AUDIT COMMITTEE

Tuesday, 26 September 2023 at 6.30 pm
The Council Chamber, Hackney Town Hall, Mare Street, London, E8 1EA

Live stream link: https://youtube.com/live/H3I4MeGQDW8
Back up link: https://youtube.com/live/wSxWNskJbFI

Members of the Committee:

Councillor Anna Lynch (Chair)
Councillor Sharon Patrick (Vice-Chair)
Councillor Sophie Conway,
Councillor Zoe Garbett
Councillor Margaret Gordon
Councillor Shaul Krautwirt
Councillor Lee Laudat-Scott
Councillor Yvonne Maxwell
Councillor Caroline Selman
Councillor Gilbert Smyth

Dawn Carter-McDonald
Interim Chief Executive
Published on: Monday, 18 September 2023
www.hackney.gov.uk

Contact: Mark Agnew
Governance Officer
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Hackney

Audit Committee
Tuesday, 26 September 2023
Order of Business

Public Attendance

The Town Hall is open. Information on forthcoming Council meetings can be obtained from the Town Hall Reception.

Members of the public and representatives of the press are entitled to attend Council meetings and remain and hear discussions on matters within the public part of the meeting. They are not, however, entitled to participate in any discussions. Council meetings can also be observed via the live-stream facility, the link for which appears on the agenda front sheet of each committee meeting.

On occasions part of the meeting may be held in private and will not be open to the public. This is if an item being considered is likely to lead to the disclosure of exempt or confidential information in accordance with Schedule 12A of the Local Government Act 1972 (as amended). Reasons for exemption will be specified for each respective agenda item.

For further information, including public participation, please visit our website https://hackney.gov.uk/menu#get-involved-council-decisions or contact: governance@hackney.gov.uk

Rights of Press and Public to Report on Meetings

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

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

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

respect the wishes of those who do not wish to be filmed or photographed. Failure to respect the wishes of those who do not want to be filmed and photographed may result in the Chair instructing you to cease reporting or recording and you may potentially be excluded from the meeting if you fail to comply;

- Any person whose behaviour threatens to disrupt orderly conduct will be asked to leave;
- Be aware that libellous comments against the council, individual Councillors or officers could result in legal action being taken against you;
- The recorded images must not be edited in a way in which there is a clear aim to distort the truth or misrepresent those taking part in the proceedings;
- Personal attacks of any kind or offensive comments that target or disparage any ethnic, racial, age, religion, gender, sexual orientation or disability status could also result in legal action being taken against you.

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

Advice to Members on Declaring Interests

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

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

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

Disclosable Pecuniary Interests (DPIs)

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

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

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

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

You **must not:**

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

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

Other Registrable Interests

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

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

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

Disclosure of Other Interests

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

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

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

Title of Report	Auditor's Annual Report 2020-21
For Consideration By	Audit Committee
Meeting Date	26 September 2023
Classification	Open
Wards Affected	All
Group Director	Jackie Moylan Group Director of Finance

1. Introduction

1.1 The Auditor's Annual Report (AAR) provides a comprehensive overview of our audit activities conducted for the London Borough of Hackney ('the Council') during the 2020/21 financial year.

2. Recommendation

2.1 The Audit Committee is recommended to note the contents of the reports.

3. Reasons for decision

3.1 The external auditors are required to report to "those charged with governance" any matters arising from the annual audit of the Council's Financial Statements and those of the authority's Pension Fund.

4. Background

Policy context

4.1 The Auditor's Annual Report (AAR) discharges the external auditor's responsibility under the International Standards of Auditing (ISA) (UK & Ireland) 260, communication of audit matters with those charged with governance.

Equality impact assessment

4.3 For 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 (see appendix 1).

5. Auditor's Annual Report 2020/21

5.1 The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. The auditors do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. The auditors audit report, issued on 13 July 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

5.2 The auditors' work on the Value for Money (VFM) arrangements have concluded and there are no significant weaknesses or risks have been identified (see appendix 1, section 3 for further details).

5.3 The NAO's WGA group audit team has officially confirmed that they do not require any additional work or submissions from component auditors regarding the WGA returns for the financial year 2020-21 fiscal year. In light of this, our auditors have issued the audit certificate for the 2020/21 accounts audit (see appendix 2), marking the conclusion of 2020/21 audit year.

5.4 The total audit fee for 2020/21 is £229.6k for the Council and £22.7k for the Pension Fund. Fees for other assurance works currently total £7.7k. However, this subject to change as the Housing Benefits Subsidy Assurance work is outstanding due to the cyber attack and discussion ongoing with the DWP.

5.5 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

6.1 We are delighted to announce the successful conclusion of the 2020/21 audit, which has resulted in an unqualified audit opinion. It's important to underscore that the delay in the audit process was not within our control but rather a consequence of a nationwide issue related to infrastructure assets. This widespread concern has resulted in delays in external audits nationwide.

