated Cash enhanced Variable Net Asset Value Money Market Funds
- Deposits with UK Banks (Notice Accounts)
- UK Housing Associations

4.3 Counterparty credit quality is assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution and share price.

4.4. Given the very low returns from short-term unsecured bank investments, the Authority will look to diversify into more secure and/or higher yielding asset classes during 2022/23, providing security of capital can be maintained. A proportion of the Authority's cash remains invested in short-term unsecured bank deposits, and money market funds.

5. Credit Risk

5.1 Counterparty credit quality remains an important factor in the Council's assessment of approved counterparties. The Council continuously monitors the overall credit quality of its investment portfolio and this is clearly demonstrated by the Credit Score Analysis summarised below. The credit scores are based on the Council's quarter-end in-house investment position.

Table 3: Credit Score Analysis

Date	Value Weighted Average – Credit Risk Rating	Value Weighted Average – Credit Score	Time Weighted Average – Credit Risk Rating	Time Weighted Average – Credit Score
30/06/2022	A+	5.0	A	5.9
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

Scoring:
-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 27
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

6. Counterparty Update

6.1 On 23rd May 2022, the Chief Finance Officer of Northumberland Council issued a report under section 114(2) of the Local Government Finance Act 1988. 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. In July 22 an article by the Bureau of Investigative Journalism published over the weekend makes serious allegations over Thurrock Borough Council's investments in the renewable energy sector. 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.

7. Compliance with Prudential Indicators

7.1 The Council can confirm that it has to date complied with its Prudential Indicators for 2022/23, which were set in March 2022 as part of the Council's Treasury Management Strategy Statement.

Compliance with these Indicators is detailed below -

- **Capital Financing Requirement**

Estimates of the Council's cumulative maximum external borrowing requirement for 2021/22 to 2024/25 are shown in the table below. The numbers for 2021/22 to 2024/25 are provisional, ahead of February's annual budget report, and may be subject to change.

	31/03/22 Actuals £m	**31/03/23 Estimated £m**	**31/03/24 Estimated £m**	**31/03/25 Estimated £m**
Gross CFR	467	492	696	938
Less: Other Long Term Liabilities	11	10	9	7
Borrowing CFR	**456**	**482**	**687**	**931**
Less: Existing Profile of Borrowing	72	67	63	59
Gross Borrowing Requirement/Internal Borrowing	**384**	**415**	**624**	**872**
Balance Sheet Resources	510	480	450	420
Net Borrowing Requirement/(Investment Capacity)	**-126**	**-66**	**174**	**452**

- **Gross Debt and the Capital Financing Requirement**

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.

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.

	31/03/22 Actuals £m	**31/03/23 Estimated £m**	**31/03/24 Estimated £m**	**31/03/25 Estimated £m**
CFR	467	492	696	938
Gross Debt	72	67	63	59
Borrowed in excess of CFR? (Yes/No)	**No**	**No**	**No**	**No**

The Group Director of Finance and Corporate Resources reports that the Authority had no difficulty meeting this requirement to date, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

- **Estimates of 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. The numbers for 2021/22 to 2024/25 are provisional, ahead of February's annual budget report, and may be subject to change.

Capital Expenditure	**31/03/22 Actuals £m**	**31/03/23 Estimated £m**	**31/03/24 Estimated £m**	**31/03/25 Estimated £m**
HRA	102	69	148	133
Non-HRA	52	95	158	223
Total	**154**	**164**	**306**	**356**

Capital expenditure will be financed or funded as follows:

Capital Financing	31/03/22 Actuals £m	31/03/23 Estimated £m	31/03/24 Estimated £m	31/03/25 Estimated £m
Prudential Borrowing	9	60	192	246
RCCO	44	45	49	46
Capital receipts	51	27	21	28
Grants	22	16	24	32
S106/CIL	6	8	9	4
Reserves	22	8	11	0
Total Financing	**154**	**164**	**306**	**356**

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

- **Capital Financing Requirement**

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	31/03/22 Actuals £m	31/03/23 Estimated £m	31/03/24 Estimated £m	31/03/25 Estimated £m
Total CFR	467	492	696	938

- **Authorised Limit and Operational Boundary for External Debt**

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

The Council's **Authorised Borrowing Limit** was set at **£598m for 2022/23**.

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 **Operational Boundary for 2022/23 was set at £568m.**

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.

	Authorised Limit (Approved) 2022/23 £m	Operational Boundary (Approved) 2022/23 £m	Actual External Debt as at 30/09/2022 £m
Borrowing	580	550	73
Other Long-term Liabilities	18	18	11
Total	598	568	84

- **Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

  These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

  The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2022/23 £'000
Upper limit on one-year revenue impact of a 1% rise in interest rates	500
Compliance with Limits:	**Yes**
Upper limit on one-year revenue impact of a 1% fall in interest rates	500
Compliance with Limits:	**Yes**

- **Maturity Structure of Fixed Rate Borrowing**

  This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. Limits were set to have maximum flexibility in managing existing borrowing while the current portfolio remains relatively small.

Maturity Structure of Fixed Rate Borrowing	Lower Limit %	Upper Limit %	Actual Fixed Rate Borrowing as at 30/09/22	% Fixed Rate Borrowing as at 30/09/22	Compliance with Set Limits?
under 12 months	0	100	4,500	1.92%	Yes
12 months and within 24 months	0	100	4,500	1.92%	Yes
24 months and within 5 years	0	100	12,900	1.92%	Yes
5 years and within 10 years	0	100	16,750	1.93%	Yes
10 years and within 20 years	0	100	26,000	2.02%	Yes
20 years and within 30 years	0	100	5,200	2.02%	Yes

- **Total principal sums invested for periods longer than 364 days**

  This indicator allows the Council to manage the risk inherent in investments longer than 364 days.

  The limit for 2021/22 was set at £90m.

  During the reporting period, the Council had a total of £15.29m in a fixed term investment over 364 years.

- **Credit Risk**

  This indicator has been incorporated to review the Council's approach to credit risk. The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.

  Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk:

  - Published credit ratings of the financial institution and its sovereign;
  - Sovereign support mechanisms;
  - Credit default swaps (where quoted);
  - Share prices (where available);
  - Economic fundamentals, such as a country's net debt as a percentage of its GDP);
  - Corporate developments, news, articles, markets sentiment and momentum.

  The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2021/22 TMSS.

10. Summary

10.1 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 the first two quarters of 2022/23. As indicated in this report 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.

Appendix 2

TREASURY MANAGEMENT UPDATE 2022/23
(October 2022 to December 2022)

1. **Economic Highlights in 2022/23**

- **Growth**: UK gross domestic product (GDP) is estimated to have fallen by 0.3% in the third Quarter of 2022. This was a downward revision on the first estimate of a 0.2% fall. The level of savings increased from 6.7% in Q2 to 9.2% in Q3 while real incomes decreased by 0.5%.

- **Inflation:** Year-on-year CPI decreased from 11.1% in October to 10.7% in November. An usual occurrence; the CPI inflation rate coming in below expectations. Driven primarily by lower transport-related inflation (petrol and second hand cars), there were also signs of easing price pressures in other areas, such as alcohol and tobacco, clothing, and reaction and culture (mainly games, toys and hobbies). While food and restaurants placed some upward pressure on the 12 month rate, the wide ranging areas of downward pressure suggest that weak consumer demand is weighing on pricing power. However, the MPC is unlikely to look too favourably at one data point, especially with CPI remaining five times the target amid signs of strengthening wage growth. Bank Rate will therefore continue to rise over the next few months.

- **Monetary Policy:** The Bank of England's Monetary Policy Committee on the 14th December 2022 voted by a majority of 6-3 to increase the official Bank Rate by 0.50 percentage points, to 3.5%. Two members preferred to maintain Bank Rate at 3.0% and one member preferred an increase of 0.75 percentage points.

2. **Borrowing & Debt Activity**

2.1 The Authority currently has £1.2m in long-term external borrowing. This is made up of a single London Energy Efficiency Fund (LEEF) loan from the European Investment Bank to fund housing regeneration.

2.2 In addition, the Authority had £67.15m long term borrowing from PWLB. The PWLB long term borrowing is being used 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. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates currently available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council's current liquidity position.

3. **Investment Policy and Activity**

3.1 The Council held average cash balances of £91 million during the two month period, compared to £124 million for the same period last financial year.

Table 1: Movement in Investment Balances 01/10/22 to 31/12/22

	Balance as at 01/10/2022 £'000	**Average Rate of Interest %**	**Balance as at 31/12/2022 £'000**	**Average Rate of Interest %**
Short term Investments*	20,049	-	20,049	-
Long term Investments	290	-	290	-
AAA-rated Stable Net Asset Value Money Market Funds	48,500	-	34,800	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	13,000	-	13,000	-
Housing Associations	15,000	-	15,000	-
	96,839	**1.49**	**83,139**	**1.75**

*deposits less than one year

3.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

3.3 The Council's specific policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

- security of the invested capital; liquidity of the invested capital; and,
- an optimum yield which is commensurate with security and liquidity.

3.4 The ongoing investment strategy remained cautious but counterparty credit quality remains strong, as can be demonstrated by the Credit Score Analysis summarised below:

Table 3: Credit Score Analysis

Date	Value Weighted Average – Credit Risk Rating	Value Weighted Average – Credit Score	Time Weighted Average – Credit Risk Rating	Time Weighted Average – Credit Score
31/10/2022	A+	5.3	A	6.2
30/11/2022	A+	5.3	A	6.2
31/12/2022	A+	5.4	A	6.3

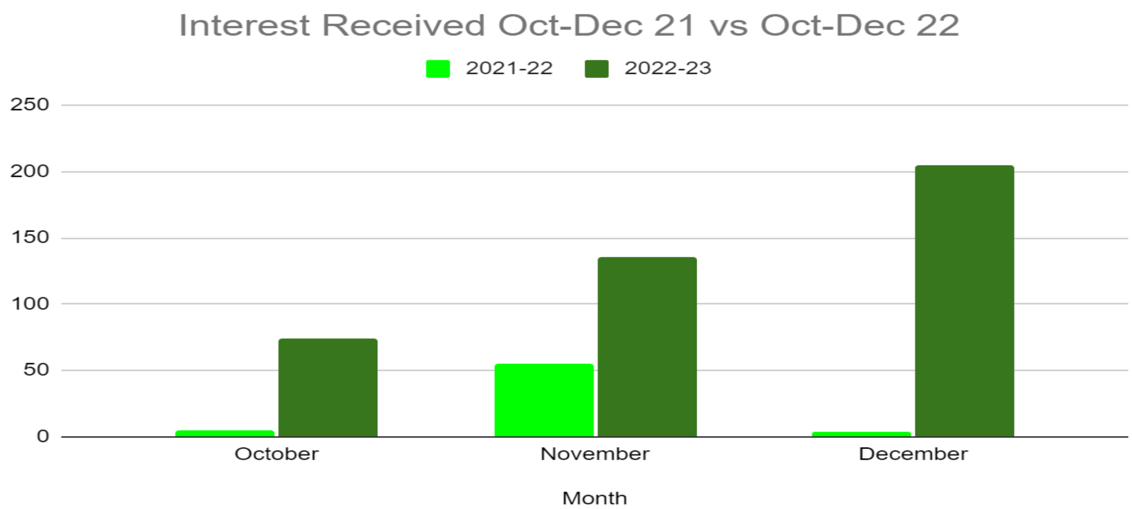
-Value we-weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 27
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

3.5 The Council continues to utilise AAAmmf/Aaa/AAAm rated Money Market Funds for its very short, liquidity-related surplus balances, together with high credit rated call accounts. This type of investment vehicle has continued to provide very good security and liquidity, although yield has suffered in recent months.

4. Comparison of Interest Earnings

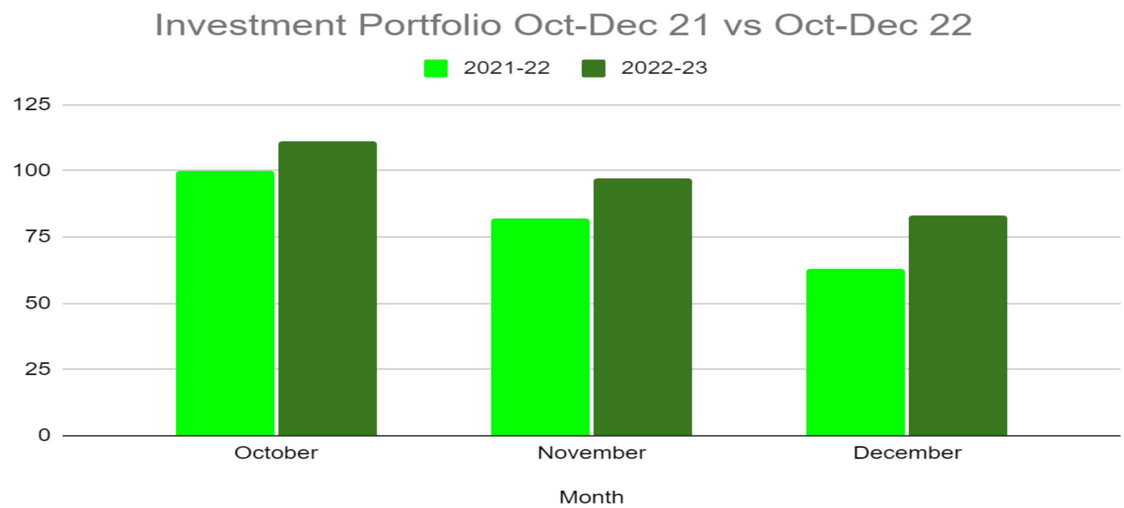
4.1 The Council continues to adopt a fairly cautious strategy in terms of investment counterparties and periods. Due to the volatility of available creditworthy counterparties, investments are placed in highly rated UK Government institutions, thus ensuring creditworthiness whilst increasing yields through the duration of the deposits.

4.2 The graph below provides a comparison of interest earnings for 2022/23 against the same period for 2021/22. Average interest received for the period October to December 2022 was £138k compared to £25k for the same period last financial year.



5. Movement in Investment Portfolio

5.1 Average investment levels for the period October to December 22 were £97 million in comparison to the same period last year of £82 million.



7. Summary

7.1 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 the above period of the financial year 2022/23. As indicated in this report, a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

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Hackney

Title of Report	Treasury Management Strategy 2023/24
For Consideration By	Audit Committee
Meeting Date	18th January 2023
Classification	Open
Ward(s) Affected	All Wards
Group Director	Ian Williams, Group Director Finance and Corporate Resources

1. Introduction

1.1 This report introduces the draft Treasury Management Strategy for 2023/24 for the Audit Committee, setting out the expected treasury operations for the 2023/24 financial year, ahead of it being submitted to Cabinet and Council as part of the annual budget setting process, for formal adoption.

2. Recommendations

2.1 The Audit Committee is recommended to:

- Approve the draft Treasury Management Strategy 2023/24 to 2025/26 for submission to Council, subject to Capital programme that is being finalised ahead of budget report, with delegation to the Group Director of Finance and Resources to approve the final Treasury Management Strategy for submission to Council.

3. Reason(s) for decision

3.1 The Treasury Management Strategy is required under the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") to be approved by full Council along with the Prudential Indicators.

4. Background

Policy Context

4.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the MHCLG's Investment Guidance.

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 is setting the strategy for future. 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 The Treasury Management Strategy sets out how the Council's cash flow will be managed during the financial year 2023/24. The actual cost of borrowing and interest on investments will depend on market conditions and timing will be an important factor in decisions to be taken on the debt portfolio. The prudential indicators are still to be finalised as part of the annual budget setting process relating to the capital programme.

5.2 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

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 controls which includes arrangements for management of risk. In addition the Council's Constitution and Financial

Procedure Rules require the production of an Annual Treasury Management Strategy, which shall be carried out in compliance with the CIPFA Code of Practice on Treasury Management. This report demonstrates that Treasury Management is meeting these requirements and adapting to changes as and when they arise.

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

7. BACKGROUND

7.1 The Treasury Strategy set out below is set in the context of the current macro-economic environment and continuation of increase in interest rates.

7.2 The Council has an increasing Capital Financing Requirement (CFR) due to its capital programme and therefore may need to borrow in future years, depending on the actual level of reserves and capital receipts and other resources available to it.

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TREASURY MANAGEMENT STRATEGY 2022/23 TO 2024/25

SUMMARY

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis.

BACKGROUND

2.1 The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

2.2 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2.3 The Council invests large sums of money and therefore, potentially, has exposure to certain financial risks concerning the capital sums invested and the effect of changing interest rates. The successful identification, monitoring and control of risk, is therefore central to the Council's treasury management strategy.

3 ECONOMIC BACKGROUND

3.1 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

3.2 The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

3.3 CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of

5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR. The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.

3.4 Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.

4 INTEREST RATE FORECAST

4.1 The Authority’s treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

4.2 While interest rate expectations are reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite the looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher. Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

4.3 A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix A***.

5 CREDIT OUTLOOK

5.1 Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

5.2 The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.

5.3 There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

5.4 Institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

6 CURRENT POSITION AND BALANCE SHEET SUMMARY

6.1 The Council currently (as at 31.12.22) has outstanding external borrowing of £68.35m. Total investments as of the date were £83m.

Table 1: Existing Investment & Debt Portfolio Position as at 31/12/22

	Portfolio outstanding as at 30/11/2022 £'000	**Average Rate %**
External Borrowing:		
Market – Fixed Rate	68.350	1.92
Total External Borrowing	**68.350**	
Other Long Term Liabilities: PFI	10.697	
Finance Leases	0.111	
Total Gross External Debt	**79.047**	
Investments: Short-term monies - Deposits/ monies on call/MMFs	82,848	1.75
Long-term investments	290	
Total Investments	**83,138**	

6.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, otherwise known as internal borrowing. The figures below are subject to change pending finalisation of the capital programme for the budget report. Forecast changes in these sums are shown in the balance sheet analysis in table 2 below.

Table 2: Balance Sheet Summary and Forecast

	31.3.22 Actual £m	31.3.23 Estimate £m	31.3.24 Estimate £m	31.3.25 Estimate £m
General Fund CFR	357	362	472	591
HRA CFR	110	130	224	347
Total CFR	**467**	**492**	**696**	**938**
Less: Other long-term liabilities *	11	10	9	7
Loan CFR	**456**	**482**	**687**	**931**
Less: External borrowing	72	67	63	59
Cumulative Maximum External Borrowing Requirement	**384**	**415**	**526**	**647**
Less: Balance Sheet Resources	510	480	450	420
Cumulative Net Borrowing Requirement /(Investments)	**-126**	**-66**	**174**	**452**

* finance leases and PFI liabilities that form part of the Authority's debt

6.3 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 2 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 3: Liability benchmark

	31.3.22 Actual £m	31.3.23 Estimate £m	31.3.24 Estimate £m	31.3.25 Estimate £m
Loan CFR	456	482	687	931
Less: Balance Sheet Resources	510	480	450	420

Net loans requirement	-56	2	237	511
Plus: Liquidity allowance	10	10	10	10
Liability benchmark	-46	12	247	521

6.4 The Authority currently has £68.35m in external borrowing. This is made up of a single £1.2m London Energy Efficiency Fund (LEEF) loan from the European Investment Bank to fund housing regeneration, along with £67.15m long term used 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.

6.5 Furthermore, the Council has an increasing CFR due to the delivery of its capital programme with many regeneration schemes requiring borrowing upfront ahead of the realisation of capital receipts. It is therefore likely that the Council will need to borrow over the forecast period, the actual amount depending on the actual level of reserves and other cash balances available.

6.6 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Authority expects to comply with this recommendation during 2023/24.

6.7 Table 4 sets out the operational boundary and authorised limit for the Authority for the coming years. The numbers for 2023/24 to 2024/25 are provisional, ahead of February's annual budget report, and as such may be subject to change.

Table 4: Operational Boundary and Authorised Limit

	2022/23	**2023/24**	**2024/25**	**2025/26**
	Approved	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**
Operational Boundary for External Debt	568	732	973	1092
Authorised Limit for External Debt	598	762	1,002	1,122

7 BORROWING STRATEGY

7.1 The balance sheet forecast in Table 2 shows that the Authority has a borrowing requirement to £526 million in 2023/24. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £762 million in 2023/24.

7.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

7.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

7.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

7.5 Alternatively, the Authority may arrange forward starting loans during 2023/24, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

7.6 In addition, the Authority may borrow short-term loans (normally for up to a year) to cover liquid cash flow shortages.

The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- Municipal Bond Agency (subject to relevant Council authorisations being in place)

- UK public and private sector pension funds (except London Borough of Hackney Pension Fund)
- Capital market bond investors
- Special purpose companies created to enable joint local authority bond issues.
- Private Placements and Loan.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

7.7 The Authority has previously raised majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

7.8 UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the full Council.

7.9 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

7.10 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in point 10.4 below.

8 INVESTMENT RISK MANAGEMENT

8.1 The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

8.2 As a result of the 2008 financial crisis, there has been a major effort by governments and regulators to make legislative and regulatory changes to the banking environment. These changes were undertaken with the aim of preventing the future failures of banks and to move away from taxpayer funded bailouts, as was the case for Lloyds and RBS, and move towards a bail-in scenario.

8.3 Bail in is whereby a levy on deposits within banks would be made to lower the amount of external bailout needed. It would take place before a bankruptcy with regulators imposing losses on shareholders, bond holders and unsecured deposits.

8.4 Bail in was first introduced during the Cypriot financial crisis in March 2013, when the Cypriot government was able to refinance its banks and the EU did not provide the finance to bail the banks out. Subsequently, the Cypriot banks were bailed-in via a levy on all unsecured depositors of more than £100,000.