6.2 I am pleased to acknowledge the ongoing positive working relationship maintained with both the auditors and the Council's officers. I want to express my gratitude to the auditors for their collaborative efforts with my team. 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 Acting 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 financial 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

Appendix 1 - LB Hackney 2020-21 Mazars Auditor's Annual Report
Appendix 2 - LB Hackney 2020-21 Mazars Audit Certificate

Background documents

None

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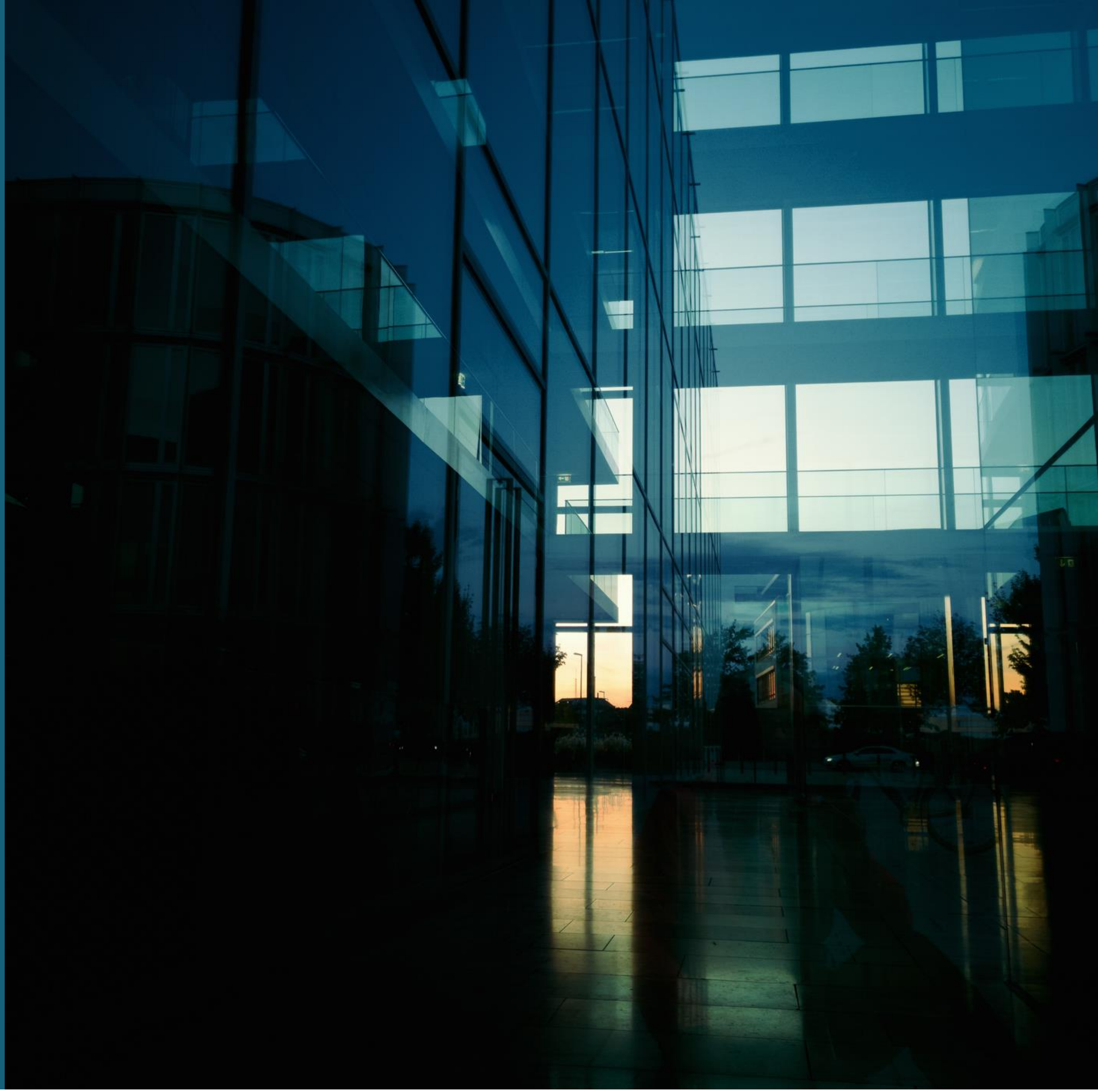
Auditor’s Annual Report

London Borough of Hackney – year ended 31 March 2021

July 2023



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Contents

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01:

Introduction

1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for London Borough of Hackney (‘the Council’) for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements

We issued our audit report on 13 July 2023 . Our opinion on the financial statements was unqualified.

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Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council’s arrangements.

Wider reporting responsibilities

We are awaiting the NAO confirmation on selection of sample components for review before we are able to complete our work on the Council’s Whole of Government Accounts return.

The NAO has yet to select its sample of non-material components for testing as part of the 2020/21 review. As such we are unable to complete our reporting.

Audit certificate

Following the completion of our work we normally issue our audit certificate to formally close the 2020/21 financial year audit. At this stage we are unable to certify completion of the 2020/21 audit due to the delay to the WGA completion.

02

Section 02:

Audit of the financial statements

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2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 13 July 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Qualitative aspects of the Council's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances. The accounts have been prepared on the correct (continued provision of service) going concern basis.

Draft accounts were provided by the authority on 6th December 2021 and were of a good quality. Supporting working papers were made available prior to the commencement of the audit. Staff members were timely and extremely thorough in response to evidence requests and audit enquiries.

Significant matters discussed with management

We have discussed the following significant matters with management:

- The continued impact of the cyber attack suffered by the council on its operations and ability to provide support for figures within the financial statements.
- Amendment to the Council's prior year Cash Flow Statement and disclosures to adjust for an item incorrectly recorded within the 2019/20 financial statements
- The impact of Covid-19 on the council and the associated impacts this may have on the risks of material misstatement to the valuation of property, plat and equipment, the assessed provision for expected credit losses and the potential overall impact on the council's financial position.
- Going concern and the basis of management's assessment of its current position. We have reviewed management's initial assessment and considered this against budget forecasts and Cabinet finance papers to support the judgement.