8.5 The Banking Reform Act (2013) delivered significant reform to the UK banking sector and introduced into law the bail in process as a pre-emptive measure to stop failing banks. This means that unsecured depositors, such as Local Authorities, would be subject to a levy on their deposits if that counterparty was bailed in.

8.6 To reduce and manage this risk, it is recommended that the Council continues with its current investment strategy for high diversification and hold some investments in more secured instruments (those instruments excluded from bail in risk) such as Covered Bonds and Tri-party Repos, as well as looking at non-financial counterparties such as corporations. For unsecured deposits, the Council will continue to ensure high diversification amongst the Banks and Building Societies which will help to reduce single exposure to one organisation and increase diversification.

9 INVESTMENT STRATEGY

9.1 The Authority holds varying levels of invested funds at varying lengths of duration. These investments represent income received in advance of expenditure plus balances and reserves held.

9.2 For the 2022/23 financial year the Council had an investment balance of £83m as of 31.12.22. It is expected that investment levels will decrease in forthcoming years as balances are used to finance the capital programme.

9.3 Given the investment risk as detailed in *section 8*, the Authority aims to further diversify into more secure asset classes during 2023/24. The majority of the Authorities surplus cash is currently invested in money market funds, deposits in Local authorities and Housing Associations.

9.4 The Council may invest its surplus funds with any of the counterparty types in table below, subject to the limits shown.

Treasury investment counterparties and limits:

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£25m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£50m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£10m

9.5 Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

9.6 Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

9.7 The maximum that will be lent to any one organisation (other than the UK Government) will be £10 million to reduce the chance of a credit event placing the council under undue financial pressure. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country

9.8 The Council understands that credit ratings are a good predictor of investment default but are rating agencies' expressed opinions and not a perfect indicator. Therefore, Officers will use other sources of information; including credit default swap ratings and equity prices, to determine the credit quality of an organisation. These are detailed in Appendix B.

9.9 No investments will be made with an organisation if there are doubts about its credit quality even though it may meet the Lending Policy criteria. This means the Lending Policy applied operationally may at times be more restrictive than it formally allows.

9.10 When deteriorating financial market conditions affect the creditworthiness of all organisations but these are not generally reflected in credit ratings, then the Council will restrict its investments in those organisations to maintain the required level of security. These restrictions may mean that insufficient commercial organisations of high credit quality are available for investment and so any cash surplus will be deposited with the government's Debt Management Office or with other local authorities. This may result in a reduction in the level of investment income earned but will protect the principal sums invested.

9.11 The proposed 2023/24 Treasury Management Strategy has considered a full range of risks and Officers will apply the strategy to ensure that security of deposits is the prime consideration. However, in agreeing the proposed strategy, Members should be aware that there is always a risk of default of counterparties other than the Debt Management Office which is guaranteed by the government.

9.12 The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

9.13 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. The Authority recognises it can further enhance its efforts through its investment decisions and activity. The Authority will consider options for investments with institutions who ring fence the use of such funds for ESG related matters.

10 TREASURY MANAGEMENT INDICATORS

10.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

10.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A-

10.3 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

	Target
Total sum borrowed in past 3 months without prior notice	£20m

10.4 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

	2023/24
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.5m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0.5m

1% rise in interest rate - It is unlikely that the borrowing to this extent will be done on a short term basis but if borrowing takes place on a short term basis then the impact of 1% increase in interest rates will be funded from reserves.

1% fall in interest rate exposure is calculated based on the current investment portfolio of the council. In the event of a fall in interest rate investment strategy will be revisited to identify measures to be put in place to nullify the impact on fall in interest rate.

10.5 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	**Lower**
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 2 years	100%	0%
2 years and within 10 years	100%	0%
10 years and above	100%	0%

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period. No limits have been put in place as the current debt portfolio is relatively small and no limit gives us more flexibility in restructuring the borrowing as and when required. Limits will be put in place if the debt portfolio is likely to increase.

10.6 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2023/24	**2024/25**	**2025/26**	**No Fixed Date**
Limit on principal invested beyond 364 days	20	20	20	10

11 Related Matters

11.1 The CIPFA Code requires the Authority to include the following in its treasury management strategy.

11.2 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

11.3 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

11.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

11.5 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

11.6 **Policy on Apportioning Interest to the HRA:** The Council has adopted a two pooled approach following the self-financing settlement in March 2012. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. Where the HRA needs to borrow from the General Fund to meet its remaining borrowing requirement the General Fund is compensated based on what the Council would have to borrow from the PWLB, with rates based on a best decision from a treasury management perspective and the current interest rate outlook. This will be determined annually following advice from the Council's treasury advisers and the interest transferred between the General Fund and the HRA at the year end.

11.7 **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

11.8 **Investment Training:** The needs of the Authority's treasury management staff for training in investment management are assessed as part of individual staff appraisal processes, and additionally when the responsibilities of individual members of staff change. Training will be arranged as required for members of the Audit Committee who are charged with reviewing and monitoring the Council's treasury management policies.

11.9 Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

11.10 **Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. Arlingclose is an independent treasury advisory company providing unbiased financial advice and capital financing expertise for the public sector. They provide advice on investment trends, developments and opportunities consistent with the Council's chosen strategy relating to investments, debt repayment and restructuring, and also for economic information and data interpretation.

11.11 Although the Council uses the expertise of an external provider for treasury management advice relating to investing, borrowing and restructuring of the portfolios, the Council remains fully accountable for any decisions made.

11.12 Regular communications are received in relation to economic data releases, interest rate forecast and debt structuring opportunities with, sometimes, daily communications in respect of counterparties. Officers also attend training sessions facilitated by Arlingclose relating to Prudential Code, Treasury Management Code of Practice and Accounting.

11.13 Meetings are held on a quarterly basis with Officers of the Council, including the Director Financial Management, to discuss treasury management strategies, which may, from time to time, include discussions in regard to enhancement of the service provision if required. Additional ad-hoc meetings are arranged as required if specific issues arise during the course of the year outside of scheduled quarterly meetings.

12 Other Options Considered

12.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Group Director of Finance and Corporate Resources believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management

Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast December 2022

Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required.

Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.

- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures on both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.90	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.75	3.75	3.75
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.36	3.65	3.90	3.90	3.90	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.70	3.75	3.75	3.75	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.88	4.00	4.00	4.00	4.00	4.00	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.24	3.40	3.40	3.40	3.40	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B - London Borough of Hackney's Investment Policy

1. Institutions and instruments included:

1.1 The Council will invest in the following types of institutions;

- UK Central Government
- UK Local Authorities
- UK Police and Fire Authorities
- UK Banks and Building Societies
- Corporate Institutions
- Banks domiciled in other countries or their subsidiaries domiciled in the UK providing the country has a sovereign rating of at least AA+ from each of the three credit rating criteria set out below. If the ratings of a parent bank fall below the minimum criteria, no lending will be undertaken with its subsidiaries even if their ratings continue to meet the minimum criteria
- Supranational Banks
- AAA rated Money Market Funds
- Pooled Funds
- UK registered providers for Social Housing

1.2 The Council will invest using the following types of instruments

- Call and Notice Account
- Fixed Term deposits
- Treasury bills
- Bonds
- Certificate of deposits
- Money Market Funds
- Commercial Papers
- Pooled Funds
- Revolving Credit Facility
- Repurchasing agreements
- Alternatives

1.3 UK Local governments with no credit rating will be treated in line with the credit rating of the UK central government.

1.4 For secured investments, where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

1.5 Sovereign credit rating criteria will not apply to investments in multilateral development banks (e.g. the European Investment bank and the World Bank) or other subsidiaries.

1.6 As well as assessing credit rating as an indicator of risk, the Council will also analyse the following sources of information:

- Credit default Swap
- Equity Prices
- Economic output
- Counterparty's financial Statements and financial ratios
- News

Appendix C - Glossary of Terms

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

Appendix D

TREASURY MANAGEMENT POLICY STATEMENT

1. Approved Activities

In accordance with the Council's Constitution and Delegated Powers, the Group Director of Finance and Corporate Resources and Officers authorised by the Group Director, may arrange all investments, borrowing, repayment of debt outstanding and leasing required and permitted by the Local Government Act 2003.

Borrowing must be contained within the limit determined under the Authorised Limit of the Prudential Code and used solely for the purpose of the Council's statutory functions. Treasury management operations will comply with the CIPFA Code of Practice.

2. Treasury Management Policy Objectives

The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The treasury management activities of the Council will be conducted to achieve the following policy objectives: -

(a) To ensure that risk to the Council's financial position is minimised by the adoption of sound debt management and investment practices;

(b) The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

(c) The overall average rate of interest on short-term investments to be greater than the average seven-day SONIA rate, whilst having regard to the security of funds and the minimisation of risk;

(d) To have a policy to repay debt, take opportunities to make premature debt repayments, and restructuring of debt when and where it is advantageous to the Council to do so.

3 Adoption of the CIPFA Code of Practice

The Council has adopted the key recommendations of CIPFA Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 2 of that Code.

Accordingly, this organisation will create and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy Statement, stating policies and objectives of its treasury management activities.
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, prescribing how the Council will manage and control those activities.

The contents of the Policy Statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations.

- The Council will receive reports on its treasury management policies practices and activities, including, as a minimum, an annual strategy and plan in advance of the year.
- The Council delegates responsibility for the implementation, monitoring of its treasury management policies and practices to Audit Committee, and for the execution and administration of treasury management decisions to the Group Director of Finance and Corporate Resources, who will act in accordance with the policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4 Investment of Cash Balances

Investment of all balances arising from day to day cash flows, capital receipts, minimum revenue provisions and other financial reserves and provisions will be in accordance with Government regulations or guidelines to produce a maximum return having regard to the security of funds and the minimisation of risk.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

The spread of risk will be controlled by reference to the approved criteria and financial limits. Investment liquidity will be structured with regard to cash flow projections maintained under the authority of the Group Director of Finance and Corporate Resources.

5 Investment Names/Financial Limits

Investments are to be made only to those institutions, which meet the approved criteria for lending, and within the current maximum financial limits as approved, by the Cabinet and Council. Where investments in any of these institutions were made at a time where a higher maximum limit applied, the new maximum limit will be applied as existing investments mature.

Between reports to the Cabinet/Council, the Group Director of Finance and Corporate Resources, under delegated powers, is authorised to revise, and further restrict or relax, the investment names/limits to reflect changes in market sentiment, information and credit ratings.

6 Risk Appetite Statement

The Council's objectives in relation to debt and investment is to assist the achievement of the Council's service objectives by obtaining funding and managing the potential debt and investments at a net cost which is as low as possible , consistent with a degree of interest cost stability and a very low risk to sums invested.

This means that the Council takes a low risk position but is not totally risk averse. Treasury management staff have the capability to actively manage treasury risk within the scope of the council's treasury management policy and strategy.

7 Legal Issues

Borrowing and investment will be arranged efficiently through a range of brokers practising in the money markets and, in addition, the Director of Finance and Corporate Resources is authorised to deal directly with counterparties where it is advantageous to do so. The requirements of the Bank of England Non-Investment Products Code (NIPS) (November 2011) will be met in all the above arrangements.

8 Use of Bankers

Approved agreements are currently in place with the Lloyds Bank and the RBS/Natwest Bank for the conduct of banking business for the Council and schools respectively.

The Group Director of Finance and Corporate Resources is authorised to negotiate appropriate changes to the mandates which may be needed to cover any exceptional market circumstances to protect the Council's finances.

9 Review

The Group Director of Finance and Corporate Resources will report to the appropriate committee on the Treasury Management performance as follows:

- **TM Outturn Report** –

  Frequency - once a year against the TM Strategy and Prudential Indicators approved for the previous financial year, no later than September of the current financial year

  To – Cabinet via the OFP (Overall Financial Position) and Audit Committee

- **TM Half-Year Activity and Performance Report** –

  Frequency – a report on its treasury activity and performance, it is anticipated to be no later than January of the current financial year

  To – Cabinet via OFP and Audit Committee

- **TM Quarterly Activity Report** –

  Frequency - report to be submitted on treasury activity for the previous quarter

  To – Audit Committee

- **Ad-hoc** –

  Additional reports will be submitted to the appropriate committee as required, in order to react to extreme fluctuations in market conditions and/or increased levels of treasury activity

The Group Director of Finance and Corporate Resources will make such arrangements as are necessary for monitoring daily activities in the treasury functions.

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Title of Report	**PERFORMANCE UPDATE - COVERING REPORT**
For Consideration By	Audit Committee
Meeting Date	January 18th 2023
Classification	Open
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 delay in the procurement of a main planned maintenance contractor for Housing Asset Management works.
- 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

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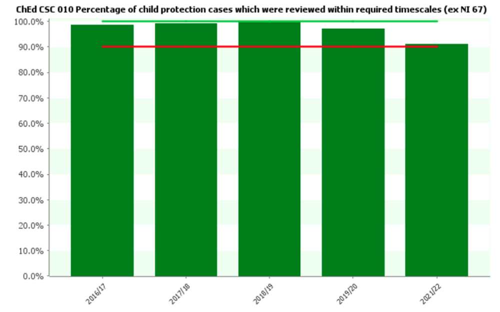
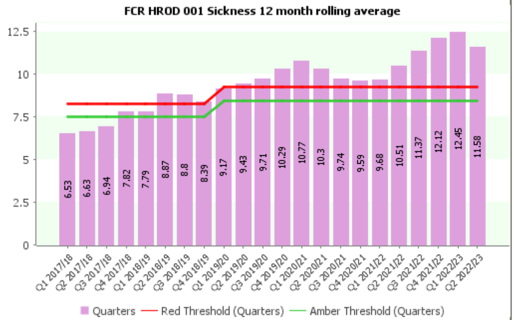
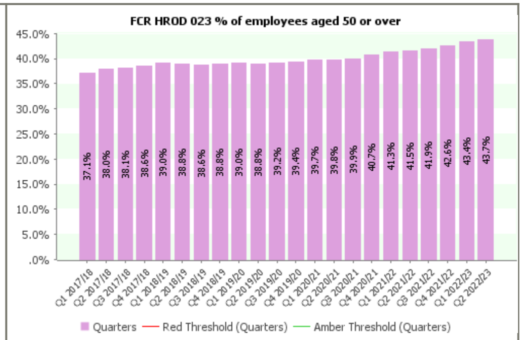
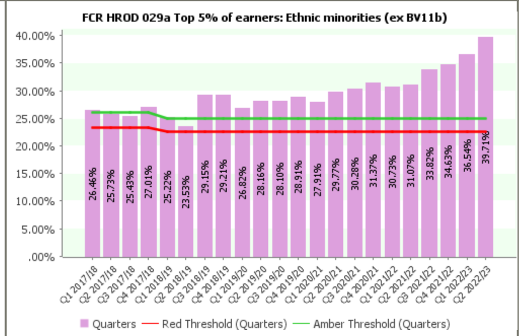
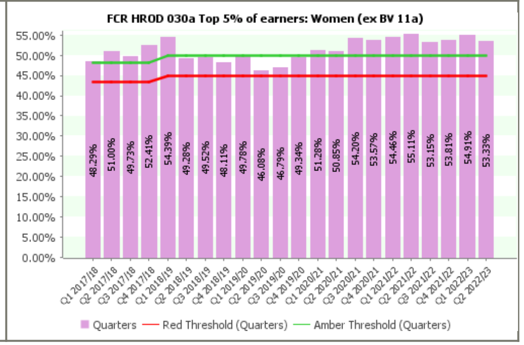
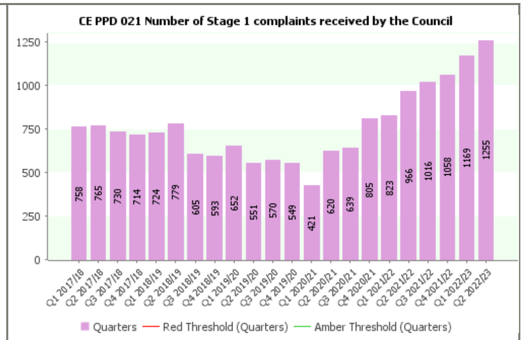
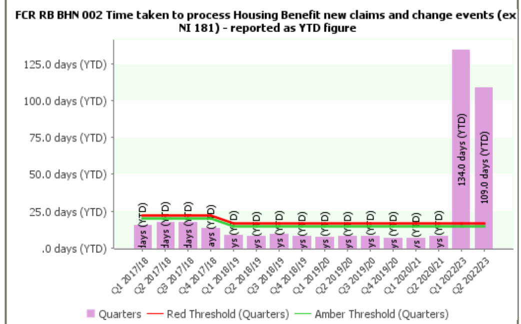
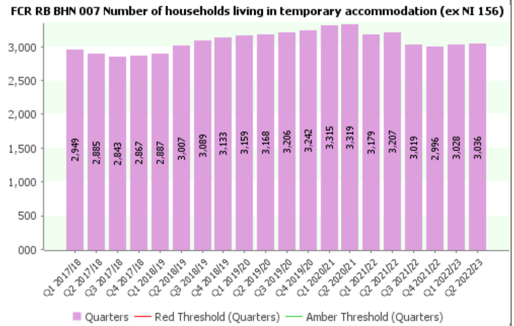
Comments of Director, Legal	Dawn Carter-McDonald ☎020-8356 4817 dawn.carter-mcdonald@hackney.gov.uk

Q2 Audit Committee Report

PI Code	Short Name	2020/21	2021/22	Q1 2022/23	Q2 2022/23		Traffic Light	DoT	Performance Data Trend Chart
		Value	Value	Value	Value	Note			
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	12.45	11.58	Sickness continues to be a cause for concern for the Council and targeted measures are placed to deal with sickness cases in those services where there was a much higher level of sickness absence, than the Council average.			

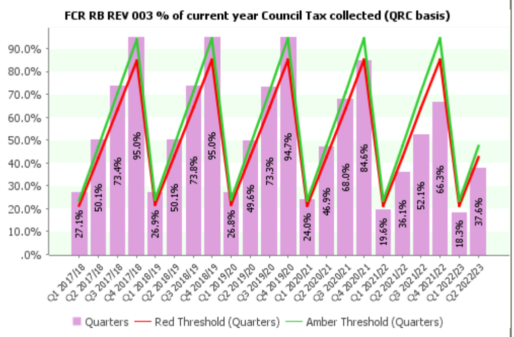
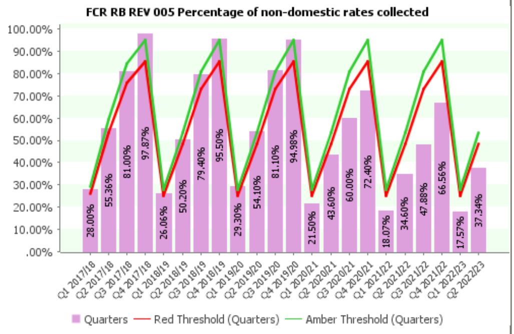
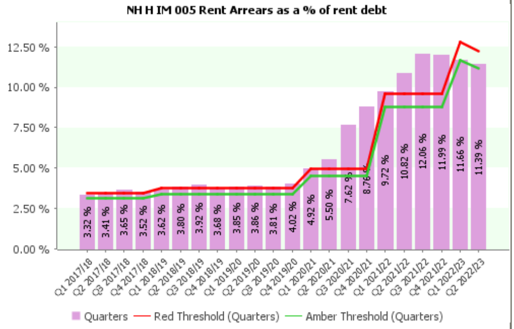
FCR HROD 023	% of employees aged 50 or over	40.7%	42.6%	43.4%	43.7%	The number of employees over the age of 50 has slightly risen since the last quarter. However, the increase was not as big as previous increases. Directorates have been made aware of areas where they have an ageing workforce and are putting plans in place to manage this.			
FCR HROD 029a	Top 5% of earners: Ethnic minorities (ex BV11b)	31.37%	34.63%	36.54%	39.71%				
FCR HROD 030a	Top 5% of earners: Women (ex BV 11a)	53.57%	53.81%	54.91%	53.33%	Labour turnover has an impact on the quarterly figure. However, the figure continues to remain over the 50% mark.			

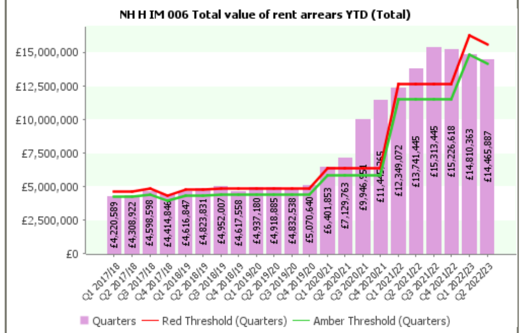
CE PPD 021	Number of Stage 1 complaints received by the Council	2485	3863	1169	1255				
FCR RB BHN 002	Time taken to process Housing Benefit new claims and change events (ex NI 181) - reported as YTD figure	N/A	N/A	134.0 days (YTD)	109.0 days (YTD)	Work to address the outstanding benefits work and the discrepancy repair cases as a result of the cyber attack continues. The benefits processing system Academy and the document imaging system Comino are still operating with limitations and work is ongoing to restore these to the previous levels of integration and automation with other systems which will speed up backlog eradication. We had originally expected all systems functionality to be fully reinstated by December 2022, however this is likely to be closer to March 2023. The speed of processing claims continues to reduce as our systems and processes are restored.			