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

2. Audit of the financial statements

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Retention of HR documentation - Level 3

Description of deficiency

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

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Potential effects

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

Recommendation

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

Management response

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

03

Section 03:

Commentary on VFM arrangements

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

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

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	**10**	No	No
Governance	**13**	No	No
Improving economy, efficiency and effectiveness	**16**	No	No

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

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

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.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

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 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.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

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.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

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 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

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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 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.

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

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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 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.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

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 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

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

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 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.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

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 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.

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data.

For 2020/21 the NAO has yet to select its sample of non-material components for testing as part of the 2020/21 review. As such we are unable to complete our reporting.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in January 2022. Having completed our work for the 2020/21 financial year, we have agreed final fees with the Group Director of Finance and Corporate Resources:

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£174,266	£174,266
Additional fees in respect of the Cyber Attack review	£10,815	n/a
Additional fees in respect of the new VFM approach	-	£15,000
Additional fees in respect of changes in scope (including additional work on PPE valuation, IAS19, Going concern)	£15,603	£19,000
Additional fees in respect of the required audit of Group accounts and associated disclosures	£5,082	£5,300
Additional fees in respect of additional risks	-	£10,500
Total fees	**£206,616**	**£229,616**

Fees for other work

For the Pension Fund, in addition to the £16,170 scale fee we have agreed additional fees of £4,000 to audit the risks around level 3 investments and £2,500 for providing assurances to the Council auditor on IAS19. In 2020/21 the Council has engaged Mazars for the following audit-related assurance reviews:

- Housing Benefits Subsidy Assurance: £TBC (work remains to be agreed as a result of the impact of the cyber attack)
- Teachers' Pensions Return Assurance: £3,600
- Pooled Capital Housing Capital Receipts Return Assurance: £4,100

Suresh Patel, Partner

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Audit Completion Certificate issued to the Audit Committee of the London Borough of Hackney for the year ended 31 March 2021

In our auditor's report dated 13 July 2023, we explained that the audit could not be formally concluded until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

The NAO have now confirmed that no further work is required on the Council's Whole of Government Accounts consolidation pack and this work has therefore been completed.

No matters have come to our attention since 13 July 2023 that would have a material impact on the financial statements on which we gave our opinion.

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

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

We have nothing to report in this respect.

Certificate

We certify that we have completed the audit of the London Borough of Hackney for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

S Patel

Suresh Patel,
For and on behalf of Mazars LLP

30 Old Bailey
London
EC4M 7AU

26 July 2023

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Title of Report	External Audit Completion Report 2021/22
For Consideration By	Audit Committee
Meeting Date	26 September 2023
Classification	Open
Wards Affected	All
Group Director	Jackie Moylan Group Director of Finance

1. **Introduction**

1.1 The audit progress report for the financial year 2021/22, provided by the Council's external auditors, presents a comprehensive overview of the audit status for the financial statements of the Council and Pension Fund.

2. **Recommendation**

2.1 The Audit Committee is recommended to note the contents of the reports.

3. **Reasons for decision**

3.1 The external auditors are required to report to "those charged with governance" any matters arising from the annual audit of the Council's Financial Statements and those of the authority's Pension Fund before they can issue audit opinions on those statements.

4. **Background**

Policy context

4.1 The Audit Progress Reports discharge the external auditor's responsibility under the International Standards of Auditing (ISA) (UK & Ireland) 260, communication of audit matters with those charged with governance.

Equality impact assessment

4.3 For 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 (see appendix 1)

5. External Audit Progress Report 2021/22

5.1 As of the date of this report, our audit for the financial year 2021/22 is substantially complete. However, it's important to note the delay in issuing the audit opinion is primarily attributable to a nationwide pensions issue, as previously communicated to the Committee, specifically concerning the reporting of assets and liabilities related to the Pension Fund.

5.2 The revised draft Council accounts have incorporated updated IAS19 disclosures based on actuarial reports utilising data from 2022. These are materially different to the estimated values that were included within the initial draft financial statements. Auditors cannot place any reliance on the new triennial valuation until the Pension Fund auditor (Mazars) has carried out audit procedures on the membership data that supports the valuation. This is in progress and expected to be completed by end of the month along with the audit final review procedures.

5.3 The auditors are currently completing work in respect of the Council's Value for Money (VFM) arrangements for the year ended 31 March 2022. At the time of preparing this report, they have not identified any significant weaknesses in arrangements that require them to make a recommendation, however they will continue to undertake work on the Council's arrangements.

5.4 The Council had one objection to the 2021/22 accounts made by a local elector concerning the Council's use of Penalty Charge Notices (PCNs) in the Mount Pleasant Lane area. After reviewing the objection to the accounts, our auditors recommended under section 27(6) of the LAAA that the Council consider two actions: (i) issuing an apology for the unlawful issuance of PCNs and (ii) establishing a voluntary scheme through which members of the public can claim a refund for PCNs issued for breaching the Mount Pleasant Lane road closure. The Council has since decided to refund all PCNs issued for this location during the period when the Springfield ETO contained the error.

5.5 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.

5.6 The Audit fees for 2021/22 currently stand at £174k for the Council audit, and £23k 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

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

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

6.1 As set out above, the work to finalise the audit of the Council's 2021/22 Accounts is almost complete. Again it is disappointing that the audit opinion remains outstanding due to a national issue around pension funds' assets and liabilities, which is a result of delays to the audit driven by the infrastructure asset issue and the much discussed resource issue in the external audit market.

6.3. 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.