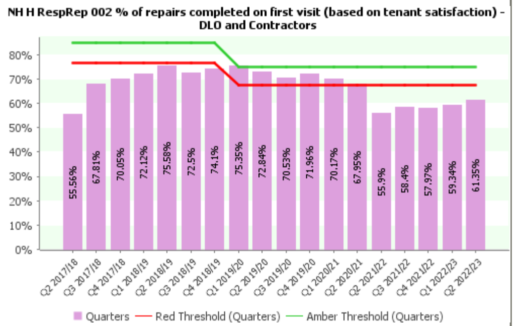
FCR RB BHN 007	Number of households living in temporary accommodation (ex NI 156)	N/A	N/A	3,028	3,036	Local authorities have a statutory duty to provide accommodation for homeless households that have been defined as being in priority need and unintentionally homeless, and are obliged to secure temporary 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.			

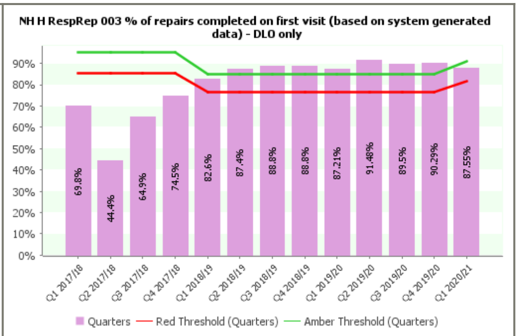
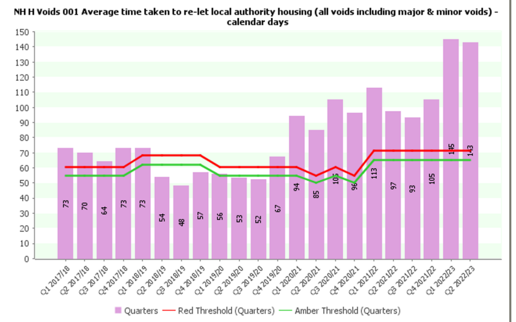
						We have seen four major changes this quarter: 1. Temporary accommodation providers are now leaving the market with currently 30 properties requested back from Council usage and securing temporary accommodation, even outside London boundaries, is challenging. 2. Remaining TA providers are requesting steep 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			

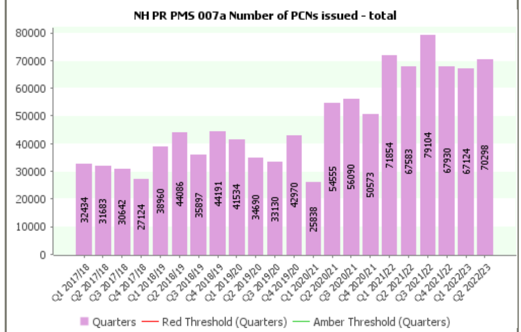
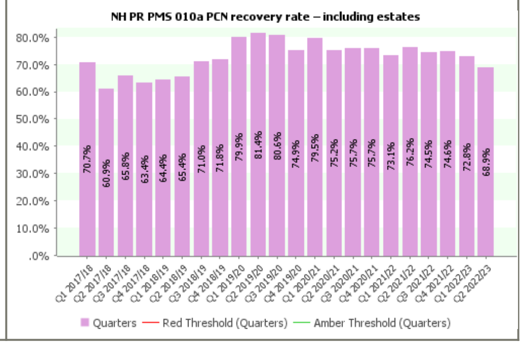
						borough and London in nightly paid accommodation. The Benefits and Housing Needs Service in conjunction with the Strategic Property Services and Housing Strategy team continue to look at ways to boost more affordable temporary housing in the borough by pursuing hostel leases with private landlords and 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 outside of London is currently being explored, as is a direct build programme including modular construction. 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.			

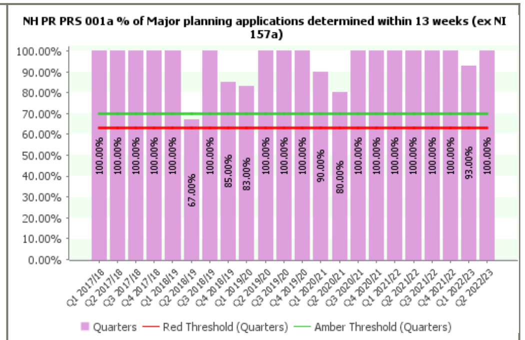
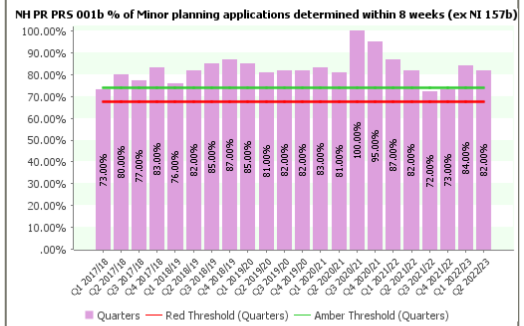
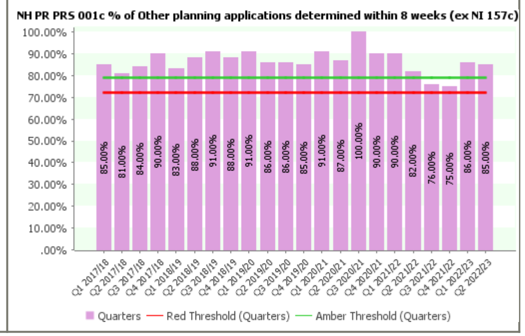
FCR RB REV 003	% of current year Council Tax collected (QRC basis)	84.6%	66.3%	18.3%	37.6%	Collection levels are increasing and are above the 2021/22 levels but remain below the 2019/20 levels (last year not impacted by COVID or cyber). Having cleared the backlog of work post cyber, this is enabling more accurate billing to take place. We have also started issuing reminder notices where the Council Tax is unpaid and not covered by an arrangement. This is part of the process to a full return to recovery next year.			
FCR RB REV 005	Percentage of non-domestic rates collected	72.40%	66.56%	17.57%	37.34%	Collection levels are increasing and are above the 2021/22 levels but remain below the 2019/20 levels (last year not impacted by COVID or cyber). Having cleared the backlog of work post cyber, this is enabling more accurate billing to take place. We are also working on re-introducing reminder notices where the rates are unpaid and not covered by an arrangement. This is part of the process to a full return to recovery next year.			
NH H IM 005	Rent Arrears as a % of rent debt	8.76 %	11.99 %	11.66 %	11.39 %	The annual debit is approximately £127m. As the rent arrears are at £14,465,887, this means that the Rent Arrears as a % of Rent Debit is calculated to be 11.39%. This is a 0.27% decrease on the Q1 2022/23 outturn of 11.66%.			

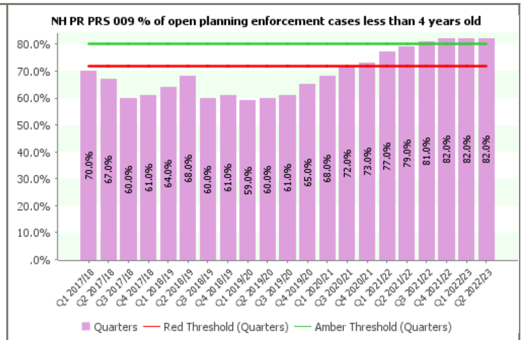
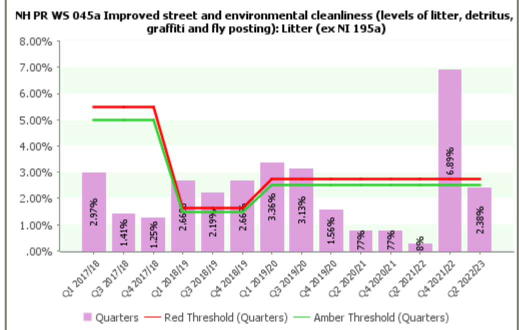
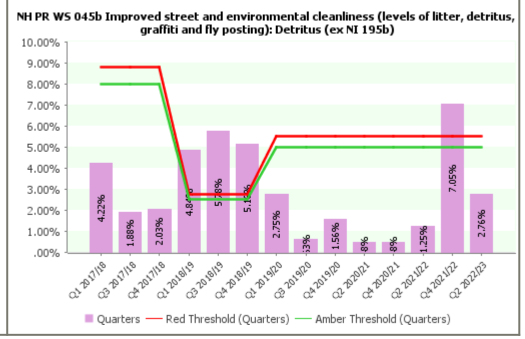
NH H IM 006	Total value of rent arrears YTD (Total)	£11,445,265	£15,226,618	£14,810,363	£14,465,887	As at the end of Q2 2022/23, the rent arrears were £14,465,887 - this is a decrease of £344,476 in the last quarter. The arrears at the end of Q1 2022/23 were £14,810,363. £14,465,887 includes TMO arrears of £1,495,697. The TMO's arrears have increased by £77,476 in the last quarter - their arrears at the end of Q1 2022/23 were £1,418,221. In 2022/23, total cash received - including DWP payments - is £39,175,791. This is £2.67m higher than at the same stage last year - £36,503,389 as at Q2 2021/22. 57.4% of Universal Credit claimants who are in arrears now have their rent directly paid to Hackney - a total of 2,039 tenants with direct payments. This is a 3.6% increase in the quarter - the Q1 2022/23 position was 53.8%. In Q2 2022/23, Income Officers undertook 3,241 home visits to tenants with arrears - this is an additional 646 home visits on the previous quarter (Q1 2022/23). The number of home visits will increase in Q3 2022/23, as Officers will now undertake these duties 3 days per week rather than the current 2.			

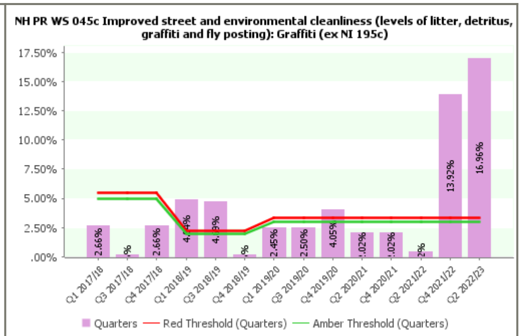
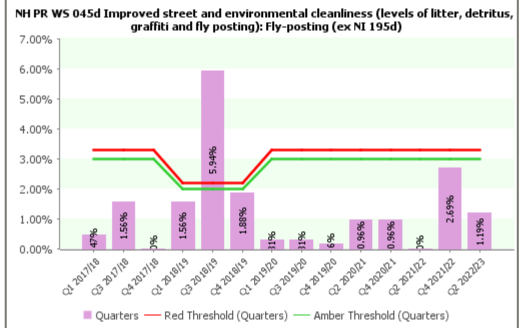
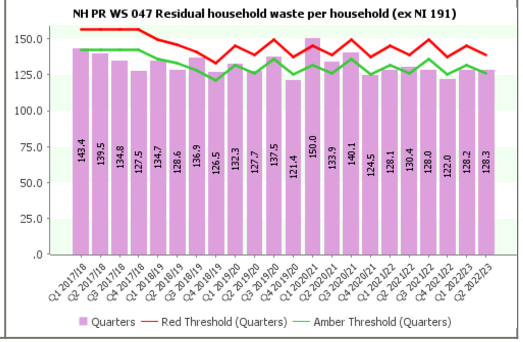
NH H RespRep 002	% of repairs completed on first visit (based on tenant satisfaction) - DLO and Contractors	71.44%	57.57%	59.34%	61.35%	Whilst still some way short of their targets, in Q2 all three repairs satisfaction KPIs reported their highest figures since the cyber attack. Based on tenant satisfaction responses received in Q2, 61.35% (427/696) of residents reported that their repairs were completed on the first visit, which is an improvement on the 59.34% reported in Q1. Jul - 62.40% (156/250) Aug - 60.83% (132/217) Sep - 61.21% (142/232) We are still encouraging Right First Time and now have a duty supervisor who will make the final call on whether an operative should stay on site and complete the repair or arrange a follow-on visit. Where a follow-on visit is required, operatives have been phoning the follow-on team to arrange a new appointment whilst still on site. Whilst this has had some success, the follow-on team have been swamped with phone calls so a new email address has been set up. Operatives will now email follow-ons and the team will contact the resident asap with an appointment date. Additional capacity has been reserved for follow-on visits to reduce wait times whilst DRS efficiency settings have been reviewed to add additional capacity to the diaries.			

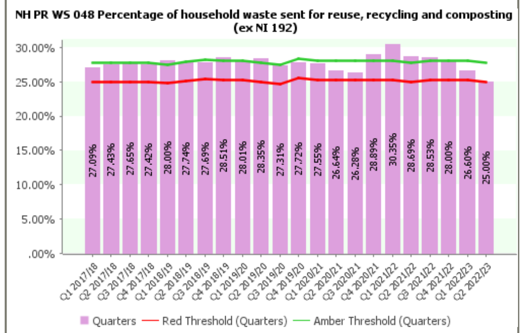
NH H RespRep 003	% of repairs completed on first visit (based on system generated data) - DLO only	87.54%	N/A	N/A	N/A	We are unable to report on this PI until additional functionality has been added to Repairs Hub/Mobile working. All current ICT development capacity is focussed on adding gas servicing works functionality to Repairs Hub, which is due to be completed in mid-November 2022.	N/A	N/A	
NH H Voids 001	Average time taken to re-let local authority housing (all voids including major & minor voids) - calendar days	95	102	145	143	During Quarter 2, there were 84 re-lets, with an average turnaround time of 142.9 days. This represents a slight improvement compared to the 144.9 days in Quarter 1. Between May and August the average turnaround time peaked at over 150 days. However, a sharp fall - to 119 days - was seen in September 2022. Monitoring data is produced for managers on the number of trade works completed in each quarter, and the time spent on each. The biggest improvements were observed in plumbing, electrics, gas, environmental and glazing works. Performance deteriorated for metalwork and asbestos surveys. Due to poor recent performance in void turnaround time, the below steps have been taken to improve the situation: • Creation of an improvement action plan with involvement from staff across the process. Progress is reviewed every two weeks. • A Qlik dashboard - providing real time data - is available and will continue to be expanded. Fortnightly			

						operational meetings have now been scheduled, to use this intelligence to scrutinise the progress of each void and take necessary steps. • A working group of Housing Management and Voids staff has been put together to create a clear handover process, as well as looking at other possibilities such as any day tenancy start dates. • Implementation of Repairs Hub • The Voids Team are also attempting to recruit more operatives and address issues with contractors in order to alleviate resource issues.			
NH PR PMS 007a	Number of PCNs issued - total	187056	286471	67124	70298				
NH PR PMS 010a	PCN recovery rate – including estates	76.5%	74.6%	72.8%	68.9%				

NH PR PRS 001a	% of Major planning applications determined within 13 weeks (ex NI 157a)	92.00%	100.00%	93.00%	100.00 %				
NH PR PRS 001b	% of Minor planning applications determined within 8 weeks (ex NI 157b)	90.00%	78.00%	84.00%	82.00%				
NH PR PRS 001c	% of Other planning applications determined within 8 weeks (ex NI 157c)	90.00%	81.00%	86.00%	85.00%				

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	6.89%	N/A	2.38%	Litter: Using Defra's Code of Practice on Litter & Refuse four grades of levels of street cleanliness, the score for litter is 2.38%, being the percentage of streets classified as Grade C or below.			
NH PR WS 045b	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus (ex NI 195b)	N/A	7.05%	N/A	2.76%	Detritus: Using Defra's Code of Practice on Litter & Refuse four grades of levels of street cleanliness, the score for detritus is 2.76%, being the percentage of streets classified as Grade C or below.			

NH PR WS 045c	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)	N/A	13.92%	N/A	16.96%	Graffiti: Using Defra's Code of Practice on Litter & Refuse four grades of levels of street cleanliness, the score for graffiti is 16.96%, being the percentage of streets classified as Grade C or below. Levels of graffiti are high particularly in the areas of Hackney Wick, Dalston, Shoreditch and Hoxton.			
NH PR WS 045d	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)	N/A	2.69	N/A	1.19%	Fly posting: Using Defra's Code of Practice on Litter & Refuse four grades of levels of street cleanliness, the score for fly posting is 1.19%, being the percentage of streets classified as Grade C or below.			
NH PR WS 047	Residual household waste per household (ex NI 191)	548.4	508.5	125.6	124.7	Hackney is starting to see waste per household decrease which may be down to the socio-economic factors facing the country and also the waste minimisation messaging promoted by Hackney and other organisations. Waste fell by 2% in Q2 compared to Q2 last year.			

NH PR WS 048	Percentage of household waste sent for reuse, recycling and composting (ex NI 192)	27.44%	28.70%	26.10%	25.7%	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 Q2 tonnages with last year, garden waste has fallen 27% (nearly 200 tonnes), mixed dry recycling has fallen 13% and food has fallen 10%. Household waste is falling too, down 2%. 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 Q2 2022/23 to 25.7%. These trends, and the resulting fall in recycling rate, are being seen across London. Comparing the available data for the NLWA boroughs collectively (April-Oct 2021 vs 2022), mixed dry recycling has fallen 9.2%, food has fallen 13.5% and garden waste has fallen around 13.1%. Local Authority Collected Waste has decreased by 4.6%.			

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

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Corporate Risk Management Performance Overview January 2023 (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 December 2022:

	Corporate	Current Risk	Direction of Travel	Previous Score	Target Risk
1	Cost of living crisis **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	⇔	25	15
2	Pandemic - further waves / negative impacts (COVID-19)	15	↓	16	12
3	Cyberattack (aftermath)	12	↓	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	SEND funding (SRCR 0028)	25	⇔	25	12
15	Pressures on Temporary Accommodation (SRCR31)	20	↑	16	12
16	Setting up Council owned companies (SRCR 0035)	12	⇔	12	9
17	Insourcing (SRCR 0036)	12	⇔	12	9
18	Universal Credit (SRCR 0037)	20	⇔	20	12
19	Climate Change/Climate Emergency (SRCR 0039)	15	↑	10	8
20	Recruitment pressures (re-escalated)	16	⇔	16	12
21	Major Power Outage - (SRCR44)	10	**NEW**	-	8
22	Reduction in the use of residential placements. (SRCR45)	16	**NEW**	-	12

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 5 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 in care, increased packages of care for adults 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.

Two new risks appear in this version. The first relates to the potential of a power outage. The likelihood of this remains low however it has been on the radar of both central and local government, and some planning and preparation has occurred (even amidst the low likelihood.). The impact of this outage (more likely for a planned 3 hour regional outage, then a major failure) would be undoubtedly high for the community however. The risk relating to residential placements has been raised by Children's services and reflects the current financial pressures causing the numbers of residential placements having to be reduced. This ultimately impacts on vulnerable children and could challenge effective service delivery.

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 June 2023, so the full details on all risks will be provided then.

CAPITAL

This paper updates the Audit Committee following the Quarter 2 Capital Expenditure exercise for the financial year 2022/23. The actual year to date capital expenditure for the four months April 2022 to September 2022 is **£24.3m** and the forecast is currently **£165.2m**, **£12.2m** below the revised budget of **£177.3m**. This represents a forecast of 68% of the 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. The November Cabinet was asked to approve the Capital Update Acquisition and Disposal Cabinet Report recommending the phase 2 reprofiling of £13.9m capital budget into future years. A summary of the forecast and phase 2 re-profiling by 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	Budget Position at Sept 2022	Spend	Forecast	Variance (Under/Over)	Capital Adjustments	To Re-Profile 2022/23	Updated Budget Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's	4,035	1,008	56	408	(600)	0	(150)	858
Adults, Health & Integration	30	30	0	0	(30)	(30)	0	0
Children & Education	14,862	19,065	2,200	15,689	(3,376)	(0)	(2,677)	16,388
Finance & Corporate Resources	28,668	20,344	2,006	17,047	(3,297)	0	(3,297)	17,047
Mixed Use Development	32,382	11,894	125	9,650	(2,244)	0	(3,187)	8,707
Climate, Homes & Economy	40,318	34,004	5,627	24,809	(9,194)	(4)	(9,092)	24,908
Total Non-Housing	**120,297**	**86,344**	**10,015**	**67,603**	**(18,741)**	**(34)**	**(18,403)**	**67,907**
AMP Housing Schemes HRA	43,886	41,409	9,444	42,689	1,280	0	1,280	42,689
Council Schemes GF	6,999	4,426	447	6,532	2,107	0	0	4,426
Private Sector Housing	2,164	1,210	447	1,210	0	0	0	1,210
Estate Regeneration	30,003	12,203	1,304	12,928	725	(0)	725	12,928
Housing Supply Programme	33,406	23,353	2,146	24,923	1,570	0	1,570	24,923
Woodberry Down Regeneration	7,595	8,382	505	9,294	912	0	912	9,294
Total Housing	**124,052**	**90,982**	**14,292**	**97,576**	**6,593**	**(0)**	**4,487**	**95,469**
Total Capital Budget	**244,349**	**177,326**	**24,306**	**165,179**	**(12,147)**	**(34)**	**(13,916)**	**163,376**

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	Budget Position at Sept 2022	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Libraries and Archives	4,035	1,008	56	408	(600)	Stoke Newington Library - The variance relates to the budget set aside for the refurbishments at this site. 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. The bid requesting spend approval for the work went to Cabinet in October 2022.
Total Non-Housing	**4,035**	**1,008**	**56**	**408**	**(600)**	

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.