6.4 I want to express my gratitude to the auditors for their collaborative efforts with my team. 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 Acting 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 financial 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

Appendix 1 - LB Hackney 2021-22 Mazars Progress Report

Background documents

None

Report Author	Mizanur Rahman Chief Accountant mizanur.rahman@hackney.gov.uk 020 8356 4347
Comments for the Group Director of Finance prepared by	Jackie Moylan Group Director Finance jackie.moylan@hackney.gov.uk 020 8356 3032
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Louise Humphreys Acting Director of Legal, Democratic & Electoral Services louise.humphreys@hackney.gov.uk 020 8356 4817

Audit Progress Report 2021/22

London Borough of Hackney & Pension Fund

September 2023

mazars

Purpose and contents

Purpose

This report follows up the detailed Audit Completion Report on the audit of the Council's and Pension Fund's statement of accounts for the year ending 31 March 2022 that we presented to the May 2023 meeting of the Audit Committee and the short update to the June meeting. It seeks to communicate our subsequent progress against the work that remained in progress on both the Council and Pension Fund financial statement audits to the Committee.

Contents

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01

Section 01:

London Borough of Hackney and Hackney Pension Fund

Audit Progress Update

Audit Progress

Financial Statements - 2021/22 audit

As noted within our Audit Completion Reports (ACR), there were a number of areas where work remained to be completed before we could conclude on the individual financial statement audits.

Hackney Council

Within the Council ACR we reported that the Council needed to consider the impact of the triennial valuation of the Pension fund on the Council's pension liability as at 31st March 2022. At this stage we are still awaiting final assurances from the pension fund auditor on the testing of the updated pensions membership data (see below).

The other aspects of our work have progressed, although some areas remain outstanding as they relate to our final review of the final financial statements and completion of the audit file. We are in process of agreeing the required amendments to the financial statements with the Council's Finance team. We include further details in section 2.

Hackney Council Pension Fund

To support the Council's financial statement audit we reported in the ACR that we needed to complete some work on the membership data supporting the triennial valuation of the Pension fund. We have substantially completed the audit procedures on the data and are currently completing work over the completeness of the membership data submitted by the Council to the actuary. This work will allow us to provide the necessary assurances for the Council audit.

As with the Council audit, the other aspects of our work have progressed, although some areas remain outstanding as they relate to our final review of the final financial statements and completion of the audit file. We are in process of agreeing the required amendments to the financial statements with the Council's Finance team.

Audit Progress

2021/22 Audit – Progress on outstanding issues (Council)

Audit area	May '23 ACR Status	Updated status	Description of the outstanding matters
IAS19 disclosures			The revised draft Council accounts had updated IAS19 disclosures based on actuarial reports using updated data from 2022. These are materially different to the estimated values that were included within the initial draft financial statements. Auditors cannot place any reliance on the new triennial valuation until the Pension Fund auditor (Mazars) has carried out audit procedures on the membership data that supports the valuation. This is in progress.
Final review procedures			We are completing our file review which includes review by the engagement partner and engagement quality control reviewer.
Events after the reporting period			Review of events after the reporting period, up to the point at which we sign our audit report.
File closure procedures			Following completion of the above final review procedures, we need to complete file closedown procedures, including confirming the final set of financial statements, receipt of management's letter of representation and complete our consideration of post balance sheet events to the date of sign-off.
Whole of Government Accounts (WGA)			We are awaiting the NAO to select its sampled components of local authorities for 2021/22.

Audit Progress

2021/22 Audit – Progress on outstanding issues (Pension Fund)

Audit area	May ’23 ACR Status	Updated status	Updated description of the outstanding matters
Final review procedures			We are currently completing our file review which includes the work required to provide assurances for the Council audit, as well as the review of the Engagement Partner. We cannot complete our closure procedures until any outstanding points are resolved.
File closure procedures			Following completion of review procedures, we need to complete file closedown procedures, including receipt of management’s letter of representation and complete our consideration of post balance sheet events to the date of final sign-off.
Review of Annual Report			Our review of the content of the detailed Pension Annual report to confirm consistency with the financial statements has yet to be completed.

02

Section 02:

London Borough of Hackney

Progress on Value for Money (VFM)

3. Value for money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report soon after issuing the audit opinion.

Status of our work

We are currently completing our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Suresh Patel, Partner

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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Title of Report	Draft Statement of Accounts 2022/23
For Consideration By	Audit Committee
Meeting Date	26 September 2023
Classification	Open
Wards Affected	All
Group Director	Jackie Moylan, Group Director of Finance

1. Introduction

1.1. This report presents the Statement of Accounts for 2022/23 for approval by the Audit Committee subject to the finalisation of audit processes.

1.2. Mazar's, our external auditor, audit plan is included on the Audit Committee agenda and provides a timeline for the completion of the audit.

2. Recommendation

The Audit Committee is recommended to:

2.1 **Approve the Council's 2022/23 Statement of Accounts subject to the finalisation of audit processes**

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 The Accounts and Audit Regulations for the financial year 2022/23 have returned to the pre-COVID deadline of 31 May 2023, for the publication of unaudited accounts. Previously, the deadline had been extended to July 31. This adjustment led to only eight London boroughs, including Hackney, successfully meeting the revised deadline.

5.2 Prior to their submission to the auditors the Council's responsible financial officer (the Group Director of Finance) must, no later than 31st May immediately following the end of 2022/23, 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. Pre Covid this process typically required completion by 31st July. However, for the 2022/23 accounts, the audit deadline has been extended to 30th September, 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 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 on 31st May 2023, thus ensuring that it was available to any resident or other person entitled to inspect the accounts during the audit period formally.