AHI Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Sept 2022	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Adults, Health and Integration	30	30	0	0	(30)	Median Road - The project is no longer going ahead. This budget will be offered up for savings.
TOTAL	**30**	**30**	**0**	**0**	**(30)**	

CHILDREN AND EDUCATION

The current forecast for the overall Children and Education is £15.7m, £3.4m below the revised budget of £19.1m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Sept 2022	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Children & Family Services	0	477	45	477	0	No material variance.
Education Asset Management Plan	4,095	2,920	506	2,415	(505)	Morningside Primary School (Lighting Upgrade) - The Project Manager is currently reviewing the overall project costs of the scheme which is expected to start in quarter 4 of 2022/23. The variance has been re-profiled to reflect the anticipated spend.
Building Schools for the Future	38	91	23	91	0	No material variance.
Other Education & Children's Services	1,328	1,596	(150)	1,651	55	Education SEND Strategy - This project is in the initial feasibility stages and the Project Manager is awaiting the survey schedules. There is a likelihood that the costs will be slightly higher than previously forecasted for this financial year. Despite the increased cost, the total cost will still be within the overall approved budget. The budget from 2022/23 has been re-profiled back to current year to cover this overspend.
Primary School Programmes	6,368	10,755	2,060	8,390	(2,365)	Woodberry Down Children Centre Relocation - The variance relates to the procurement delays which impacted the project starting on time. The contractors have now started on site with the contractor's first invoice expected by the end of quarter 2. The budget has been re-profiled to 2023/24 to reflect the revised programme.
Secondary School Programmes	3,033	3,226	(285)	2,665	(561)	Stoke Newington School Lifecycle Work - The roof is near completion and the lighting upgrade is due to go out to tender. £0.5m underspend will be used for the redecoration works at the school site. Therefore this underspend will be transferred to support this work.
TOTAL	**14,862**	**19,065**	**2,200**	**15,689**	**(3,376)**	

FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £17m, £3.3m below the in-year respective budget of £20.3m. More detailed commentary is outlined below.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Sept 2022	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Property Services	23,772	14,563	860	11,507	(3,057)	CCG - Forecast is £3m, £2m u/spend against £4m budget. All the costs for this financial year are for 'Design and Build' at both sites. Construction will continue into 2023/24. The variance has, therefore, been re-profiled to 2023/24 in line with the actual programme.
ICT	4,243	4,143	1,070	4,143	0	No material variance.
Other Schemes	654	1,638	76	1,398	(240)	Community Energy Fund - The fund is scheduled to launch on the 1st of November. The application process will be open until January 2023 when we will review the bids and allocate the initial circa £75k for feasibility studies which will take 2-3 months to complete. Once these are finalised, we will open the capital stage where we will allocate the remaining £225k for solar installation projects. £10k has been reserved for promotion, events and unexpected costs.
Total	**28,668**	**20,344**	**2,006**	**17,047**	**(3,297)**	
Mixed Use Development	32,382	11,894	125	9,650	(2,244)	Britannia Site 2b - Phase 2b (Residential) is in the initial stages. The tender is out for a design and build contractor to carry out the works required. The forecast figures now include marketing collateral and temporary marketing suite fit out to the end of the financial year. As previously reported in quarter 1 the underspend is due to a delay to the start of the construction programme which was due to start in quarter 4 of 2022/23 and now pushed back to start in quarter 1 of 2023/24.
TOTAL	**61,051**	**32,238**	**2,131**	**26,697**	**(5,540)**	

CLIMATE, HOMES AND ECONOMY

The overall forecast in Climate, Homes & Economy is £24.8m, £9.2m under the revised budget of £34m. More detailed commentary is outlined below.

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Sept 2022	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Leisure, Parks & Green Spaces	22,934	19,640	2,786	12,950	(6,690)	Kings Hall LC £2.9m u/spend - Due to resourcing issues within the service the project has been delayed. The Design Team has now been appointed. The Contractors will be appointed in 2023/24, therefore, the variance has been re-profiled in line with the revised programme. London Fields Learner Pool - £3m u/spend. The Design team is now appointed and will be on site late Autumn 2022/23. The majority of the spend will take place once the contractor is appointed therefore the variance has been re-profiled to 2023/24 to reflect the next phase of the programme.
Streetscene	12,765	11,150	1,085	9,912	(1,238)	Infrastructure Programme -The £1.2m underspend relates to Infrastructure Programmes which need to be re-profiled as the service has been prioritising schemes which are grant funded and there are specific time restrictions on spend and claims. A number of infrastructure bids have now been submitted for spend approval to the October 2022 Cabinet. The remaining budget will be re-profiled to 2023/24 to support the continued works.
Environmental Operations & Other	734	734	0	254	(480)	Fleet replacement - There will be a minimal amount of spend for this financial year in this area. The fleet replacement project is planned to take place in future years therefore the underspend has been re-profiled to 2024/25. Depot Repairs Programme - This is the budget held for the Depot Repairs Programme which has no plans to spend this year.
Public Realms TfL Funded Schemes	0	0	1,628	0	0	No material variance.
Parking & Market Schemes	308	70	0	96	26	No material variance.
Community Safety, Enforcement & Business Regulations	493	512	5	188	(324)	Enforcement Strategy Database - The forecast is nil spend. There are still ongoing development additions or upgrades to be progressed.
Area Regeneration	3,084	1,899	123	1,409	(490)	Dalston and Hackney Town Centre - The spend this year relates to design team fees, a development advisor and a cost consultant as the feasibility work progresses. The remaining

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Sept 2022	Spend	Forecast	Variance	Explanation
						spend will most likely take place in 2023/24 therefore the budget has been re-profiled.
Total	**40,318**	**34,004**	**5,627**	**24,809**	**(9,194)**	

HOUSING

The overall forecast in Housing is £97.6m, £6.6m above the revised budget of £91m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Sept 2022	Spend	Forecast	Variance	Explanation
	£000	**£000**	**£000**	**£000**	**£000**	
AMP Housing Schemes HRA	43,886	41,409	9,444	42,689	1,280	Fire Risk Assessments - The Council's Hackney Procurement Board recently approved the urgent fire safety works at Fellows Court following a mobilisation order from The London Fire Brigade. Whilst steps were taken to ensure 'cost certainty' there remains a possibility that the final spend could be higher due to extra design and specifications to be agreed with the Contractor post procurement.
Council Schemes GF	6,999	4,426	447	6,532	2,107	Purchase Leasehold Properties - There continues to be a programme of HRA Buybacks on existing estates of former Right-to-Buy properties. These are partly funded by either ring-fenced Right-to-Buy receipts or GLA Buyback Grant and will result in savings for Housing Needs. The current forecast reflects the expectation that at least 10 properties will be purchased this year, as part of the agreement with Local Space.
Private Sector Housing	2,164	1,210	447	1,210	0	No material variance.
Estate Regeneration	30,003	12,203	1,304	12,928	725	Marian Court - Demolition is due to start soon. The project should then be going into a cost optimisation period with the preferred contractor, with a view to reducing costs and improving viability. The increase in costs relates to CIL and S106 payments which were not previously forecast until next financial year. The budget from future years will be brought forward to cover this overspend.

Housing Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Sept 2022	Spend	Forecast	Variance	Explanation
Housing Supply Programme	33,406	23,353	2,146	24,923	1,570	Wimbourne Street and Buckland Street - Both sites are now under contract and works have started, with an estimated completion date of June 2024. The increase compared to the last quarter is due to receiving an updated cash flow forecast from the Contractor, which showed the programme spend accelerated compared to previous expectations. The budget from future years will be brought forward to cover this overspend.
Woodberry Down Regeneration	7,595	8,382	505	9,294	912	The increase compared to budget is driven by the £4m overage payment that is now due to Berkeley Homes. This is somewhat offset by a reduction in the number of Buybacks now expected to complete during this year, with 11 now estimated compared to last quarters 16. The budget from future years will be brought back to cover this overspend.
Total Housing	**124,052**	**90,982**	**14,292**	**97,576**	**6,593**	

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Title of Report	**CORPORATE RISK REGISTER - COVERING REPORT**
For Consideration By	Audit Committee
Meeting Date	January 18th 2023
Classification	Open
Ward(s) Affected	All Wards
Group Director	**Ian Williams, Group Director Finance and Corporate Resources**

1. Introduction

1.1. This report updates members on the current Corporate Risk Register of the Council as at January 2023 (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. Recommendations

2.1. The Audit Committee is recommended to note the contents of this report and the attached risk registers and controls in place.

3. Reason(s) 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**

The current Council risk profile was reviewed and ratified by the Corporate Leadership Team (CLT) in December 2022. In discussions and meetings with Directorate Risk Champions, various Heads of Service/Directors and other managers in different services, ideas and proposals on new risks and the current risks have been discussed, before the review being brought to CLT. Numerous risks have changed or now exist in different circumstances compared to when last reviewed by Committee in October 2022, particularly with unpredictable global events like the current cost of living crisis and what is unfolding in Ukraine.

Policy Context

4.1. 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.

Equality impact assessment

4.2. 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.

Sustainability and climate change

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

Consultations

4.4. 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, or at overall Council level. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

Risk assessment

4.5. The relevant Risk Register is attached in Appendix one.

CORPORATE RISK REVIEW

5.1 The Corporate Risk Register comprises risks that cut across the Council's Directorates, which could potentially impact on overall 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 the Council's 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 Notable risks included on the current register are:

- <u>Cost of living crisis</u> - this is an overarching risk looking at the current situation from the perspective of the whole Council. Each Directorate and most service areas also have their own separate risks in their respective registers relating to these financial pressures. The risk is a reflection of an unfolding crisis which is affecting most people across the country as well as having a direct impact on the Council's revenue and capital costs. With inflation now at 10.7% (as of December 22), the impact on most areas of life is notable and increasingly challenging to manage. The risk details how the Council is undertaking to deal with this and provide as much support as possible to those affected in the Borough. The risk also aims to go beyond the impact on service delivery and reference impacts on residents, staff and local businesses. It is not a risk that can be conclusively managed and reduced but we can provide assurance that we are doing everything within our powers and resources to deal with it as effectively as possible.

- <u>Pandemic</u>. The score of this risk has now fallen, but it remains an area which needs to be closely managed, and clearly further risks remain. Although many aspects of life in Hackney have returned to normal, there is no room for complacency regarding vaccinations and the chances of new strains developing.

- <u>Cyberattack</u>. When the attack was discovered in October 2020, immediate work was carried out to isolate the Council's internally hosted systems and network and to notify the national leads for cyber security. However, risks remain that recovery work may introduce new vulnerabilities or reintroduce vulnerabilities which existed at the time of the attack / retain elements of the attack which could be reused in future. Also risks remain relating to the data stolen and published to the dark web in Jan 2021. Within this register these risks (with accompanying controls) are explored in detail, as well as updates to the more general Cyber security and Information Assets risks.

- <u>National and International Economic Downturn</u>
  This risk has now evolved quite significantly since it was first included on the Corporate Risk Register, but it remains critical. The Council has been continuing to carry out efficiency savings (necessary in light of the austerity measures of the Conservative government) which were exacerbated by the outbreak of Coronavirus

across the world. The emergence of COVID-19 has meant significant additional expenditure and reduced income.

- Risk 10 – Pensions
  The Pensions risk has been on the register for a number of years, albeit has changed in that time. During the recent political volatility in the UK (especially following the mini budget in September), there were headlines relating to the impact on pension funds holding a particular type of investment called leveraged liability drive investment or LDI. These investments are common amongst private sector pension funds, 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, so is unaffected.

- Risk 13 – New Legislation (cross Council).
  There remains a need for the Council to be ready to act on any new legislation. In the Queen's speech of May 2022, a further 38 bills were proposed (on areas such as schools, data and procurement) which will continue to place pressures on Councils to respond.

- Risk 18 & 18b– Workforce
  Another risk resulting from budgetary pressures and the pandemic is the impact it is having on staffing levels and accompanying restructures. This could clearly impact on how efficiently staff are able to work, and whether they have the resources to do it effectively. In addition, to meet the financial challenges ahead, it will be necessary for the Council to have a more agile workforce and not one constrained by traditional custom and practices.

- Risk 20b – Corporate Resilience
  This is an iteration of the risk previously more about Business Continuity (within ICT), emphasising the importance of the Council being suitably prepared to respond and adapt to incremental change and sudden disruptions (which have clearly happened with the recent Cyberattack). Clearly, failure to do this would impact massively on our ability to effectively deliver services and CLT have supported this being featured at Corporate level.

- Risk 23 - Person suffers significant harm
  This risk related to child welfare initially but after discussion at CLT was broadened to encompass all persons at risk in the Borough (including Council staff), and the safeguarding steps the Directorates are taking to protect them.

- Risk 30 – Temporary Accommodation.
  This was escalated to the Corporate Register in July 2017 and remains in place especially in light of the recent implementation of the Homelessness Reduction Act, placing further obligations on Councils. The Cyberattack has affected systems used here. Now the cost of living crisis is placing unprecedented pressures on the Service, and risks here are continuing to increase due to the lack of resources, housing and budgets.

- Risk 35 & 36 – Insourcing and the setting up of Council owned companies. -
The risk relating to the Council's approach to Insourcing was escalated in 2020. Obviously the Guidance paper is crucial in determining the best approach to Insourcing decisions, depending on circumstances. The Council companies risk has also been on the register for two years, but is more important than ever in the light of recent PIRs (Public Interest Reports) which specifically related to some Council owned companies and subsidiaries. In each instance the Councils suffered severe losses due to poor decision making, a frequent lack of governance and a near complete lack of approved business cases. These serve as examples about how not to proceed with companies and make the risks very clear.

- Risk 39 - Climate Change. This was escalated at the end of 2019, and remains integral to the Council's overall objectives. With the recent publishing of the Council's Climate Action Plan (CAP), which has gone out to consultation in Autumn 2022, targets are brought even more into focus - with increasingly challenging commitments to be met.

- Risk 44 & 45 - Major Power Outage and Reduction of residential placements - this iteration of the Corporate register contains two new risks. The first relates to the potential of a power outage. The likelihood of this remains low however it has been on the radar of both central and local government, and some planning and preparation has occurred (even amidst the low likelihood.). The impact of this outage (more likely for a planned 3 hour regional outage, then a major failure) would be undoubtedly high for the community however. The risk relating to residential placements has been raised by Children's services and reflects the current financial pressures causing the numbers of residential placements having to be reduced. This ultimately impacts on vulnerable children and could challenge effective service delivery.

Clearly there are overarching areas within this register where some risks are starting to compound the effects of other risks. An example of this is the cyberattack which has exacerbated other risks related to information, or the delivery of services dependent upon (affected) applications. Also the pandemic impacted upon a range of risks, whether the obvious financial effects, or the varied impacts it is having on people, services and processes.

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

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 one - Hackney's Corporate, Strategic risk register.

Background documents

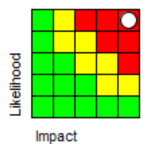
None

Report Author	Matt Powell ☎ 020 8356 3032
Comments for the Group Director of Finance and Corporate Resources prepared by	Jackie Moylan / Ian Williams ☎ 020 8356 3332
Comments for the Director of Legal, Democratic and Electoral Services prepared by	Dawn Carter-McDonald ☎ 020 8356 6234

Hackney Corporate Risk Register December 2022

Report Type: Risks Report

Generated on: 3 December 2022

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0042 – Cost of living crisis ***EXTERNAL RISK*** ***CURRENT RISK***	Pressures on the Council (including staff), households and businesses tighten further as the cost of living crisis intensifies, resulting in widespread financial challenges and deprivation throughout the community. In terms of what this crisis could potentially mean for the Council, all evidence would point to further pressure on budgets and services. This may result from more rent arrears, more vulnerable children / adults in care, increased health risks for the vulnerable due to prohibitively high energy costs (during a potentially cold winter) or increasing homelessness. With inflation at 11.1% (as of Nov 22), future pressure on pay is likely to be high, and normal costs to provide standard services (whether through fuel, energy, food, staffing, raw materials) will be rapidly inflated compared to previous years. This places pressures on existing capital / budgets and reserves. Schools will equally feel an intense pressure on finances. Within the community, this will particularly impact on those already in poverty (36% of households, 48% of households with children), as their situation becomes even more entrenched. This could place an increased demand on Children's (and Adult's) Social Care. Schools would be adversely affected by the pressures, with massively increased costs and pupils suffering distraction from their education (as well as the risk of 'holiday hunger' for them).	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**December 2022** - living standards (as measured by disposable household incomes adjusted for inflation) are expected to drop by 5% in the current 2022/23 financial year, which would be their largest fall since records began in 1956. A further drop of 6% is predicted in 2023-24 – a two-year decline unprecedented even during the hardship suffered during the second world war. The OBR also stated that rising prices and tax increases mean living standards will not recover to their pre-pandemic level until 2024-25. MTFP includes inflationary assumptions which may not be sufficient given updated forecasts. The Local Government pay rise for 22/23 was agreed in November 22 (and back paid for all eligible officers), but attention to the next one (scheduled for April 2023) has already started with Councils already in a constrained position. The issue of fuel poverty is particularly important to plan for, especially in light of further price rises of the energy cap in Autumn 2022. Even with government support (which will be provided to all until the end of March 2023), most people's bills will more than double. The same applies to organisations and businesses. Although this was new to this register as a distinct risk in June's iteration, most elements within have previously featured amongst other risks (eg - economic downturn risk). There is a detailed separate workstream on the Hackney Cost of Living Response, which is being lead by the Group Director of Finance & Corporate Resources as SRO. This has been looking at the crisis within each Directorate from the separate perspectives of residents, staff, businesses and service areas. As of Dec 22, inflation has marginally dropped from 11.1% to 10.7%.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0042a – Inflationary pressures- Council (revenue)	Review and update assumptions in the medium term financial plan (MTFP) regarding price inflation and impact of cost of living on residents' ability to pay.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	July - 2023	December 2022- Budget gap may increase as result of rising inflationary pressures requiring further savings to be made including possibly in-year 2022/23.
SRCR 0042b - Inflationary pressures - Council (capital)	Gateway processes in major project delivery robustly challenges affordability in the context of rising construction inflation.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Ian Williams	Ongoing	December 2022- This control is currently managed at project board level, but consideration is to be given to major projects delivery function to improve corporate oversight and consistency in delivery of significant capital projects.
SRCR 0042c - Inflationary pressures - Supporting Residents	Build and implement a single income maximisation service which is proactive and streamlined from the residents' perspective.	Ian Williams	Rob Miller/ Jennifer Wynter	May 23	December 2022 - Poverty reduction, building an inclusive economy and homelessness reduction are three of the Council's cross-cutting strategic priorities. There are many teams who have the resources and duties to deliver on these objectives for our residents, but too often the journey for residents is fractured and complex. For example, this audit of discretionary or emergency hardship schemes found: • Nine different formal discretionary or emergency hardship schemes • Ten other types of support available to residents in crisis The new Money Hub pilot team went live on Monday 31 October 2022. The project team will run for 6-12 months, testing and trialling the following: • **A single point of entry,** where residents would only have to apply once to be considered for a range of financial support schemes. • Use of our systems and data to **prompt proactive offers** of financial support, rather than waiting for residents to come to us. For example, targeting residents when they begin a Hackney Homes tenancy and likely need support with furniture costs; homelessness presentations; change in circumstances or significant benefits shortfalls • **Reduction in evidence threshold** for applications to funds, or switch to using data we already hold rather than asking residents to resubmit

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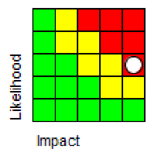
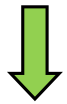
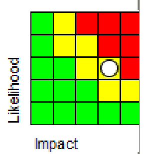
					• **Simple multi-agency models** to provide holistic support to residents receiving financial support • **Income maximisation** through encouragement of wider benefits take up, as well as money management advice • Use of key tools such as Single View to understand whole picture, Here to Help to record case histories, and the story mapper template.
SRCR 0042d inflationary pressures - Supporting Residents	Implement priority 3 of the poverty reduction framework adopted in March 2022 which has three priorities: 1. Prevention, early years and early help 2. Tackling low wages and cost of living 3. Responding to the material needs of poverty	Mark Carroll, Ian Williams	Sonia Khan	May 23	In addition to the actions identified above under income maximisation the following actions are being progressed. Developing the Community Partnership Network to support community organisations to work in partnership to most effectively support residents to meet their material needs. Work in partnership with local DWP and others to deliver Universal Credit as effectively as possible for all claimants From 2022/23, spend a greater share of the Community Grants budget, £1m out of a £2.5m budget on independent benefits, debt and housing advice. Continue to develop and improve advice services, joining up with income maximisation actions outlined above.
SRCR 0042e - Inflationary pressures - Supporting Residents & Businesses	Management of relief and discounts available to residents and businesses inc Council Tax Rebate and business rates relief. Proactive signposting to additional financial support that is available. Recovery action that encourages payment and works with residents and business to create sustainable payment plans.	Ian Williams	Rob Miller/Neil Clarke		• Review guidance issued with bills and council website to ensure its clear to residents / businesses what reductions that they are entitled to from their council tax and business rates bills • Staff training to ensure all staff including F2F, Customer services and revenues staff understand what additional support is available to residents and businesses and are able to signpost accordingly • Promote and make access available to all to maximise take-up of the council tax rebate. • Revenue staff to work with residents and businesses to establish affordable payment plans • Recovery when undertaken - work with residents and businesses to avoid where possible actions that

					increase the debt - ie court and enforcement agent action.
SRCR 0042f - Inflationary pressures - Supporting businesses	Promote and signpost financial relief and support available to local businesses, promote access to affordable workspace in the borough, and promote access to business income and investment opportunities via the Hackney Business network and other business focused channels and forums.	Mark Carroll; Rickardo Hyatt	Stephen Haynes, Suzanne Johnson	Ongoing	• Hackney Business Network website is established and provides up to date advice and guidance to businesses. Regular newsletters are also issued to businesses on the network with updates on business support available. • The Hackney Business Support programme for 2022/2023 is providing access to business support and funding for local businesses via both Council and externally run and managed programmes (Allia business support programmes, Newable Adapt Your Business programme. High Streets and Town Centres Fund, and Hackney Central Impact and Ideas Fund).

Risk Title	**Description of Risk**	**Directorate**	**Current Risk Matrix**	**Risk - Latest Note**
SRCR 0040 Pandemic (COVID-19) ***EXTERNAL RISK*** ***FUTURE RISK***	The fall-out from the COVID-19 pandemic continues to persist (with the potential of further waves, new strains and uncertainty about the exact future impact of long COVID) having an undeniably damaging impact on the local area, both in the community and amongst staff within the Council. Also, if people remain within the local community who are not vaccinated or fail to adhere to health guidelines, there are further risks of the pandemic persisting, as well as the natural waning of the vaccine's immunity. This would continue to place a demand on resources around the Borough and also have a potentially negative impact on effective service provision in all areas. It will also carry on posing longer term threats to the Council's financial stability going forward, with budgets being severely challenged (at an already extremely difficult time). The Council's supply chain would also be likely to be further affected, with organisations out of the Council's control struggling both financially, and to provide their agreed service. There would also be a risk of continuing backlogs across Services (compounded by the Cyberattack of Oct 2020), further affecting service delivery. There are increased cyber and data governance risks, with the cross Council emphasis on home working leading to more potential fragility within the systems, with an increased risk of data breach (exacerbated by the cyber attack), if staff don't follow standard online protocols. Also fraud could	Cross Council		 **November 2022** The nature of the virus and its impacts have been constantly changing, and the situation (as of November 2022) is a clear improvement on one year ago. The sudden emergence of Omicron in late November 2021 in South Africa introduced new threats, but ultimately the situation was managed well globally and didn't escalate as problematically as some earlier waves. Overall statistics still suggest problems are persisting nationally, although rates of deaths and hospital admissions are clearly down - a reflection of the UK's high vaccine rates, which enables a slight improvement in the (still high) overall risk assessment. Amidst the array of advice, rules and guidance, there have been ambiguities in the message from the UK government which has caused discontent in local communities (especially the hospitality sector).

	increase, as people see an opportunity to capitalise at a time when attention may be concentrated elsewhere. COVID-19 continues to impact on international economies affecting future funding opportunities and causing stock market turbulence which could have problematic implications for pensions (although most recent figures are encouraging). Most of these things are also being worsened by the situation in Ukraine.			Within Hackney specifically, there have also been lower than expected take ups of the Vaccine (in the range of 100,000 not vaccinated in a population of nearly 300,000), for an array of reasons including mistrust in the government and politics, ethical objections and fear of the side effects of the vaccine. Public Health are continuing to diligently tackle these objections. The details within the risk controls (and work already undertaken this year) should provide some assurance that the Council is positioning itself as effectively as possible to deal with the challenges.	
Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
SRCR 0039a Pandemic - Business Continuity / GOLD / SILVER meetings / Contract Management / HR	The BECC (Borough Emergency Control Centre) and the internal Covid GOLD groups were both essential in coordinating all critical activities that might support the Council's response. Both were stood down earlier in 2022, but are ready to be started up again whenever required.Senior management receive regular briefings about all developments and advice from the appropriate teams. Also, essential service obligations to residents are met by targeted communications (which includes warning and informing them of any risks to health, security, welfare property etc.). Managers of service areas have updated their contact lists (staff and suppliers) and reviewed the Loss of People section in their Business Continuity plans as a priority. The BCPs ensure service delivery can continue effectively in the light of disruption. Regular updates are being provided by the Communications team to keep everyone fully posted on all developments and the Council's latest response. GOLD (initially held daily) and SILVER (initially held twice weekly) meetings are on standby to be convened more regularly if the crisis escalates again. Corporate Resilience meetings have been occurring throughout the last 18 months providing transparent leadership and guidance on the Council's overall resilience. In terms of the supply chain, Contract managers have been encouraged to think about alternative suppliers that they might be able to use and consider what steps they would need to take to put alternative arrangements in place. Contract Managers are also being advised to familiarise themselves with force majeure clauses for their contracts, and the process that will need to be followed if a supplier tries to trigger it. Another control being used is for 'non-essential' (non-frontline) staff to be	Senior Officers, advised and directed by Business Continuity / Emergency Planning	Cross Council	May 2023	**November 2022** - Controls are in place and ongoing. In many areas of Hackney life is returning back to a 'pre-Covid' state, but there remain areas of concern. Impacts of this risk also cross over into other areas, particularly financial, with overlaps relating to the current cost of living crisis. At the Council, most Officers now practise a hybrid approach to work, with 40% of time spent in the office. Considerable numbers of staff were deployed in slightly different roles to support the demands of different services, but almost all have now returned to their substantive posts. During the pandemic, the Council was able to provide multi-layered support to Council tenants and private renters. The Business Rates team worked to identify the thousands of businesses in the borough eligible for the new rate reliefs and coronavirus business grants announced by the Government (in October 2021 Spending Review, it was confirmed £4.8 billion of grant funding would be available to local government over the next three years; an equivalent of £1.6 billion a year.) This would be

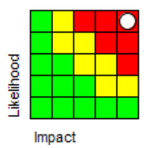
	redeployed for temporary periods of time. This is at the discretion of CLT and assisting services with particularly high workloads in the aftermath of COVID. (eg Business Grant Applications). This has now stopped. HR have drafted detailed guidance about every aspect of how COVID-19 may affect staff and how staff should proceed in the light of COVID related difficulties. This clarity should ensure a clearer approach to work during this confusing time. This will be applicable if the situation worsens again. Public Health have been continuing a targeted and comprehensive campaign to address any concerns that Hackney citizens have about taking up the vaccine.				shared amongst Councils however and not solve the overall problems of funding difficulties and shortfalls in Councils across the country.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0041 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 and Economy		**November 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 plrocess 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	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0041a 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.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Rob Miller	July - 2023	**November 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) 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. Progress is also being made on delivering an integrated housing system. 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.
SRCR 0041b 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.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Aled Richards / James Groom	July - 2023	**November 2022** Coordination of service continuity and recovery continues and is led by the Corporate Leadership Team / directorate leadership teams.

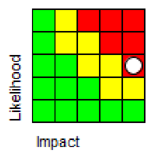
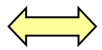
SRCR 0041c Maximizing existing tools	While primary services systems are unavailable it is essential to explore alternative interim tools that can be made available to support service continuity arrangements. The Council has a number of tools it can deploy to provide this, including tools developed using the Amazon Web Services cloud platform and Google Workplace.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Rob Miller	July - 2023	**November 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.
SRCR 0041d Communication to residents and staff	Many services that residents depend on have been impacted by the attack.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Rob Miller, Comms team	July - 2023	**November 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.
SRCR 0041e 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	March - 2023	**November 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.
SRCR 0041f 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	**November 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
SRCR 0001 National and International Economic Downturn ***EXTERNAL RISK CURRENT & FUTURE RISK***	There is an ongoing risk to the Council's finances arising from measures that the Government are continuing to take. This is now being compounded by the effects of the pandemic and the cost of living crisis. COVID-19 expenditure has significantly reduced the flexibility and resilience of the Council's financial	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate		**Nov 2022** The pandemic still impacts on the Council but to a lesser extent than in 2021-22. There are two other factors which have impacted much more on the Council this year. The first is the cyberattack which has increased expenditure (on additional staffing to work on the backlog resulting from the

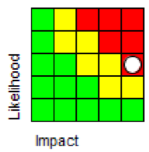
	position and this has now been exacerbated by the Cyberattack. The risk is that the Council spends more money than it can finance through planned income streams and the annual financial settlement from central government. This then results in a budget deficit or an unacceptable call on reserves. London boroughs Core Spending Power will be c.19% (£2.2bn) lower than 2010-11 by 2024-25 in real terms. This poses a risk that as a result of reductions made to services and overall funding, the quality and outcome of work impacts adversely on stakeholders, leading to local dissatisfaction and damage to the Council's reputation. Tighter finances result in less capital, repossessions, and potential developments frozen, affecting potential economic development and social infrastructure. This all contributes to a risk of real poverty and inequality emerging in areas of the Borough.	Resources; Climate, Homes and Economy		attack, and on the cost of systems recovery work in ICT and within service areas). The cost is estimated to be £4.6m in 2022-23. In addition, the attack has also negatively impacted on income, especially in council tax and NNDR. However, the situation has improved considerably in recent months - backlogs have been cleared in revenues and we have commenced normal recovery operations. Housing rent income has also been impacted by the attack. The second factor is the cost of living crisis. This has increased many input costs of services but it has impacted significantly on energy, fuel and contract costs, especially in the areas of running Council buildings, fuel costs in Environmental Operations and SEND transport and inflationary pressures coming through from care providers. There is also considerable pressure as a result of the 2022-23 pay award (which was significantly above budget) and this pressure is likely to continue into 2023-24. The cost of living crisis can also be expected to impact negatively on income throughout the year. Overall the financial position is very challenging and uncertain both in the short and medium term The Fair Funding Review remains a risk but won't be implemented in 2023-24 and is unlikely to be implemented in 2024-25 either. What happens after this is unclear. In November 2022, the Autumn Statement was announced. Whilst it looks as if there will not be cash cuts to funding in 2023-24 and 2024-25 there will be real term cuts; and it is likely that there will be real term cuts in the two years after this. This clearly creates risks for the Council given the high rate of inflation which will almost certainly continue into next year. No individual Government departmental spending limits were given beyond 2024-25 in the statement, which increases the uncertainty regarding future funding levels. Earlier in the year, the Government announced that there will be a two year Local Government Finance Settlement in 2023-24. This will now not happen although we should have a broad idea (but not firm estimates) of our funding allocations in 2024-25 in December. Clearly, a one year settlement for 2023/24 does not assist with medium term financial planning and the Council must be prepared to develop significant savings plans in the medium term in anticipation of the reduction in real resources, high inflation and increasing interest rates. In the light of inflation and a reduction in resources in real terms, adding more uncertainty, pressure and challenge to an already problematic situation, the score has been maintained at the maximum. Finally, the latest MTFP showed that the gap earlier in the year of £26m had been reduced to £7.4m as a result of both corporated measures and a review of assumptions. However the cumulative gap to 2025-26 is still very high at £39m. The latter must be regarded as an illustrative forecast only though because of uncertainties regarding future external funding and the ongoing impact of the cost of living.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0001B National and International Economic Downturn	There is a need to ensure that the Medium Term Financial Plan accurately reflects best estimates of future funding levels. Financial planning will be constantly diligent and reflect the changing circumstances of budgets available. Also, controls from other related risks are relevant, e.g. Regeneration projects and Recruitment and Retention [increasing access routes into the Council's employ].	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Ian Williams	February 2023	November 2022 - action ongoing - The MTFP was refreshed in Summer 2022 with particular regard to ongoing inflationary pressures (see Risk SRCR 0042). A further update is underway as part of the preparation of the annual budget report for 2023/24
SRCR 0001A National and International Economic Downturn	Whilst the overall risk is external and largely beyond control of the Council, there is a clear need to identify, implement, monitor and resource the delivery of significant reductions in expenditure and to ensure the services that continue to be provided are resourced adequately. Also, Officers' advice to members needs to be explicitly clear as to what can and cannot be delivered including the organisations ability to deliver and implement the commitments contained within the local manifesto.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Ian Williams	February 2023	November 2022 - action ongoing. The budget for 2022/23 was developed in the context of MTFP forecasts and approved by Council in March. Going forward the Council's Transformation Programme will provide the framework through which budget proposals will be developed to ensure financial sustainability and to deliver against the Council's Strategic Plan and MTFP from 2023/24. This will not offer straightforward solutions, however, and it is anticipated that difficult decisions will still need to be taken.
SRCR 0001D National and International Economic Downturn	Savings proposals are developed and agreed with members in order to bridge the forecast reduction in resources. At the same time, the capital programme is subject to review to ensure that available resources are used to deliver Council priorities. Several measures, including numerous restructures, have been used to reduce overall expenditure levels across the Council. There are also continuing efforts at seeking ways to generate additional income, for example in the use of Corporate Estates for events /major regeneration and building projects / changes in service delivery models etc. This is already resulting in considerable savings to help mitigate the risk of funding cuts.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Ian Williams	February 2023	November 2022 - ongoing, as noted above regarding savings for future years. Savings agreed as part of budget setting for 2022/23 are monitored as part of the OFP. The budget for 2023/24 is well underway including the development of specific budget proposals which have been subject to a budget scrutiny process and are due to Cabinet in December. A review of capital management has been completed. A key feature of the new arrangements, to which we are transitioning, is to ensure that the capital strategy remains aligned with the Council's priorities through revised governance and approval processes and that the capital programme is affordable in terms of capital resources available and the impact on revenue budgets through clear links through to the MTFP.
SRCR 0001E Commercialisation	The Council is looking to take advantage of commercial opportunities which are presenting themselves as a new way of raising capital and mitigating impacts of austerity. These more innovative ways of working present opportunities to protect the Council against cuts in other areas.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Ian Williams	February 2023	November 2022 - The Council has sought ways of generating income in constrained financial circumstances and therefore the scale of investment activity (for example in commercial property) has increased. As yet, Hackney has not adopted a corporate approach to commercialisation across the organisation, although there are specific examples where commercial activity and projects are in progress or being

					considered. Examples include those where Council owned property have been leased out to third parties and the commercial waste company which was established at the end of 2021. Opportunities will be considered further as part of the Transformation Programme referred to above where a specific workstream around income generation will be taken forward following an external review of income generation opportunities. The Council does need to ensure it operates within the context of the limits on commercial investment which follows the revised Prudential Code.

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; Climate, Homes and Economy		 **November 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 revised capital programme for 2022/23 is currently £167.8m (non-Housing schemes totalling £72.3m and Housing schemes totalling £95.5m). 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 risk has remained the same since the last period as there are no major changes to the project profile.

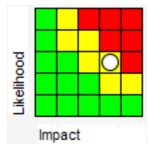
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0002A Management of Capital Programmes / Schemes	All capital schemes are subject to review via the capital budget monitoring process. Slippages can be identified via this process and appropriate 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.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland;Rickardo Hyatt	Jackie Moylan	Feb - 2023	November 2022 - The capital budget for 2022/23 is £244.3m (Non-Housing budget £120.3m and Housing budget £124m). The second re-profiling exercise of the year with a revised capital budget of £167.8 (non-Housing schemes totalling £72.3m and Housing schemes totalling £95.5m). The revised capital governance arrangements which are being implemented will strengthen monitoring of the overall capital programme at Cabinet member and Chief Officer level.
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.	Mark Carroll; Ian Williams; Ajman Ali; Jacqui Burke; Helen Woodland;Rickardo Hyatt	Jackie Moylan	Feb - 2023	November 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.	Mark Carroll; Ian Williams; Ajman Ali; Jacqui Burke; Helen Woodland;Rickardo Hyatt	Jackie Moylan	Feb - 2023	November 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
SRCR 0010 Pension Fund ***EXTERNAL RISK CURRENT & FUTURE RISK***	General market volatility (eg – price and pay inflation is more than anticipated), changing demographics, vulnerable asset classes and any legislative changes could pose a risk to investment returns which underpin fund performance and ability to meet future liabilities without additional financial burdens on the taxpayer. If investment returns are poor or the outflow of resources is much larger than expected or an asset category seriously underperforms, this will have serious financial implications for the Pension Fund and ultimately add	Finance & Corporate Resources		**November 2022** - In the immediate aftermath of COVID-19 stock markets crashed and investments almost everywhere went down, although they quickly recovered and continue to generally increase in value. Within the recent political volatility in the UK (especially following the mini budget in September), there were headlines reading the impact on pension funds holding a particular type of investment called leveraged liability drive investment or LDI. These investments are common amongst private sector pension funds, where many

	cost pressures to the Council's budget and other employers in the Fund via increased employer's pension contributions.			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, so is unaffected by this. While market conditions remain volatile, both our investment strategy and the plan for meeting our liabilities (our future pension payments) stretch over the very long term and we are confident that it is robust. The Fund remains cash flow positive albeit not as strongly as in the past. We will be closely monitoring the situation but we do not expect to make major changes outside of the Fund's investment strategy, a review of which is underway in conjunction with the 2022 actuarial valuation. We remain committed to the Fund's policy to reduce exposure to carbon reserves and greater focus on ESG matters. The likelihood of this risk occurring remains relatively high, given the ongoing volatile conditions in investment markets and the impact of changing demographics. The impact has to remain high, given the potential threat to the Fund's ability to pay benefits when they are due. In Oct 2015, the Government called for the assets of the 91 LGPS funds in England and Wales to be pooled into 8 pools of approximately £25bn+ of assets. The Council has committed to transfer further assets to the London CIV, but the process will still not be complete for a few years. Further proposals will incur transition risks, as well as overall strategic ones so the process continues to be managed carefully, although the overall aim is to make efficiencies in investment costs. The refreshed investment strategy will result in further pooling of the Fund's investment assets.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0010D Pension Fund	The funding of the Pension Fund liabilities continues to be monitored closely and the Fund seeks to mitigate systemic risk through a diversified portfolio of asset classes but it is not possible to make specific provision for all possible eventualities that may arise under this heading. Rebalancing arrangements are 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.	Ian Williams	Jackie Moylan; Rachel Cowburn	February 2023	Updated November 2022 - ongoing.

FRFSV 0052D Knowledge and Skills	Ensuring those charged with governance of the Fund and for managing the day to day operations have the requisite knowledge and skills to make informed decisions when managing the funding position. Regarding proposed changes, all consultations and guidance from the Government are being monitored, and responded to where appropriate.	Ian Williams	Jackie Moylan; Rachel Cowburn	February 2023	A revised CIPFA framework has been issued and an updated Council Policy was agreed at Pensions Committee in November 2021. An updated training programme will follow an audit against this new policy in the new administration - November 2022
FRFSV 0053B Pension - Valuation Monitoring	Triennial Valuation assesses the funding position, intervaluation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration/improvement are put in place. 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.	Ian Williams	Jackie Moylan; Rachel Cowburn	early 2023	Reviewed Nov 2022 – ongoing.The triennial valuation as at 31st March 2022 is currently underway. This is a complex process which will not conclude until the end of 2022/23 and the timeframes have been set out for Pensions Committee.
FRFSV 0053C Identifying the external risk factors that affect the funding position	Identifying the various risk factors, asset/liability, investment, longevity, interest rates, inflation, liquidity, etc and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risks where feasible. Also regarding further Asset Pooling, planning for transition is considered as part of the Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes.	Ian Williams	Jackie Moylan; Rachel Cowburn	early 2023	Updated November 2022 - All these factors will be reflected in the triennial valuation process.
FRFSV 0042D Appropriate levels of knowledge and skills to make decisions	Use of external advisers to assist in making investment decisions and ensuring that decision takers understand the investments of the fund. There is ongoing monitoring of financial markets and close communication with Pension Fund Investment managers/consultants.	Ian Williams	Jackie Moylan; Rachel Cowburn	February 2023	Updated November 2022 - ongoing. Detailed reports are considered at Pensions Committee at regular intervals providing them with the assurance that risks are being managed.
FRFSV 0042E Controls related to asset pooling	Monitor proposed changes, consultations and guidance from Government on the pooling agenda, responding where appropriate to influence outcomes. Amend process where required to ensure compliance. Also maintain good working relationships to ensure the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund’s strategic requirements.	Ian Williams	Jackie Moylan; Rachel Cowburn	February 2023	November 2022 – Planning for transition is considered as part of the Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0013 Impact of New Legislation ***EXTERNAL RISK*** ***FUTURE RISK***	The Council may not be able to respond to external influences on legislation and updated policies, thus risking the efficiency and effectiveness of service provision. Also if requirements of any new act are not met, there would be an adverse impact on the Council's legal and reputational standing. As a result of new policies, the Council’s financial position may be adversely affected, constraining its ability to invest or progress work in new areas. Many of these policies could also have damaging consequences for the local community and many people currently living in Hackney. Additionally, the impact of new legislation - seen in areas such as Welfare Reform (especially Universal Credit) and in response to the Coronavirus crisis- could result in an increase in rent, service charge, arrears, higher legal costs, increased evictions and pressure on the vulnerable (potentially resulting in homelessness). Further effects of new legislation could be financial, legislative (with a failure to understand the breadth of responsibility) and reputational, directly affecting the local community. There could also be issues amongst the local community in terms of dissatisfaction, lack of understanding and increased financial difficulties.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**December 2022** –The latest (and final) Queen’s speech was delivered in May 2022, and contained 38 bills including ones on schools, data and procurement (the latter two linked to leaving the EU). The Homelessness Reduction Act (April 2018), GDPR (May 2018), the Care Act (2014), The Housing and Planning Act 2016 and the Environment Bill (2021) are all further examples of recent legislation having a significant impact on the demands to the services of the Council. With the emergence of the Coronavirus, a great deal of pressure has been put on Benefits as there have been massively increased numbers of those claiming UC (and business grants etc), especially post COVID-19. Regarding the Housing and Planning Act (2016), the HRA debt cap has now been lifted, the forced sale of council houses removed – therefore having increased flexibility for investing in new homes. However, there are pressures on new housing delivery and the investment in existing stock arising from changes to Building Control, fire safety, and the need to reduce carbon emissions. Furthermore there are other forthcoming examples of proposed legislation that could impact on the carrying out of Council functions, and the risk that needs to be managed is the implementation process and the financial and human resources that may be required. This needs to be kept under review as each legislation is passed and implemented. Risk remains at same score.