6. **2022/23 Statement of accounts**

6.1. At the time of writing this report, the audit of the 2022/23 Statement of Accounts has started and a progress report will be provided at next month's Audit committee. The Statement of Accounts attached to **APPENDIX 1.**

6.2. 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. <u>Movement in reserves statement</u>

7.1. The Movement in Reserves Statement shows that the general balance on the General Fund was increased from £15 million to £17 million and the HRA general balance was increased from £13.7 million to £15 million. Locally managed funds held by schools decreased by £3.7 million to £12.4 million. At the end of the 2022/23 financial year, there was a net decrease of £4 million (excluding movement in school balances) to usable reserves from General Fund revenue activities.

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 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 2023/24 for 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. <u>Comprehensive income and expenditure account</u>

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 £1.4 billion providing services to residents and visitors to Hackney. The Council earned a total investment income of £3.3 million due a combination of increase in interest rates and the interest received from a settlement related to a legal dispute dating back to the fiscal year 2018/19.

8.3. The General Fund's financial position remains under constant review taking on board reductions in funding and mounting cost pressures, particularly in crucial areas like adult and children's social care, and special education needs alongside the impact of Covid and Cyber in the last few years. For 2022/23 savings proposals were agreed to enable a balanced budget to be put forward to Full Council and the majority of these were achieved in year.

9. The balance sheet

9.1. The Balance Sheet sets out the overall financial position of the Council on 31 March 2023. It shows that on 31 March 2023, the Council had total net assets (worth) of £4.4 billion. It shows that the Council owns buildings, land and other property valued at £4.6 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 2023/24 onwards. While the accounts do not reflect any contingent assets, it is worth noting the presence of a contingent liability. Specifically, there exists a potential liability of approximately £600k, relating to care costs, stemming from a historical Ordinary Residence dispute. This legal matter involves several Local Authorities, and it is anticipated that it will be escalated to the Secretary of State for a conclusive determination regarding which authority assumes responsibility for these expenses

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

10. Housing revenue account

10.1. The Housing Revenue Account (HRA) details Income and Expenditure relating to the provision and management of council dwellings. It shows that the balance on the Housing Revenue Account is £15 million as at 31 March 2023. In addition, the HRA has earmarked reserves of £11.4 million set aside for one-off items of expenditure largely within the housing capital programme, and all in line with the HRA Medium Term Planning Forecast and the approved HRA Business Plan.

11. The collection fund account

11.1. The Collection Fund Accounts flow from decisions taken in March 2022 in setting the Budget for 2022/23. 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 Collection Fund carried forward at 31st March 2023 relating to Council Tax was £4.5 million surplus (Council element 76%). There was a deficit in relation to NNDR £1.3 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.

12. The pension fund accounts

12.1. The Pension Fund Accounts show the contributions to the Council's Pension Fund for employees during 2022/23, 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 2023.

12.2. The Accounts show that the net value of the assets and liabilities of the Pension Fund has decreased by £93 million (5%) to £1,871 million as at 31 March 2023 from the previous year. Of this decrease, £116.5 million was due to the impact of the decrease in the value of stock market investments held by the Fund and associated investment income. The decrease is offset by £23.4 million of 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 2022/23 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 sampled 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 2022/23 six areas were identified as having significant governance issues for inclusion within the corporate AGS. Actions to address these issues have been identified and included within the AGS. These issues relate to:

- Corporate impact of the cyber attack
- Significant Cost Pressures (Adult Social Care, Children & Families and Hackney Education)
- Falling School Roll Numbers / Surplus Primary School Places
- Contract Management in Planned Asset Management
- Housing Disrepair incorporating damp and mould issues
- Senior Officer Capacity

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. Comments of the Group Director of Finance

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 diligently raised the General Fund Balance to £17 million, in accordance with our prudent policy on reserves and balances. This adjustment is reflective of the steady growth in the Council's net budget requirement over time. Notably, the previous balance of £15 million had been established almost a decade ago. In addition, specific reserves have been earmarked for use in 2023/24 and future years to fund known or expected liabilities going forward.

14.3. The financial position shown in the 2022/23 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 2023/24 budgets where considered necessary. 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. The 2022/23 Audit is currently in progress, and we anticipate providing a progress report to the committee next month. It is regrettable that the audit opinion is still pending, primarily due to the widely discussed resource challenges within the external audit market

14.6. This is the fifth 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 2022/23, Mazars and officers are working hard to conclude the process in the next few months.

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. <u>Comments of the Acting Director of Legal, Democratic and Electoral Services</u>

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 2022/23 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
2022/23

Ian Williams, CPFA
Group Director, Finance & Corporate Resources

Hackney

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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 31 March 2023. 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.

2022/23 FINANCIAL SUMMARY

Delivery of the 2022/23 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 Council's Corporate Plan and Budget
- **Financial Monitoring and reporting:** Regular progress embedded in the overall financial position (OFP) reported to Cabinet which includes updates against savings

and cost pressures allowing issues to be managed as appropriate. In addition, the Medium-Term Financial Plan was updated in the 2023/24 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 2022/23 budget was agreed by Council in February 2022 alongside an update of progress on the corporate plan. Throughout 2022/23 we have delivered a balanced budget for 2022/23 and developed indicative budgets for 2023/24 to 2026/27 linked to the councils overall prioritises.

Financial Performance 2022/23

At the end of the 2022/23 financial year, there was a net decrease of £4 million (excluding movement in school balances) to usable reserves from General Fund revenue activities.