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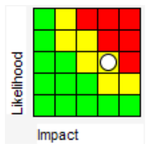
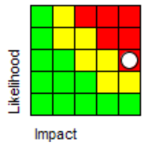
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0013 Impact of New Legislation	The Council continues to monitor and respond to consultations regarding service delivery and other innovations to ensure that it is fully aware of new and changed initiatives and can react accordingly. All managers keep up to date with external developments which may impact on their work. Careful project and programme management is undertaken to deal with any serious reforms and their implementation. There is a quarterly Corporate Law Update outlining all the latest legal developments and their potential impact on the Council.	Mark Carroll	Dawn Carter-McDonald	May 2023	December 2022 - ongoing. A specific example of this would be within Housing, where the Senior Officers have been continually carrying out detailed analysis regarding the likely impact of new (Housing) policies, both internally and with other boroughs and representative organisations. Individually and with other boroughs, the Council continues to respond to policies in order to mitigate the adverse effects of these policies.

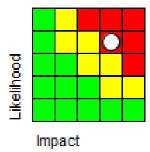
					Once the detailed Statutory Instruments have been published , the likely impacts of the various policies can be more accurately be assessed and work can continue on preparations to implement the measures in a way that best mitigates the impacts on the Council and residents. The Building Safety Bill (issued 20/7/20) and new energy regulations both constitute new legislation to get to grips with.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 352 **SRCR 0018** Workforce & Skills ***INTERNAL RISK*** ***FUTURE RISK***	Two years on from the start 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. Ongoing uncertainty around the pandemic situation could lead to organisational drift. Additionally, the world of technology and work is changing fast and there is a risk that the Council might fail to maximise the potential of these changes, including the potential to transform services through effective use of data, technology and digital approaches and mind sets. As well as the risk of missing opportunities to deliver more cost effective services, this also risks Hackney failing to meet residents' expectations of the Council's services. There is also the additional risk that amidst an atmosphere of financial reductions and redundancies (and the ongoing pandemic), the Hackney workforce become demotivated, leading to a negative atmosphere amongst workers, impacting upon service delivery and leading to dissatisfied stakeholders. Also that restructures and significant senior leadership change may cause temporary loss in efficiency as officers are unsure of how new reporting arrangements, responsibilities and service provisions are put into practice. Knowledge could be lost with a large number of experienced staff taking redundancies.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**December 2022 –** The ongoing pandemic has added an increased importance to this. In the immediate aftermath of the lockdown, it became clear that the vast majority of the workforce would need to permanently work from home for a period of months and this would be a challenge to technology. Happily, most risks related to this have not materialised. However, the adaptation towards a (flexible) return to work may now present new challenges. As of December 2022, most teams have returned to a hybrid approach to work, of two days in the office and the rest home working. The Cyberattack in October 2020 added a new level of challenges to this risk, which have been worked through over the last year with ongoing workstreams to ensure all services can return to running as normal. Significant backlogs do remain however. There has been notable change within the Senior Leadership at the Council in 2021/22. The latest Voluntary Redundancy scheme was completed in the spring of 2020. Further restructures are planned or taking place in different services around the Council. These are being carried out for a variety of reasons including improving team's organisational efficiency, adapting to new ways of working and also in some areas due to cuts to funding. The latest Staff Engagement Survey has just been completed, and the results shared with all staff. Overall, the results illustrate generally positive feedback from staff, but all areas are being analysed, with CLT pledging to take all issues on board. Also, March 2022, saw the completion of the latest Future Ways of Working survey, with very useful feedback helping this become a genuinely two-way process.

	An additional organisational risk in this area is around the modernisation agenda and a need for the workforce to adapt and change and be receptive to new ways of working. Failure to do this could result in the Council lacking the dynamism to succeed in effectively utilising opportunities open to it.				
Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
SRCR 0018 a Workforce & Skills	Investing in staff skills and digital leadership across all services Ensuring that the Council has a joined up approach to workplace - designing technology, workspace, policy and practice to ensure that these come together cohesively to support maximisation of these opportunities. 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 managers took part in the pilot in Sept/Oct 21 with the aim to use their feedback further adapt and tailor the course content for Hackney and deliver organisation wide. An organisation wide staff survey is currently underway to test staff engagement/morale/infomed levels. Data will be provided at Directorate and Dept level and support provided for Directors to shape action plans. Regular staff insight work has been 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, Ian Williams	Stuart Thorn, Rob Miller, Polly Cziok	May 2023	**December 2022** - Updated and ongoing.
SRCR 0018 b Workforce & Skills	There are detailed HR procedures and processes to deal with all relevant areas (including problems/instability created by restructures) and these are carefully adhered to by teams involved. All communication is regular and carefully considered. Staff are well supported in adapting to new ways of working (whether from an IT or HR perspective).	Mark Carroll, Ian Williams	Stuart Thorn,	May 2023	**December 2022**– these controls are in place and continuing. Detailed guidance was drafted in March 2020 to provide staff with detailed instructions and special dispensations (if required) during the Coronavirus crisis. These have been consistently updated since then to reflect the latest position. Most recent guidance in Spring 2022, points towards a return to the office with a hybrid approach to work. Also clear guidance and support offered for restructures etc.
SRCR 0018 c Workforce & Skills	Ensuring that the Council's strategic plans reflect these opportunities. Also that internal communications effectively relay any developments and changes.	Mark Carroll, Ian Williams	Policy	May 2023	New Corporate and Community Strategy (2018-2028) reflect this.

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.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**November 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	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
FR IT 0006a Ensure compliance with the PSN Code of Connection and other applicable standards (including the IT 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	May 2023	**November 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	May 2023	**November 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	May 2023	**November 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. by the Council's Information Governance Group.

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		**November 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**	**Lead Responsible Officer(s)**	**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	May 2023	**November 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	Ian Williams	Rob Miller	May 2023	**November 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.

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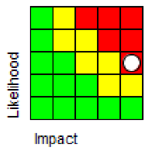
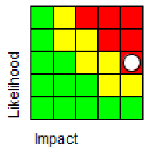
	Council's use of systems and buildings etc, and these may be barriers to information sharing). This is an ongoing activity (no fixed end date).				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0020 Corporate (ICT / Business) Resilience. ***INTERNAL RISK*** ***FUTURE RISK***	(Risk that) the Council does not have effective and up to date business continuity arrangements which are robust and tested to provide assurance of service continuity in the light of a major incident affecting its business. (An example would be a major failure affecting the Council's hosting facility provider - Advanced 365. The clear risk here would be the loss/unavailability of the external data centre - single point of failure.) This could impact on service delivery throughout the organisation. There is also a risk that Business Continuity Plans across the Council's services do not accurately reflect the disaster recovery provision that is available. This could result in services not being able to invoke their continuity plans effectively due to incorrect assumptions.	Finance & Corporate Resources		**November 2022** - The Council has a robust and tested plan in place. It is essential for the Council to provide some assurance that we are suitably prepared to respond and adapt to incremental change and sudden disruptions. Clearly this could impact massively on our ability to effectively deliver services, so resilience is a critical part of future planning. After the sudden need for all office based workers to move to working from home in March 2020, following the outbreak of COVID-19, the consensus is that Business Continuity was maintained and services were able to continue operating effectively.The IT framework was able to support this massive surge in home working. The cyberattack in October 2020 caused critical problems, which impacted on all of the Council's internally hosted systems. Cloud hosted services (including G Suite and the Council's website and intranet) continued to function but other major systems were not functional, impacting severely on service delivery. This is ongoing. DR provision is in place for critical systems and additional infrastructure capacity has been added during the COVID crisis. Successful DR testing has recently taken place, providing assurance of overall resilience. BC Plans have been consistently reviewed and will be further updated during the crisis to reflect any changes.

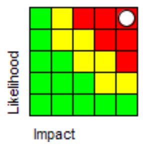
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Date	Control - Latest Note
FR IT 0003a Resilience of ICT systems / Disaster Recovery	Work has progressed to commission resilient hosting arrangements in the Council's Stoke Newington offices. This will provide the facility to restore critical systems	Ian Williams	Rob Miller	May 2023	**November 2022** - the Council has tested DR provision in place and the ICT Services division's Business Continuity Plan has been signed off and tested. A review of the DR provision (from the ICT

	(based on a previously agreed list of corporate priority applications) so that priority Council services will have access to their systems within 4 hours of a major outage with loss of data limited to 15 minutes (Recovery Point Objective). A test on 1 key application has already proved successful. It must be noted that this provision will not give instant seamless failover for these services - so Council services must ensure that their Business Continuity Plans include plans in the event that ICT systems are not available - other services whose systems are not included in the resilience provision must ensure that their Business Continuity Plans include plans for extended unavailability of their ICT systems.				perspective) was internally audited and the report was completed at the end of 2018. The final level assurance was significant, suggesting a robust approach is in operation. A new internal audit is now scheduled. The ICT service's business continuity arrangements are kept under regular review and reported to the Council's Business Continuity Management Group which meets quarterly.
FR IT 0003b Review of Business Continuity Plans across the Council's services.	The Corporate Business Continuity Manager is supporting service managers across the Council in carrying out a review of their Business Continuity Plans. This is designed to identify critical services and their continuity requirements, and will help ensure that their plans are based on accurate expectations of the provision available. It is planned to implement a rolling 18 month schedule of review for all the council's BCPs. This will be in place following the current review of BCPs across all services, which has pretty much been completed within the last six months.	Ian Williams	Rob Miller	May 2023	**November 2022** : No further specific update. The Council's business continuity arrangements are kept under regular review and reported to the Council's Business Continuity Management Group which meets quarterly**.** Also, the corporate review of Business Continuity Plans has been completed.
SRCR 020A -Corporate Resilience Forum	A Corporate Resilience forum has been established and will take overall strategic lead reporting to CLT. However the specific ICT issues are still managed by ICT themselves.	Rob MIller	Cross Council	Ongoing	From paragraph 1.1-1.2 of the CRF report: 1:1 The CRF oversees the development of all systems and processes for Emergency Planning, Business Continuity Pandemic Planning and Resilience within Hackney Council. 1:2 This group will also ensure that appropriate links are made to other stakeholders in relation to Emergency Planning and Resilience such as NHS, LFB, MPS, EA AND VCS. Regular meetings continue to occur (most recently in November 2022).

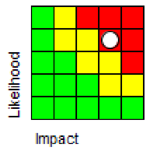
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0023 Person suffers significant harm, injury or death ***EXTERNAL RISK*** ***FUTURE RISK***	If risks are not adequately assessed and protected, a child, young person or adult could suffer significant injury or death attributable to the Directorate's failure to take appropriate safeguarding and risk management measures. Additionally, general members of the public or Hackney staff could suffer harm due to a lack of general health and safety measures being in place.	Children and Education; Adults, Health and Integration		**Update November 2022** – This remains a high risk, and some recent incidents illustrate its importance.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
CYP 006B Local Safeguarding Children Board (LSCB) reviewed and operating as an effective multi-agency forum.	The City & Hackney Safeguarding Children Partnership (LSCP) has a remit to monitor safeguarding across all partner agencies, including the local authority.	Jacqui Burke; Helen Woodland	Rory McCallum	Feb 2023	Nov 2022 - A range of measures have been put in place to ensure the CHSCP is operating as an effective multi-agency forum. Independent chairing is in place, defined governance arrangements, regular attendance from partners at Executive and relevant sub / working groups and Hackney-specific self-assessment. CHSCP also maintains a risk register covering all key statutory requirements; these actions and progress are regularly reviewed through the CHSCP Executive and full CHSCP.
CYP 006D Ensure staff have the necessary skills to ensure risk and need are properly assessed	The Directorate as a whole understands areas of high risk and works together to mitigate risk in relation to individual children by joint training and development and joint monitoring of practices across the services.	Jacqui Burke	Diane Benjamin	Feb 2023	Nov 2022 - A series of professional supervision workshops were rolled out in February and March 2021 to all practitioner managers in CFS so that they are clear about supervision standards and are able to identify training needs for their staff. This will ensure that plans are progressing for children in timescales that meet their needs. Supervision timescales are monitored as a key deliverable by senior leaders in regular data reports. With regards to Child Q, the Children and Education leadership team have been inviting all staff to briefing sessions on a regular basis. A workforce hub has been established in the Safeguarding and Quality Assurance service to ensure that staff training needs are met and prioritised in terms of urgency.
CYP 006E Child Protection procedures in place	Children subject to Child Protection Plans and Looked After Children are visited in line with statutory guidance and care plans are monitored, updated and amended as appropriate. Children are to be seen alone.	Jacqui Burke	Diane Benjamin	Feb 2023	Nov 2022 - Ongoing, monitored through management oversight and audit, monthly, quarterly and annual performance reports, including statutory returns to DfE and by Child Protection Conference Chairs and Independent Reviewing Officers. While the cyber attack in October 2020 has had a significant impact on reporting capabilities, visits and plans have been

					monitored through manual monitoring and close management oversight. A new interim social care database was introduced in January 2021, and reporting capabilities brought back online in February 2021. The Children and Families Service will be moving back to the Mosaic recording system in April 2022, which will further support data monitoring.
CYP 006F Risk assessing activities for young people	All activities directly provided and commissioned by the directorate must be subject to rigorous risk assessments. These follow a consistent format. Also, the internal health and safety team conduct assessments and provide advice to mitigate risks of harm to staff in the course of work.	Jacqui Burke	Diane Benjamin	Feb 2023	Nov 2022 - All providers of proposed activities, including the local authority, are required to submit a written risk assessment which is scrutinised and approved / not approved by the service area. Where a risk assessment is not approved, the activity is not able to proceed. Minimum ratios of adults to young people are required. Our external commissioned providers are also expected to demonstrate that they meet health and safety standards as part of their contract including systems and processes for conducting risk assessments of premises and activities. As a result of the pandemic - in-person activities have been subject to risk assessment to ensure that they can be delivered safely, with mitigating actions in place to minimise risk to children and staff such as changing venue, capping numbers and ensuring hygiene measures are in place. Other activities have been provided virtually and we remain responsive to Government guidance in relation to the fluctuating rates of Covid/changes in requirements.
CACH ASC 0005 Implementing a robust safeguarding approach across adult services	The City & Hackney Safeguarding Adults Board's (CHSAB) role is to monitor safeguarding across all partner agencies, including the local authority and has regular meetings of the Board to ensure safeguarding across the partners is being managed effectively and that relevant intelligence is appropriately shared. The Safeguarding Adults Board with the input and support of Adult Services' Head of Safeguarding will continue to oversee the delivery of the recommendations of the Safeguarding Adults Reviews. This will include working with existing projects within the Integrated Commissioning programme such as the Neighbourhood Programme to ensure they support the delivery of these recommendations.	Helen Woodland	Georgina Diba	Feb 2023	Nov 2022 - ongoing. In 2021/22 the City & Hackney Safeguarding Adults Board have continued to work together to embed the learning from SARs to help mitigate this risk further. This included delivery of SAR learning sessions to multi-agency groups, including voluntary agencies. The Board has also carried out awareness raising activities to help prevent adult safeguarding such as an awareness campaign co-produced with service users to raise awareness of financial abuse.

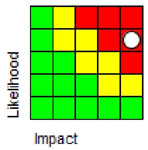
Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
SRCR 0028 CYPS, SEND funding –Escalating SEND spend has an adverse impact on Hackney Education and Council budgets.	The number of pupils eligible for EHC Plans continues to increase at a significant rate exceeding the population growth in the Borough, the effect of which is to place the SEND budget in deficit. This poses a serious and unsustainable financial risk.		**November 2022:** Actions continue to be appropriate, however, risk rating remains unchanged for the time being. Impact may reduce over time as control measures take effect. This is a national issue with other LAs experiencing similar funding challenges.

Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0028 a Forecasting of financial impact of SEND budget pressures.	Rapid, significant short term reductions in SEND costs and outlays will be difficult to achieve. Ensuring that the policy changes in the action plan result in medium term cost savings that relieve the pressures on the SEND budget, whilst ensuring the operational effectiveness of HE is not detrimentally affected by the overspend, is imperative.	Jacqui Burke; Sajeed Patni	**November 2022**: Currently programmed to commence SEND Better Value Programme in Jan 2023.
SRCR 0028 b Ongoing work to develop plans/strategies to control/manage SEND spending.	SLT has approved a cost management plan to address the pressures placed on the SEND budget by increasing numbers of children and young people being eligible for SEN statements. The cost management plan is regularly reviewed by STAG and via the Better Value DfE programme.	Jacqui Burke, Nick Wilson	**November 2022**: Cost management plan to be reviewed as part of the Better Value programme.
SRCR 0028 c Risk 07 - Changing the culture of SEND in schools and Hackney Education to implement the action plan.	If the action plan is to control expenditure and distribute resources fairly, changes in the existing culture in Hackney Education teams and schools must also change to critical assessment and the equitable distribution of limited resources. Collaborative working with schools will be necessary to ensure pupils' SEND needs are met from delegated SEND resources, with EHCP referral only for exceptional needs.	Jacqui Burke, Fran Cox	**November 2022**: New operation team around the school started in September 2022 to support schools and settings in their implementation of a graduated approach to SEND. Referrals for assessment are still high but a greater number are being referred back to the referral for further investigation and support.
SRCR 0028 d – The initiation of EHCP assessments is rigorously reviewed	The decision to initiate assessments needs to be rigorously reviewed to ensure the level of support is appropriate and sustainable. This may include senior managers signing off decisions, or refusing to do so.	Jacqui Burke, Joe Wilson	**November 2022**: Robust panel process is in place to consider all requests for assessment based on the LA's graduated response for SEND.
SRCR 0028 e – The costs of providing ECHPs is born equitably across agencies	All agencies need to contribute to the costs of the Education & Health Care Plans through the joint commissioning budget.	Jacqui Burke, Nick Wilson	**November 2022:** ongoing

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
SRCR 0027 b – Risks posed to children not in school, particularly those attending by unregistered schools and settingsands, and settings**.** ***EXTERNAL RISK*** ***FUTURE RISK***	Safeguarding considerations for those pupils who are not registered at a school – Electively Home Educated pupils, children missing from education, children attending unregistered settings, children who are yet to be allocated a school place etc is increasing in importance. This is the particular focus for current Local Authority Safeguarding Inspection frameworks, and there is an expectation that HE must work with partners to ensure effective and robust identification, tracking, consultation and referral. Unregistered centres are neither known to, nor inspected by Ofsted, raising potential issues relating to the wellbeing and safeguarding of children and young people in the borough. HE does not have any statutory powers or reporting requirements in regard to the registration of independent schools. As well as the potential risk around safeguarding and lack of knowledge and intervention in regard to those young people attending such settings, there are clear reputational risks for HE in this area. Despite the fact that HE holds no powers in regard to either registration or closure, there remains the perception that the Local Authority has not presented sufficient challenge to the status of such settings.		**November 2022:** Work to implement the controls is ongoing, however the risk remains unchanged. HE Risk Review Group recommends maintaining current risk rating. There are potential changes in light of amendments to existing legislation and frameworks. Legislation going through parliament to strengthen powers in this area (with more potential for intervention / challenge by Ofted etc) but progress has slowed. This risk has been merged with the previous Corporate HE risk relating to Serious Safeguarding failure as both are connected.

Control Title	Control Description	Service Manager	Control - Latest Note
LT 1415 Risk 18: Co-ordinating multi-agency responses, Hackney Education escalates any issues relating to the safeguarding of children or young people attending unregistered schools or settings.	HE is aware of unregistered schools and settings within the borough, we are escalating to the appropriate authorities Children and Social Care any issues of concern reported to them. HE co-ordinates multi-agency responses in regard to those settings that do not comply with Ofsted registration requirements.	Jacqui Burke; Chris Roberts	**November 2022:** The UES Protocol is in place, which brings together various agencies to coordinate our response to new settings or incidents in settings. Meetings have been held over the last quarter, which have led to Ofsted inspections. Consideration is given to how we can utilise our full range of legal powers in respect of UES.
LT 1617 Risk 04: Continuing attempts at engagement with unregistered settings are made by Hackney Education to reduce the likelihood of pupils being put at risk.	In the absence of clearly defined statutory responsibility and given the numbers of CYP in such settings, the LA is seeking to raise awareness of safeguarding with all community groups through regular dialogue and the systems developed through the Out of School setting project which has now ceased, and the unregistered educational settings group.	Jacqui Burke; Chris Roberts	**November 2022**: Safeguarding offer in place. Not take up from community. Initial meeting held with Yeshiva Liaison Committee to discuss safeguarding matters. Will meet again in November 2022.
LT 1617 Risk 03: Ongoing dialogue between HE, DfE and Ofsted around necessary legislation to ensure safeguarding duties can be effectively carried out.	Currently, the roles and responsibilities of LAs, DfE and Ofsted are not clearly defined with regard to safeguarding duties.	Jacqui Burke; Chris Roberts	**November 2022**: Legislation going through parliament to strengthen powers in this area. Currently paused due to change of administration

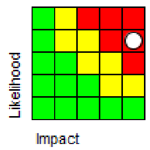
LT 1617 Risk 04: Continuing attempts at engagement with unregistered settings are made by HE to reduce the likelihood of pupils being put at risk.	In the absence of clearly defined statutory responsibility and given the numbers of CYP in such settings, the LA is seeking to raise awareness of safeguarding with all community groups through regular dialogue.	Jacqui Burke; Chris Roberts	**November 2022**: Collaboration with agencies via the UES protocol. Safeguarding offer in place but not taken up.

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		 **November 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.

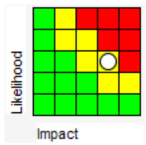
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0030a Utilising all available accommodation	Utilise 100% of all regeneration voids as additional temporary accommodation reducing the need for costly nightly paid TA provision.	Ian Williams	Jennifer Wynter	May 2023	**November 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	May 2023	**November 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	May 2023	**November 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 additional housing first. First chance, last chance saloon assessment model needed in addition.	Ian Williams	Adults Social Care Commissioning	May 2023	**November 2022** - It is Adult Social Care who now provide and commission supported accommodation for Hackney.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0036 – Universal Credit full roll out ***EXTERNAL RISK FUTURE & FUTURE RISK***	**Financial**: Universal Credit places the responsibility on the claimant to manage their claim and pay their rent from a one monthly payment. The five-week delay in first payment and monthly payment can lead to increased rent arrears for council tenants and make it more difficult for the council to recover other debts. Since the pandemic there has been an increase in the number of tenants not paying rent and cancelling direct debits (e.g. council tax). The impact of the Cyber Attack compounds these issues. **Strategic**: An increasing number of vulnerable residents struggling with their finances will put pressure on other public services. For example, employment and skills services as well as the health and care system. The five-week wait for a first payment remains and the use of an advanced payment reduces future income. **Reputational**: There is an expectation that the Council helps those who face barriers to making and maintaining a claim and those struggling to manage their finances. The Council's position as a large social landlord creates further pressure on the organisation to balance its approach between collecting payments and supporting residents who may be struggling financially. This is made even more the case by the impacts of the Cyber Attack and the approach the Council takes to debt recovery.	Chief Executive (leads on this)		November 2022 - Government confirmed on 9/5/22 that the full roll out of universal credit (UC) to all claimants by 2024. Nationally, about half of claimants who have not migrated to UC are on an out-of-work benefits that are health related. Most of the rest (38%), are in-work tax credit recipients. Just under half are likely to be worse off, including those who live alone or struggle with basic activities (IFS analysis, 2022). Government is committed to putting in place transitional protection. This development increases the level of risk which we will have to respond to. Universal Credit is the main welfare benefit for working age adults who are unemployed or on lower incomes and it is administered by the Department for Work and Pensions. Universal Credit combined six separate benefits into one: Housing benefit, income-related employment and support allowance (ESA), income-based Jobseeker's Allowance (JSA), child tax credit, working tax credit and income support. Universal Credit was introduced in Hackney from March 2016 for job-seeking singles only. Hackney was one of the last boroughs to move onto Universal Credit because of the numbers who would be affected. Universal Credit began for all new claimants in October 2018.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
FR RV Impact of Universal Credit	A partnership involving DWP JCP, several Council services and external partners maintains a partnership plan which identifies and addresses key risks under review. Main actions include: Close partnership working with DWP, communications with Hackney tenants, resident sustainment activity, partnership working to ensure that claimants can access the DWP funded Help to Claim	Ian Williams	Sonia Khan	30-July -2023	November 2022 Hackney has adopted a poverty reduction framework which enable us to respond the impacts of universal credit by working with DWP to mitigate impacts and also to offer wider support to claimants. A Partnership between LBH and DWP has been in place over the last three years, including a focus on

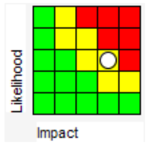
	service delivered by the Citizens Advice Bureau, funding the advice sector and working closely with them to meet demand. Hackney is also adopting a poverty reduction framework which will help us to respond to the impacts arising from UC through better co-ordination of wider support.				Complex Needs. We will discuss the full roll out with DWP to understand what transitional support will be in place and identify actions to mitigate impacts together.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0035 – Setting up Council owned companies ***INTERNAL RISK*** ***FUTURE RISK***	The Council has been setting up a number of (Council owned and controlled) companies for a variety of reasons - ranging from a need to explore commercial opportunities, to being a vehicle which can help to deliver the Mayor's housing objectives, or saving money and improving convenience for the residents of the borough. If the resources, governance, expertise and capacity needed to establish these functions is not satisfactorily in place, and/or the necessary legal due diligence is not done, these companies will not be fit for purpose and the Council may run the risk of severe financial and reputational impacts.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**December 2022** - The ways in which a Council can invest in or establish a company can vary depending on the type of delivery vehicle it seeks to set up. For the purposes of clarity, this risk covers the governance arrangements for Council Owned and Controlled Companies. This is where a company limited by shares is incorporated with the Council as the sole shareholder. Examples would include: Hackney Housing Company Ltd - encompassing PRS and HLR and fully operating since 2019. Hackney Commercial Services (London Limited) - which is a commercial waste company and was incorporated on 25th October 2021 and started trading in February 2022. Hackney Light and Power (HLP) was launched at the beginning of November 2019, promising some considerable future benefits for the Borough. HLP is an energy services arm of the Council which is still looking at options for operating as a separate entity. An area of concern relates to some PIRs (Public Interest Reports) that have been published within the last 18 months, specifically relating to Council owned companies / subsidiaries (at Nottingham, Croydon and Northampton). In each instance the Council has suffered severe losses due to poor decision making, a frequent lack of governance and a near complete lack of approved business cases. With public money clearly being lost here, the PIRs highlighted a regular lack of visible scrutiny and challenge - and these clearly serve as examples to avoid for Councils pursuing this course of action. The lessons learnt stress the importance of clear roles, scrutiny, challenges, business cases and overall decision making. Further commentary from professional service firms on this have suggested the quality of risk assessment and risk management arrangements when investing in commercial activities has often been poor at some councils. Sometimes the desire for them to be a success has

				overshadowed an appreciation of risk management, with large amounts borrowed to invest in companies, yet lacking the level of risk oversight one would expect to see at equivalent commercial investment management companies. Analysis suggested some councils chose to continue funding companies rather than face the reputational damage of winding up a loss making company.The importance of independent, high quality and impartial investment advice was stressed. Oversight and proper governance will always be essential here.

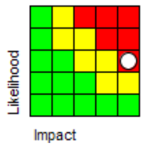
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0035a- Setting up Council Owned Companies	All companies are being developed in accordance with prescribed procedures which will ensure that the resources, expertise and capacity needed to establish these functions is in place, and the necessary legal due diligence is done, with appropriate support provided by relevant Senior Officers, and where necessary, external parties. At Hackney there is: ● Strong emphasis on the role of statutory officers, including regular meetings of Chief Finance Officer and Monitoring Officer with Mayor on governance matters. ● Excellence in Governance Group supports CLT with strategic and operational governance considerations. ● Revised Code of Conduct for Councillors in 2022, based on LGA Model Code. ● A Code of Corporate Governance, Financial Management Code and Alternative Service Delivery Vehicle (ASDV) Framework to evidence how the Council's approach to governance, finance and ASDVs empowers Councillors and officers in decision-making. ● Companies report to Cabinet as shareholder annually with a business plan and accounts, with Chief Finance Officer (Ian Williams) acting as "intelligent shareholder"	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt		May 2023	**December 2022** – A guidance note for establishing an Alternative Service Delivery Vehicle has been signed off by CLT alongside a guidance note for Directors of those companies. This was completed in August 2021. New or significant changes in the operations of a company should be agreed by Cabinet. This is in accord with the Mayor's Scheme of Delegation dated January 2017 which states that, "..the Council's representation on …companies…where the representation relates to an executive responsibility or function" shall be undertaken by the Mayor and Cabinet. " To ensure consistency of approach, it has been recommended that the Cabinet (in its capacity as representing the Council as shareholder) will receive an annual business plan and accounts from each company. This will enable the Cabinet to maintain its oversight, ensure the Council is seeing a return on its investments where appropriate and ensure that there is transparency for the public.

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

SRCR 0036 Insourcing ***INTERNAL RISK*** ***FUTURE RISK*** Page 368	The Council makes a decision to insource more services that it can properly handle and this has a negative impact on service delivery. It also proves a false economy as initial savings become overtaken by increased costs when potentially unseen demands of bringing a service back in-house unfold. Yet, there is also an opportunity to this risk. If the decisions on insourcing are taken judiciously with regards to in-house capabilities, strategic objectives and potential savings, there is the chance for the Council to benefit from a decision to bring work back 'in-house'.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**December 2022** - Contracts have been brought back in house in the past and in recent years in areas like Housing Benefit, Waste, Internal Audit and Payroll. The latest example is the parking enforcement contract which has been brought in-house when the current (outsourced) contract expired in March 2022. Also some internal cleaning contracts. There is a clear emphasis on this being a leading objective for the Council - to "reclaim" services worth close to £12 million a year from private firms. Between January 2020 and March 2022, five services worth £11.6m will have been insourced under the policy, including: School caretaking and cleaning services, worth £2.5m, with 116 staff brought back in-house to the council and schools in January 2020. Gully and winter cleansing service, worth £300,000, brought back in-house in September 2020. Office cleaning service, worth £1.8m, with 110 staff brought back in-house in January 2021 Fleet maintenance service, worth £1.4m, with 10 staff due to be brought back in-house in April 2021 and a long-term commitment to bring close to 400 staff back into direct council employment overall Parking enforcement, worth £5.6m, with 132 staff due to be brought back in-house in March 2022. In order to provide further assurance to Audit Committee about the Council's approach to Insourcing, a 'deep dive' was carried out (overseen by the Chair of the Audit Committee) into various elements of the approach and guidance papers, and this was signed off at the Committee meeting in October 2020, and distributed to all relevant parties.

Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
SRCR 0036a Insourcing – approach.	The Council has produced a Guidance Paper that will ensure that before it makes a decision, questions will be asked under five key criteria. These include local policy and business strategies, the performance of the service, quality improvement and value for money, workforce issues and overall risks. Through a careful application of these criteria and asking pertinent questions, any risks or opportunities concerning insourcing should be satisfactorily managed.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Rotimi Ajilore	May 2023	December 2022 - this was newly escalated to the Corporate register in January 2020. The guidance paper has been reviewed. Plans for such projects are also committed to including extensive consultation with staff and trade unions. This emphasis on Insourcing is delivering on the Council's 2018 manifesto to look at how we step up our commitment to insourcing in Hackney. Officers and Councillors involved in this commitment are clear that the process will often involve service redesign, relocating services across different parts of the council, and taking quite a different approach to service delivery than might have been done in the past. It's also been acknowledged that Coronavirus has shown the importance of flexibility and being able to turn services round rapidly. When you deliver them directly within your organisation, that can be done. Also,

					bringing staff back in on Hackney terms and conditions once they have moved over helps the organisation.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CRCR 0039 Climate Change / Climate Emergency ***EXTERNAL RISK CURRENT & FUTURE RISK***	The Council fails to meet its own commitments to take constructive steps to tackle the climate emergency. The expectation of change required (conducting extensive work on decarbonisation) may not be matched by the available capital. This could be as a result of overly ambitious targets, a lack of overall awareness or 'buy in' to the concept or a lack of resources to proactively bring about change. Without a coordinated response, the task will be more difficult. Failure to achieve positive change would have reputational impacts but most importantly would contribute negatively to the continued emergency in climate matters, both within our local community and the world at large. With the likelihood of even more ambitious targets set by the Environment Bill 2021, this risk will continue to grow and increase in importance.	Climate, Homes and Economy leading (but applying to all Directorates)		 **December 2022** In light of the clear evidence of climate change only progressing ever more rapidly, along with time moving closer towards the 2040 target (2030 for net zero across key functions), it seemed reasonable to raise the likelihood from a 2 to a 3 - the impact necessarily remains at the maximum score. The council has developed a Hackney Climate Action Plan (CAP) which was approved at Cabinet to go out to public consultation. The CAP provides the strategic framework to work through a number of key issues and challenges, utilising recently completed evidence assessments to underpin a more strategic approach for future delivery and integrate better with external stakeholders. The plan is for everyone - and, through our consultation and the ongoing actions in the plan, the CAP intention is that we want to make sure that everyone knows how they can influence and benefit from a greener Hackney. The CAP is set out under five key themes - consumption, buildings, transport, adaptation and environmental quality - it sets out how residents, businesses and institutions, community groups and organisations and the Council could work together to tackle the climate and ecological crisis. Alongside this plan is the Council's draft three year Implementation Plan (IP) that sets out the key actions that the Council will progress in the period of the CAP, considering where the Council has direct control and most influence to maintain momentum with its own climate response. The IP will be reviewed annually and form part of the current annual reporting commitments, detailed service delivery plans for the specific projects will sit underneath

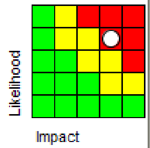
				Further, whilst the Council's own emissions only contribute to 5% of the Borough's emissions. However, the Council must continue to lead by example, and is therefore rejoining the UK100 network of Councils, committing us to reaching net zero emissions by 2030 across key functions. The Council's ability to deliver capital and resource intensive actions within the implementation plan is largely contingent on the impact of recent economic shocks in the UK and beyond. These are likely to have a bearing on the capacity of the Council to deliver our climate responses in the short and medium term; particularly if there is a reinvigorated period of public sector austerity.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0039a Councillors have approved motion committing to a series of actions	Council commitment: - To tell the truth about the climate emergency we face, and pursue its declaration of a climate emergency with the utmost seriousness and urgency. - Pledge to do everything within the Council's power to deliver against the stretching targets set by the IPCC'S October 2018 1.50C Report, across the local authority's full range of functions, including a 45% reduction in emissions against 2010 levels by 2030 and net zero emissions by 2040, and seeking opportunities to make a greater contribution. - Call on the UK Government to provide powers and resources to make the 2030 and 2040 targets possible. - Actively campaign to change national policy where failure to tackle the challenge of heating our homes without fossil fuels, fossil fuel subsidies, insufficient carbon taxation, road-building, and airports expansion, for example, has actively undermined decarbonisation and promoted unsustainable growth. - Support the campaign to create a just transition for workers and users and be part of the creation nationally of a million public sector climate jobs with particular reference to extending sustainable accessible and integrated public transport, retrofitting housing stock, energy democracy, heating and cooling from renewable energy and eco build, food and waste. - Involve, support and enable residents, businesses and community groups to accelerate the shift to a zero carbon world, working closely with them to establish and implement successful policies, approaches and technologies that reduce emissions across our economy while also improving the health and wellbeing of our citizens. - Produce an annual update to Full Council on the progress made against the Council's decarbonisation commitments, and conduct an annual Citizens Assembly comprised of a representative group of local residents to allow for effective public scrutiny the Council's progress and to explore solutions to the challenges posed by global warming.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Aled Richards	Ongoing	Nov 2022 - these are ongoing commitments but essential to adhere to in order to comply with ambitious targets. The Council are resolved to follow this. From a political level, these actions are being strongly supported by Members. An annual report on the progress on decarbonisation was considered by Council in July. Throughout 2021/22 there have been presentations to Scrutiny Commissions to outline the work to respond to the Commitment and the development of the CAP, and these are continuing throughout 2022/23.

	- Work with other local governments (both within the UK and internationally) to determine and implement best practice methods to limit Global Warming to less				
SRCR 0039b Hackney Light and Power.	Hackney Light and Power has been created to support the Council to meet declared target and become zero-net carbon borough by 2040. HLP is an energy services arm of the Council which is still looking at options for operating as a separate entity. To maximise carbon emission reduction the energy services arm will: deliver the Green Homes Program – the first borough wide thermal efficiency housing program in London support the installation of innovating renewable heating measure support the rolling out of electric vehicle charging points supply the grid with green energy reduce fuel poverty improve residents' health and well being promote an inclusive economy and contribute to the nationwide green agenda help make Hackney a sustainable, green borough	Corporate Directors		Ongoing	Hackney Light and Power was officially unveiled as a publicly-owned energy services arm of the Council on November 1st (2019). From the off, the primary objective of the energy arm is to help deliver the ambitious decarbonisation pledges included in its climate emergency motion. At the launch of this, HLP confirmed it had already delivered 50% renewable electricity for the Council and many local schools' needs on 1 April, and would switch to 100% in 2020. The clear aim was to establish a publicly-owned clean energy company that will turn Hackney into a renewables power station; rapidly decarbonising the Council fleet of vehicles and addressing land transport sector emissions and decarbonising the built environment through changes to the planning system. The Council is investing extensively in green infrastructure to derive a wide variety of environmental benefits, from cooler streets to enhanced biodiversity; creating a model for drastically limiting the use of petrochemical plastics; and investing heavily in waste service to reduce resource consumption and increase recycling.
SRCR 0039c Communication	Communication is key, with the Council getting the correct message out both internally and externally	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Polly Cziok		Nov 2022 - There has already been lots of coverage in local papers and online about Hackney's progress. During the pandemic, there has been the opportunity to close roads and convert more space for cyclists and pedestrians.
SRCR 0039d Cross Council involvement at all levels	Across all Divisions / services, any service plans or overall strategic documents need to pick up on this ongoing challenge and commitment. Any new projects / directives / initiatives need to consider climate change and our approach to it, in determining how to carry out work. Evidence of this happened can be seen within the Fleet services and the ongoing work with the NLWA.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Aled Richards	Ongoing	Nov 2022 - This will become embedded as part of standard processes in the future. The Environmental Sustainability Board is meeting regularly to support the Council's approach here.
SRCR 0039e North London Waste Authority	Hackney is a part of a seven borough partnership with the NLWA, who are currently procuring a large infrastructure project (North London Heat & Power Project) to deliver new facilities to manage waste and recycling from the constituent boroughs. An experienced Programme Director has been appointed by NLWA.	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland;	Aled Richards; Sam Kirk	Ongoing	**Nov 2022** - control in place and ongoing, and Lead Member for Environment and Transport now the Vice Chair of NLWA.

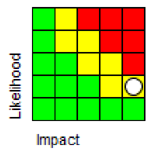
(NLWA) Partnership	Also, lead Member and Key Officer Groups, continue to manage Hackney's engagement with NLWA on the development of new facilities, recycling performance, waste prevention and operations' matters. A Programme Committee made up of members of each of the boroughs has been established to focus on the implementation of the North London Heat & Power Project. This is a decision-making Committee and is in addition to the various Steering Groups and Partnership Boards which Lead Members and Key Officers attend. The Vice Chair of the NLWA is Hackney's current Cabinet Member for Finance and Housing Needs, which ensures the Borough is directly involved in the leadership of the partnership. NLWA, with the boroughs, is undertaking a piece of work to produce a best estimated long term levy tonnage forecast, to establish likely levy costs for boroughs. Officers will review the current recycling service to ensure that it provides the best solution on the basis of technical, economic, environmental and practical factors Hackney's partners in NLWA (Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest) work together to deliver services for over two million residents that live in the NLWA area. NLWA is responsible for helping the seven north London boroughs dispose of the 850,000 tonnes of waste they collect every year.	Rickardo Hyatt			
SRCR 0039f Restricting residual waste	In May 2020 Cabinet agreed to introduce fortnightly collections for residual waste for Hackney street properties. The drivers for this are not only to improve recycling performance and reduce the amount of residual waste being incinerated. This will help insulate the Council against the expected rise in residual waste disposal costs in the medium to long term. Further, and most importantly, by structurally reducing the amount of black bag waste sent for incineration we can eliminate the associated carbon dioxide emissions, reducing the carbon intensity of Hackney's waste system. Residual waste restriction will play an important role in helping the Council achieve the highly ambitious decarbonisation targets set out in the climate emergency motion passed at Full Council, June 2019. The expected outcomes of introducing fortnightly collections of residual waste include: • Reduction of approx. 4,400 tonnes of street level black bag waste being incinerated against current levels by 2022, which is a 21% reduction of waste per household; • Reduction in disposal costs of £246k per annum (based on current tonnage and levy charges) by 2022. The scope to increase disposal savings will increase proportionately with the levy charge;	Mark Carroll; Ian Williams; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Aled Richards; Sam Kirk	30 June 2023	**November 2022** This service is now business as usual. The recycling rate improved last year after the introduction of fortnightly waste collections, and reached a high of 31% but the end of year out turn was 29%. Reductions in recycling rates have been seen across North London boroughs, likely reasons due to light weighting of packaging, consumer choices, in part due to cost of living crisis, and the impact of a very dry summer. The Reduction & Recycling Plan has been sent to GLA for approval, it contains recycling rate forecasts and a list of actions to reduce waste and increase recycling in the borough for the next three years

	• Increase in recycling rate to 31% by 2022/23. This will see Hackney move from position 8 of 13 inner London borough's recycling rates to 4th (based on current data); • Reduction in emissions associated with incinerating black bag waste, contributing to achieving the 45% reduction in emissions against 2010 levels by 2030 and net zero by 2040. Using Zero Waste Scotland's Carbon Metric Publications, directing 4,400 tonnes of black bag waste to recycling/composting, shows a benefit of -661 to -610kg C02eq per tonne of material recycled/composted. This would indicate a potential benefit of around 2,910 to 2,680tonnes C02eq savings.				

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. 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.	Finance & Corporate Resources		**November 2022 -** 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 its inclusion again. There are also similar pressures in other areas such as social work,highway engineers, school nurses and auditors.

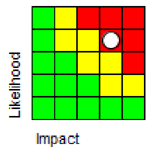
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0043a Recruitment and Retention (ICT)	The ICT service will work with HR / OD to carry out the following suggested mitigations: - review recruitment strategy and identify other measures which 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	Ian Williams	Rob Miller		**November 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).