FINANCIAL PERFORMANCE 2022/23 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 real terms grant and substantial cost pressures over the period 2010/11 to 2022/23.

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) 2022-23 is as follows

Revised Budget £ 000	Service Area	Outturn £ 000	Variance from Revised Budget £ 000
93,938	Children and Education	99,802	5,864
127,036	Adults, Health and Integration	134,858	7,823
31,780	Climate, Homes & Economy	35,996	4,216
16,764	Finance & Corporate Resources	22,203	5,439
15,167	Chief Executive	15,041	(126)
46,034	General Finance Account & Reserves	22,818	(23,215)
330,718	**Net Cost of Services**	**330,718**	**0**

2022-23 Local Government Finance Settlement February 7th 2022

The main points were as follows:

- Core Spending Power increased by £3.5bn
- The main council tax referendum principle was 2% and the Adult Social Care Precept was 1% for relevant authorities.
- The Settlement Funding Assessment increased by £75m (0.5%) nationally
- A one off "Services Grant" worth £822m nationally was confirmed
- The £162m to deliver adult social care funding reforms was confirmed - allocated in 2022-23 with a further £600m in both 2023-24 and 2024-25 nationally but no funding towards current pressures
- The Social Care Grant increased by £636m mostly paid for out of the Local Government Pot
- The Improved Better Care Fund increased by 3%
- Funding for New Home Bonus decreased from £622m to £555m (11%)
- Lower Tier Services Grant of £111m continues
- The government is consulting in 2022-23 on reforms to measuring relative need and resources.

The Settlement was in line with expectations and it enabled us to close off the 2022-23 residual budget gap.

Covid-19

Covid-19 had a much more limited impact on services and their costs and income in 2022-23 than in the previous two years. There was still some residual spending pressures in services, in particular, in the cost of care, and some income streams did not recover to pre pandemic levels although the cyberattack had a much greater impact on income streams such as Council Tax and NNDR. Moreover, the cost of living crisis exerted a greater influence on cost pressures than Covid from the second quarter onwards

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 continued into 2022-23.

The impact on service costs is shown in the table below

Service Area	**Cyberattack Impact £k**
Children and Education	12
Adults, Health and Integration	286
Neighbourhood & Housing	134
Finance & Corporate Resources	4,094
Chief Executive	0
General Finance Account	0
GENERAL FUND TOTAL	**4,526**

In addition to the above there will also be a deficit on the Net Cost of Benefits (NCOB) for 2022/23 resulting from the cyber attack which produced a backlog of cases and delayed the recovery of overpayments. NCOB is the difference between what we pay out in Housing Benefits and what we receive back from the Government through subsidy.

Because of the necessity to continue to make payments while system recovery work took place and the backlog of cases that needed to be worked through as a result of the cyber attack, the Council has lost housing benefit subsidy under DWP's normal rules due to breaching the subsidy error threshold (over a certain error level - the threshold - subsidy is reduced). This pressure is subject to ongoing review and officers have liaised closely with DWP throughout our recovery work.

There is also lower than usual cash recovery - the backlog has prevented us from taking recovery action to recover overpayments, which has added to the NCOB deficit. The risk is currently estimated to be circa £6.2m overall. We are continuing to liaise with DWP regarding this so that they can consider options for amending the application of their rules given the circumstances from which it has arisen, and the fact that this was beyond the Council's control given the need to continue paying benefits which were in payment when the cyber attack occurred.

We are also looking at additional capital costs of £6.857m (including £3m HRA), these costs are primarily related to regular ICT expenses and cybersecurity measures. Our recovery efforts have been specifically designed to bring forward planned work in various areas, such as the acquisition of new cloud based software systems to replace those impacted by the attack, as well as the allocation of internal staff time and external service providers. It's worth noting that these costs encompass both previously planned work and recovery efforts aimed at restoring affected service areas.

The service cyberattack-related costs listed in the table above are primarily due to expenditure on processing backlogs, including additional staffing costs and system recovery costs. On the income side the primary components aside from the impact on the NCOB (noted above) are a loss of care charges income in Adult Social Care. It must be noted that in the 2022-23 budget, sufficient funding was provided to mitigate the costs shown in the table above but this has had a negative impact on our one off funding sources and usable reserves, which is increased significantly when we factor in the cost of funding the NCOB.

Capital expenditure in relation to the cyber attack has also impacted our capital financing position in both the General Fund and HRA. It should be noted though, that as set out above, for some of these areas, costs relate to system development and/or change which was already planned but was brought forward as part of the recovery process.

In 2022-23, Hackney's General Fund recorded a loss on the 2021-22 collection fund. This loss amounted to £3.056m for National Non-Domestic Rates (NNDR) and £1.297m for Council Tax - it is not possible to disentangle the impact of cyber and the pandemic particularly in relation to NNDR. However, the cyber attack did have a significant impact on processing of changes to accounts and debt recovery action. Systems are now restored and debt recovery actions have been fully reinstated such that the cyber attack is not expected to affect the collection rate going forward.

It is worth emphasising 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 commercially alternative exists that meets modern standards.

Cost of Living Crisis

The cost of living crisis in 2022-23 has impacted on various services, particularly on the energy costs faced by the Council. We budgeted for an additional £2.5m in 2022-23 in the General Fund for this year and will face even higher additional costs in 2023-24 (c. £8.5m). Another major cost increase resulted from the 2022-23 pay award. The cost in 2022-23 was £12m which was almost £8m above the amount that we had budgeted for. We also expect a significant additional cost in 2023-24 based on current pay negotiations. Specific service pressures include increased energy costs of running Council buildings, fuel costs in Environmental Operations and SEND transport, and inflationary pressures coming from care providers and other contractors.

These pressures are not contained to our revenue budgets - construction inflation is having an impact on some of our capital schemes. The levels of inflation experienced 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 capital financing costs (interest and the provision for the repayment of debt) which will need to be managed through the MTFP.

Many of our residents, particularly those in lower income groups, have been adversely affected by the crisis and the Council has responded positively by developing a more coordinated emergency support and advice offer, with more preventative help, linking emergency support with income maximisation and advice and supporting frontline services and community partners on the ground who are best placed to support residents. Specifically we have created the Money Hub which is a new team of specialist advisors who will support those in severe hardship, who have no other source of monetary support available.

We directly assisted residents by distributing £400k from the CTRS Discretionary Hardship scheme, £198k from the Hackney Discretionary Crisis Support Scheme and 1.2m from Discretionary Housing Payments. We distributed a further £5.455m from the Household

Support Fund, supporting children in poverty, pensioners, people in hostels, supported living and temporary accommodation and foster carers as well as those supported by the voluntary and community sector. A further £1m of community grants were directed toward independent advice for residents as part of our poverty reduction support.

Future Funding Risks

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

2023-24 Local Government Finance Settlement

The Government published the 2023-24 Final Local Government Finance Settlement on 6th February 2023. The aggregate increase in Spending Power is 9% but this increase is heavily reliant on an assumed Council Tax increase which is the largest increase in any of the Spending Power elements. What is presented as “making available” funding is in large part, the making available of the ability for councils to raise council tax to make good shortfalls in government funding. Moreover, it is another one year Settlement which fails to provide certainty or financial security for councils, or the level of funding that would allow for proper investment in local services. Even after this Settlement, underlying financial pressures arising from increasing demands for services remain for Hackney and other councils, and whilst we were in a position to set a balanced budget for 2023/24 we face significant challenges going forward and difficult choices are likely to be required.

Turning to the 2023-24 Settlement provisions, the social care grants announced in the previous Autumn Statement were confirmed as were the referendum limits and the freezing of the business rates multiplier (which councils will be compensated for). Revenue Support Grant will increase in line with CPI but this increase is partly funded by rolling in three smaller grants - local council tax support grant, family annex council tax discount grant and Natasha’s Law Grant. So part of the revenue grant increase is offset by the loss of these grants in 2023-24. Services Grant has also been cut (in aggregate from £822m to £464m), while the Lower Tier Services Grant was deleted (£111m) and the New Homes Grant total was reduced from £556m to £291m.

The increase in our Core Spending Power (CSP) in 2023-24 (c. 10%), leaves us significantly below our 2010 real terms funding levels. Spiralling inflation, current and future pay settlements, increasing demands and rising non-inflationary cost pressures are impacting many services, such that we will still have to make significant savings to balance the budget next year. We are disappointed in the continued reduction of New Homes Bonus grant, and the continued uncertainty over its future. This is the fourth year the existing scheme was rolled forward and a permanent solution is required to provide longer term certainty. We were also disappointed that the Lower Tier Services Grant has been repurposed for other uses

The Settlement was in line with our expectations and it enabled us to close off the 2023-24 residual budget gap.

Whilst most aggregate funding levels have been confirmed for 2024-25, we note that it is only a single year Local Government Finance Settlement. The uncertainty hinders the ability of the Council to plan our budgets and deliver the maximum value for money for taxpayers, including our residents. The Council needs certainty over how it will be resourced and we look forward to the reintroduction of multi year Settlements. Further, aside from the uncertainty surrounding 2024-25, there is very little information on 2025-26 and beyond.

In addition to the uncertainty over core funding, a further concern is that there is still no sustainable funding solution for social services. Further, whilst we benefit in 2023-24 from the decision to repurpose the funding worth £1.3bn earmarked for ASC reform, there is a risk that if the Government's intention is still to implement the ASC funding reform from October 2025 onwards, then we will suffer a further cost pressure unless the Government provides additional funding.

Future External Funding Levels

On 15 March, the Chancellor presented the 2023 Spring Budget which amongst other things, set out the Government's plans for the increase in the total spending of departments over the period 2022-23 to 2027-28. The increase is £44bn or 10% but this is a cash increase not real terms and therefore takes no account of inflation. According to the Chancellor, this increase in cash equates to an average 1% real terms increase in each year following 2024-25. Now this does not mean each department will receive a 1% increase each year - far from it.

Since 2010, the Government has consistently favoured departments it perceives as key when allocating out spending, such as the NHS and Education, and will no doubt continue to do this post 2024-25. In fact, since 2010-11, Local Government (and Work & Pensions) have fared worse from changes to spending limits than any other department. Also, it's worth noting that following the 2022 Autumn Statement, the OBR pointed out that if NHS spending continues to grow at the recent rate of 3.1% in real terms, schools spending per pupil is held flat, and defence remains at 2% of GDP, the "unprotected" departments (which includes Local Government) would face 0.7% cuts in real terms. This 0.7% is an average and if past trends are repeated we will probably suffer a bigger cut than this.

It follows that we cannot expect any future funding increases to offset any unaddressed budget overspends carried forward into future years.

A review of the allocation of local government funding was first promised in 2016, by then communities secretary, Greg Clark. However, the design and implementation of the new system has been delayed again and again and in the 2023-24 LGFS Settlement, the Government stated that a new system will not be introduced until 2025-26 at the earliest.