	- review career development paths within the service and also ensure that apprenticeships / graduate trainee opportunities are being used effectively to develop internal talent.			31-March -2023	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	**November 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 - 0044 Major Power Outage	A serious power outage has the ability to severely disrupt all critical systems, resulting in greater consequences than typical utilities failures. The overall impact of this for the Council could be extremely severe with a potential loss of essential services, particularly transport, food, water, fuel, gas, security (CCTV), finance, communications and education. These losses of services could cause local people serious physical and psychological issues - particularly in winter (attempting to keep warm) and especially for the more vulnerable members of the community. Additionally economic damage would also occur, particularly to business. The Council would find it extremely difficult to carry out even a threadbare version of its key services, and with anything longer than a short term outage, the risks and impacts would intensify massively. Hackney Council has identified two specific risks within	**ALL**		**NEW RISK - November 2022.** The likelihood for this risk is comparatively low, although there are precedents of similar problems elsewhere in the world. The potential impact is sufficiently high however for this to be considered as a Corporate risk for Hackney. Also with the current energy crisis, international conflicts, increased usage and ongoing climate change, the external environment is more tumultuous than before. Clearly the short term regional outages would be more likely than the entire failure of the grid. On 1 December 2019, 8,000 homes in Falkirk, Scotland were left without gas for heating, cooking and hot water due to a system failure. The outage forced the closure of many schools the following day. The majority of properties were reconnected within 48 hours. The UK has never experienced an electricity failure affecting an entire region or the country as a whole. However, similar events have occurred internationally. In 2019, tens of millions of people in Argentina, Uruguay and Chile were left without power following a failure in the electricity system. As of October 2022, it was reported The UK is facing "a significant risk" of gas shortages this winter, according to the industry regulator, which could impact electricity supplies. Ofgem said due to Russia's war with Ukraine, there is a possibility the UK could enter a "gas supply emergency". This would lead to

	this broader area. The first relates to a more regional outage where the Borough would suffer (pre planned) 3 hour postcode outages. This would be more easily survivable than the risk of an (up to) 7 days entire failure of the national grid, most likely after a winter storm, or during a cold snap. If this did occur, the impact on the Council would be extremely serious and incredibly challenging to manage. Disruption to service delivery would be extremely serious.			supplies being cut to power stations which use gas to generate the country's electricity. It places firms at risk of running out of money because of huge charges they pay if they cannot deliver electricity. Ofgem said: "Due to the war in Ukraine and gas shortages in Europe, there is a significant risk that gas shortages could occur during the winter 2022-23 in Great Britain. As a result, there is a possibility that Great Britain could enter into a gas supply emergency." Tentative plans for 3 hour blackouts have been revealed within government documents, although this planning is speculative at this stage. The fact it is being seriously thought about suggests it is possible.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0044a	- Exercise Electric Lemur held in December 2021 that tested and explored our multi-agency response to a national power outage - A local Multi-Agency Power & Communications Outage plan is being developed (due for sign off 07th December 2022). Lots of communication and planning with multi agency partners is taking place. - Additional backup generators have been acquired, along with other useful resources. - A 24hr load test of back up power arrangements has been tested at Stoke Newington Town Hall. Also a 6 hour power backup load testing is planned for Hackney Town Hall and Hackney Service Centre. - Work has commenced at providing backup power to Millfields bunkered fuel stocks - Issue - work has currently stalled due to asbestos issues. - Need identified to test HTH and HSC backup power, however no date yet set for a load test. - Strategically located power resilient rest centres have been identified - however the greenlight to proceed with works to make these sites power resilient has yet to commence. - 3 key things message being developed for all staff, to help them remember what to do in the event of a prolonged power outage - Scoping is underway to exercise all out of hours and 'P1' council services business continuity to a 3 hour power outage.	Mark Carroll, Rickardo Hyatt, Ian Williams, Helen Woodland, Jacquie Burke	James Groom	31/3/2023	Most of these controls are in place to mitigate any potential impact, and managed within Hackney by the Emergency Planning & Response team.
SRCR 0044b	For either of these risks becoming a reality, reference to Business Continuity Plans would be an important response. Across the organisation, the cast majority of BCPs are up to date, with an ongoing / rolling programme of reviews taking place amongst Services. A separate testing and maintenance regime should also be in place across the Council to provide assurance that methods to assist mitigate this risk are fit for purpose.	Mark Carroll, Rickardo Hyatt, Ian Williams, Helen Woodland, Jacquie Burke	David Blair-Reid	31/3/2023	The BCPs are constantly being assessed and updated depending where they stand in the review cycle.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0045 NEW RISK Reduction of the use of residential placements ***EXTERNAL / INTERNAL RISK CURRENT RISK***	The main areas of pressure for Children and Family Services continue to be on looked-after children (LAC) and leaving care (LC) placements costs. Corporate Parenting is forecast to overspend by £1.3m after the use of £2m commissioning reserves, largely driven by a change in the profile of placements linked to the complexity of care for children and young people coming into the service. There are also more children within high cost bespoke packages than in previous years and this has caused upward pressure on cost for the service this financial year. At the start of this financial year we have seen a reduction in the use of residential placements however the placement costs are increasing in residential care and semi-independent placements due to care providers being faced with the challenges of rising inflation and the cost of living crisis. The risk relates to the increasing financial pressures this is placing on the Council.	Children and Education		**NEW RISK December 2022 -** One of the main risks for the directorate is the cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years. This risk is a new escalation to the Corporate register in Dec 2022 - a reflection of the intense pressures the economy is placing on Services.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0043a Reduction of the use of residential placements	Management actions of £1.5m have been identified and these are factored into the forecast when delivered. These include reductions in the number of residential placements . A forensic review of the top 20 high cost placements; As part of the forensic analysis of residential placements, the service is targeting a reduction of five residential placements (costing on average £200k per annum, per placement).	Jacquie Burke	Diane Benjamin	31/3/23	**December 2022 -** These controls will be assessed throughout 2023.

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Title of Report	**AUDIT AND ANTI-FRAUD PROGRESS REPORT TO DECEMBER 2022**
For Consideration By	**Audit Committee**
Meeting Date	**18 January 2023**
Classification	**Open**
Ward(s) Affected	**All**
Group Director	**Ian Williams** **Group Director of Finance & Corporate Resources**

1. INTRODUCTION

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 31 December 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 December 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 October 2022 to December 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	£698,400
No Recourse to Public Funds	£464,123
Blue Badge/Parking	£6,365
Other investigations	£20,000
Total	£1,188,888

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 31 December 2022
Appendix 2 - Progress with planned audits 2022/23
Appendix 3 - Definitions of audit assurance levels
Appendix 4 - Audit Investigation Service statistics to 31 December 2022

BACKGROUND DOCUMENTS

None

Report Author	Michael Sheffield Corporate Head of Audit, Anti-Fraud & Risk Management michael.sheffield@hackney.gov.uk 0208 356 2505
Comments for the Group Director of Finance and Corporate Resources prepared by	Jackie Moylan Director, Financial Management Jackie.moylan@hackney.gov.uk 0208 356 3032
Comments for the Director of Legal, Democratic and Electoral Services prepared by	Dawn Carter-McDonald Director, Legal & Governance Dawn.carter-mcDonald@hackney.gov.uk 0208 356 4817

Audit & Anti-Fraud Progress Report

1 April 2022 - 31 December 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 December 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 contributes toward meeting these requirements.

2. INTERNAL AUDIT RESOURCES AVAILABLE

2.1 The Internal Audit function is an in-house service 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 The Internal Audit Team is fully staffed, including one post that is being covered by an agency worker. Permanent staffing arrangements are being introduced following the recent restructure. 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), 11 audits have been postponed, cancelled or combined, and four have been 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) 67% complete or in progress by 31 December 2022 2) 5 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) 87% - fully implemented** 11% - partially implemented
Client Satisfaction	1) Results of Post Audit Questionnaires	1) Responses meeting or	1) 81%

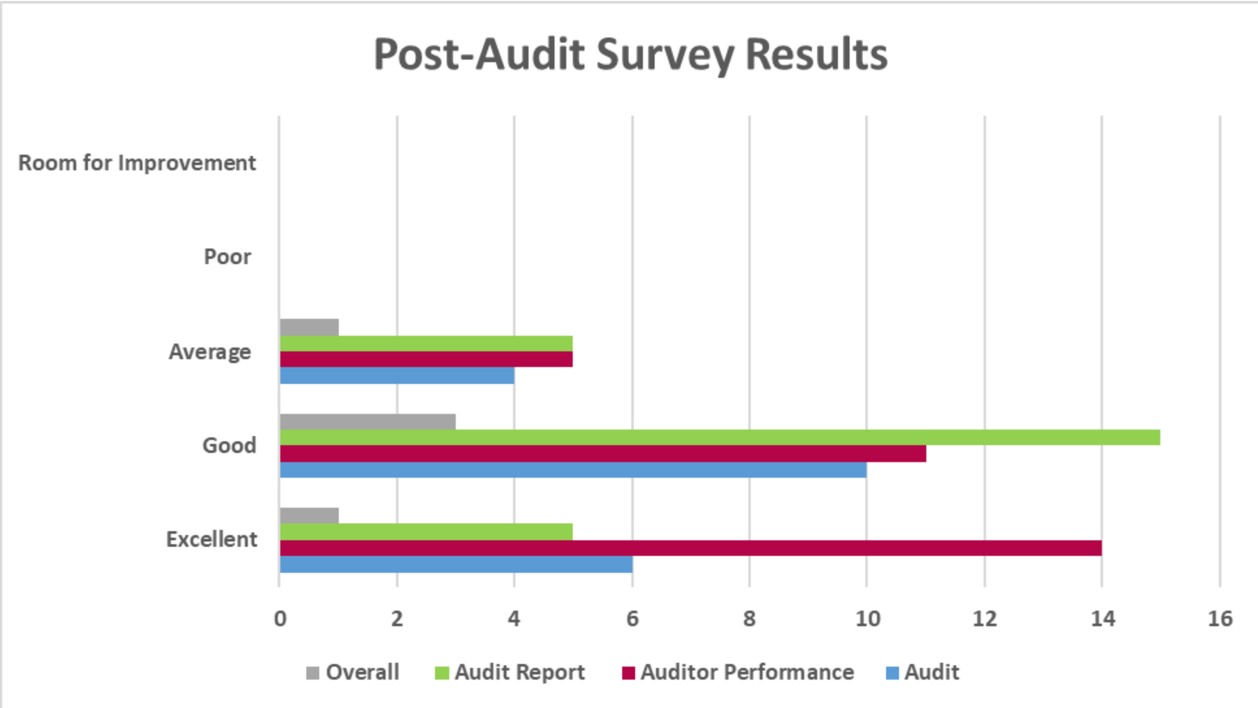
To ensure that clients are satisfied with the service and consider it to be good quality	2) Results of other Questionnaires 3) No. of Complaints / Compliments	exceeding expectations 2) Satisfactory 3) Actual numbers reported	(32% exceeded expectations or excellent) 2) N/A 3) None

** See paragraph 6.2 for explanation

Table 1

3.2 As at 31 December 2022 a total of 20 internal audit reviews have been started from the 2022/23 Plan, 13 have been completed and a further two 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 2022 to date continue to show that overall expectations of auditees are met or exceeded with 32% 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	13	25
Fieldwork in progress	7	13
Draft report issued	2	4
Completed	13	25
Total work completed and in progress	**35**	**67%**
Original Plan	59	
Additional requests	4	
Cancelled or Postponed	11	
Total Revised Plan	**52**	

Table 2

4.2 The table shows 67% of the planned assignments have been completed or are in progress.

4.3 Details of changes to the original audit plan are shown in Table 3 below.

Cancelled or postponed reviews	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)
Safeguarding Adults	Due to Restructure/new interim HoS
Public Health CYP Commissioning	Management Request due to resource capacity
Schools overview report 2019/20	Management Request/Team Restructure
Freedom of Information	Management Request/Team Restructure
Rent Arrears - Incl. Effect of UC on Tenant Arrears	Management Request
Regeneration Processes & Procedures	Scope covered in two other audits.
Additional reviews	**Reason for Addition**
Accounts Payable	Management request - efficient to review at the same time as another audit
Betty Layward school	Management Request
Clapton Girls Academy	Management Request
Public Health CYP Commissioning	Management Request

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	4	8
Significant	9	4
Not Applicable	0	1
Total	**13**	**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 31 December 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.	46	48
	Total	**46**	**56**

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 31 December 2022, five 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 31 December 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	56	6	2	1	64
Finance & Corporate Resources	17	2	0	0	19
Chief Executive's	1	0	0	0	1
Corporate	0	1	0	0	1
Total number	85	11	2	2	98
Percentage (%)*	87%	11%	2%	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 98 'High' priority recommendations, the implementation rate currently stands at 87% fully implemented, with a further 11% partially implemented.

6.3 Of the 374 'Medium' priority recommendations followed up 89% were assessed as implemented and 5% 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	40	0	0	1	40
Children & Education	28	2	1	0	31
Climate, Homes & Economy	120	5	14	8	139
Finance & Corporate Resources	112	4	5	17	121
Chief Executive's	20	1	0	0	21
Corporate	15	6	1	1	22
Total number	335	18	21	27	374
Percentage (%)	89%	5%	6%	n/a	100%

* Does not include "Not Yet Due"

Table 7

6.4 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	191	6	24	0	221
Total Number	229	7	25	0	261
Percentage (%)	88%	2%	10%	n/a	100%

* Does not include "Not Yet Due"

Table 8

7. DEVELOPMENTS WITHIN INTERNAL AUDIT

7.1 The Audit & Anti Fraud Service, 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 is lessening. 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 in addition to a lack of resources in some service areas due to organisational restructures there have been various reviews across the Council that have needed to be deferred.

The Audit & Anti Fraud Service was recently restructured which has resulted in changes to the roles of some of the auditors. During this process one post remained vacant but has been covered by agency staff since June 2022. It is anticipated that all vacant posts that have occurred as a result of the restructuring will be filled in the coming months. Our resources are focussing on the areas necessary to provide evidence to support the Head of Internal Audit's annual assurance statement.

7.2 The delivery of the planned ICT audits continues to be significantly hindered by both the service's response to the Covid-19 pandemic and the cyber attack in October 2020. There have also been ongoing resource issues within ICT that are hampering the completion of these reviews. We are continuously in discussions with senior management to improve the likelihood that these 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 is now responsible for all investigations, including Tenancy Fraud enquiries. They are supported by two Team Leaders with particular responsibilities for Housing and Proactive investigations. The new structure was implemented on 7 November 2022.

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 31 December 2022 (including 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	3	**Significant**	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				Q4
2223LBH04	Organisational Culture				Q4
Chief Executive's					
2223CEX01	Council Meetings - Governance				Deferred IA Capacity
Adults, Health & Integration					
Adult Services/Public Health					
2223AHI01	Mortuary				ToR
2223AHI02	Integrated Learning Disabilities Service (ILDS)				Q4
2223AHI03	Commissioned Services - Sexual Health Services	0	2	**Significant**	Completed
2223AHI04	Safeguarding Adults				Deferred to 2023/24 - mgmt request
2223AHI05	Procurement of Homecare				Deferred to 2023/24 - mgmt request
Children & Education					
Children & Families					
2223CE01	LAC Incidentals				Q4
2223CE02	Local Safeguarding Children's Partnership	0	1	**Significant**	Final
2223CE03	NRPF				WiP
2223CE04	Development of Children & Family Hubs (Advisory)				Q4
2223CE05	Joint Agency Funding - Children with Complex				Q4

	Needs				
Education & Schools					
2223CE06	Schools overview report 2019/20				Deferred to 2023/24 - mgmt request
2223CE07	Cost of Children in Alternative Provision				ToR
Schools					
Children's Centres					
2223SCH04	Millfields CC				see 2223SCH04
Primary Schools					
2223SCH01	Harrington Hill Primary				Q4
2223SCH02	Holmleigh Primary				ToR
2223SCH03	London Fields Primary				ToR
2223SCH04	Millfields Primary				ToR
2223SCH05	Nightingale Primary	0	3	**Significant**	Final
2223SCH10	Betty Layward				Draft
2223SCH11	Oldhill Primary	0	6	**Reasonable**	Final
Secondary Schools					
2223SCH06	Stoke Newington Secondary				ToR
2223SCH07	Haggerston Secondary				ToR
2223SCH08	Stormont House				ToR
2223SCH09	Clapton Girls Academy	0	3	**Significant**	Final
FINANCE & CORPORATE RESOURCES					
Financial Management					
2223FCR01	Banking Team - Refunds of Income	0	3	**Significant**	Final
2223FCR02	Treasury Management				Draft
2223FCR03	Main Accounting System	0	8	**Reasonable**	Final
2223FCR04	Accounts Receivable	0	5	**Reasonable**	Final
2223FCR05	Pensions				WiP
2223FCR12	Accounts Payable	0	3	**Significant**	WiP
Human Resources					

2223FCR06	Matrix ICT Contract (Digital market place)				Deferred to 2023/24 - mgmt request
Procurement					
2223FCR07	Supplier Set-up on Cedar	0	3	**Significant**	Final
2223FCR08	IR35 Follow up	0	0	**Significant**	Final
Revenues & Benefits					
2223FCR09	Council Tax				WiP
2223FCR10	NNDR/Business Rates				WiP
Strategic Property					
2223FCR11	Commercial Property Income				ToR
ICT					
2223ICT01	3 year ANA				Q4
2223ICT02	ICT Governance				ToR
2223ICT03	ICT Security				ToR
2223ICT04	Home Working Support				WiP
2223ICT05	Cloud Platform				ToR
2223ICT06	FOI				Deferred to 2023/24 - mgmt request
2223ICT07	Follow-up of Recommendations				Q4
Climate, Homes & Economy					
Housing					
2223CHE01	Cranston TMO				Q4
2223CHE02	Clapton Park TMO - Follow Up				Q4
2223CHE03	Streetscene				Deferred to 2023/24 - mgmt request
2223CHE04	Fire Safety Risks				WiP
2223CHE05	Rent Arrears - Incl. Effect of UC on Tenant Arrears				Deferred to 2023/24 - mgmt request
2223CHE06	Repairs Blacklog				Draft
2223CHE07	Assurance on New Systems, Repairs,				Q4

	Asset Management & Community Safety				
Public Realm					
2223CHE08	Use of Infrastructure Levy/Section 106				WiP
2223CHE09	LTN Process				ToR
Regeneration					
2223CHE10	Housing Supply Programme	0	8	**Reasonable**	Final
22223CHE11	Area Regeneration	0	1	**Significant**	WiP
2223CHE12	Processes & Procedures				Deferred to 2023/24 - mgmt request

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 371 referrals to date during 2022/23, which represents a small increase on the rate of referrals in 2021/22.

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	2	0	10	21	12
	Tenancy Fraud	66	74	388	213	232
	Parking	61	22	59	99	157
Children's & Education	Children's	2	0	2	5	0
	No Recourse to Public Funds (NRPF)	36	26	34	22	44
	Hackney Education	2	0	2	0	0
Adults, Health & Integration	Adults, Health & Integration	0	0	2	4	3
Finance & Corporate Resources (F&CR)	Finance & Resources	2	1	5	4	6
	Covid19 Business Grants	2	0	2	2	0
Chief Executive's Directorate	Chief Executive's Directorate	0	0	0	1	1
Total		173	123	504	371	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. AAF no longer provides a dedicated service to DWP to support their investigations, but an alternative mechanism has been made available to DWP which does not have a resource cost for Hackney.

Source	Number of Cases Referred in period	Number of Cases Closed in period	Cases Currently Under Investigation	2022/23	2021/22
Internal	5	5	0	13	92
Other Local Authority / Housing Association	25	25	0	28	95
HMRC	0	0	0	2	3
Police	7	7	0	10	17
Immigration	0	0	0	2	1
DWP	0	0	0	3	230
Other	5	5	0	3	54
Total	42	42	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	40	252	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	59	46	714
Other	n/a	n/a	n/a	15
Total	10689	356	401	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 is in progress 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	1	1	2
Resigned as a result of the investigation	1	2	2
Referred to Police or other external body	0	3	7
Prosecution	3	3	0
Referred to Legal Services	3	6	0
Investigation Report/ Management Letter issued	2	6	9
Council service or discount cancelled	23	57	37
Covid business grants cancelled	1	2	4
Blue Badges recovered	26	56	97
Other fraudulent parking permit recovered	2	7	4
Parking misuse warnings issued	17	48	23
Penalty Charge Notice (PCN) issued	21	70	108
Vehicle removed for parking fraud	12	39	82
Recovery of tenancy	11	38	34
Housing application cancelled or downgraded	1	2	5
Right to Buy application withdrawn or cancelled	2	9	3

Table 4

Prosecutions and dismissals
As a result of investigations conducted by the Audit Investigation Team (AIT), one employee left while an investigation was still active concerning an allegation that they had misused a Blue Badge.

Three people were prosecuted for using Blue Badges which had been reported as stolen by the badge holder.

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 October to December 2022 a total of 11 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 £462,000.

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 at least £4,000.

During this period two 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 £232,400 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 October to December 2022, 23 support packages were cancelled or refused following AAF investigations. This equates to a saving in the region of £8,901 per week, if these had been paid for the full financial year it would have cost Hackney approximately £464,123

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 26 Blue Badges or other parking permits, which equates to £2,600, and enforcement charges of £3,765 also arose. Court costs and fines in respect of the three prosecution cases totalled £2,823.

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. Two grant overpayments of £10,000 each (total of £20,000) were 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	0	3	4
Restraint	0	0	0
Compensation	0	0	0
Confiscation	0	0	0
Total	0	3	4

Table 5

It is likely that approximately £2,600 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.

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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) (Cancelled)		

	18 January 2023	Decision	Group Director & Lead Officer
1	ANNUAL ACCOUNTS 2021/22	To approve the annual accounts	Ian Williams (Jackie Moylan)
2.	FINANCE UPDATE	For information and comment	Ian Williams
3.	PERFORMANCE REVIEW REPORT	For information and comment	Bruce Devile Matthew Powell
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.	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.	DIRECTORATE RISK REGISTER REVIEW – Climate, Home and Economy	For information and comment	Rickardo Hyatt
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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