If a funding review is ever implemented, it holds significant risks for the Council. For Hackney, there are 3 main factors which drive our Needs Assessment (and hence funding allocation): - 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 relatively less 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. This could also impact social care grant allocations.

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 likely to be reviewed as part of the funding 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 any changes in this area.

Turning to population, on Tuesday 28 June 2022, the Office for National Statistics (ONS released the first results of the 2021 Census. 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. It compares to a London increase of 7.7%. Because this is lower than the London average it follows that if the March 2021 Census estimate is used in the new funding system at some stage in the future, then this will almost certainly negatively impact on our funding allocations.

Financial Risks - Inflation Risk

All councils are being affected by the current high inflation rate.

The Office for Budget Responsibility (OBR) expects CPI inflation to have peaked in the fourth quarter of 2022 at its highest rate in around 40 years. The increase was driven primarily by higher gas prices feeding into sharp rises in domestic energy bills, alongside higher fuel prices and global goods inflation. Inflation is expected to fall rapidly – reaching and then oscillating around 0 per cent from mid-2024 to mid-2026 – as energy bills fall back and some global supply pressures reverse. It then expects inflation to then return to the 2 per cent target as the large swings in energy prices fall out of the annual CPI calculation and output is broadly in line with the economy's productive potential.

As noted above, inflation has already impacted on our costs (especially energy, pay, contract costs, transport costs and London living wage) and may impact on forecast income collection overtime and we will need to continue to employ tight controls on non-essential spend to minimise the use of one-off funds. We may also need to review the capital programme on a frequent basis in light of increasing project costs. Further, as we have seen we are unlikely to receive any additional funding to mitigate these costs

In the MTFP Forecast we have assumed a 4% pay award in 2023/24 (plus any shortfall carried forward from 2022/23), and 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 £2.3million (General Fund). To put that into perspective, a 1% increase in Council Tax raises c £1m.

Other Risks

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 & Strategic Plan

The 2022/23 Council's revenue and capital budgets were set in the context of its Corporate Plan for 2018-22 approved by Cabinet in November 2018. The first update of the Corporate Delivery Plan was published along with the Budget in February 2020. In light of the pandemic, in July 2020, Cabinet adopted a refreshed Corporate Plan. 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.

A new Strategic Plan was adopted for 2022-2026 by Cabinet in November 2022 and was approved by full Council on 23rd November, and has framed the budget for 2023/24. The Plan sets out the ambitions for the Council for the next four years, as well as the challenges we face, and describes how as a Council we need to respond and change, working and co-producing with residents, the voluntary and community sectors, the business community and public sector partners. The Council's Strategic Plan is framed by the priorities of the elected Mayor of Hackney's new term and reflects the 2022-2026 Manifesto commitments of the elected Labour administration. The Manifesto commitments are underpinned by the Council's corporate values and the evidence based priorities it has identified. An annual report on the Strategic Plan will be brought to Full Council in May of each year, linked to the Annual Meeting.

Capital

The final revised capital programme budget for 2022/23 was £169 million while the planned expenditure for 2023/24 to 2025/26 is £952 million. Actual capital expenditure for 2022/23 was £133 million, giving a net in-year variance of £36 million against the 2022/23 budget.

The main reasons for this variance are:

- 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)
- external factors determining programme or requiring scheme review and re-profiling (Britannia Project, S106 highways works, Disabled Facilities Grant)

CAPITAL 2022/23 OUTTURN

	Budget £m	Outturn £m	Variance £m
General Fund	73	53	-20
HRA	96	80	-16
Total	**169**	**133**	**-36**

PLANNED 2023/24 TO 2025/26

2023/24 £m	2024/25 £m	2025/26 £m
153	136	52
156	222	233
309	**358**	**285**

Key investments include:

- £3.8 million was spent on developing new GP surgeries. The projects are expected to complete in 2023/24.
- £8 million on housing estate regeneration, £15 million on housing supply, and £42 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 £151.2 million from rents, service charges, leasehold and other income, and expenditure of £195.7 million on repairs and maintenance, general management services, special services and other items of spend (see HRA Income and Expenditure Statement for a detailed breakdown).

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 2022/23 we budgeted for a council tax income of £123.7 million, of which £29.3 million is attributable to the GLA.

Business rates or National Non-Domestic Rates (NNDR), is a tax on business premises, collected locally by local authorities. In 2022/23 we budgeted for a business rate income of £127.3m of which only £38.2 million is attributable to Hackney council. It should be noted that in 2022/23 Hackney and seven other London Authorities participated in a Eight Authority Business Rates Pool.

The accounting arrangements for Council tax and NNDR through the Collection Fund means that there is a time lag in accounting for any surplus or deficit that arises. Our share of last year's (2021/22) estimated Council tax and NNDR deficit balance was £4.4 million which impacts on the General Fund this year (2022/23). The deficit was primarily a result of additional business reliefs granted due to the impact of Covid 19 on businesses and the Council was compensated for these losses through additional S31 Grant.

Treasury Management

The war in Ukraine continues to keep global inflation above central bank targets and the economic backdrop during the period January 2023 to March 2023 continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

The annual CPI measure of UK inflation rose strongly to hit 10.1% in July 22 and then 11.1% in October 22. Annual headline CPI registered 10.1% in March 23, down from 10.4% in February 23, with the largest upward contributions coming from food and housing. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by remains under constant review.

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 a decrease in the liability of £574.182 million to a net total of £116.837 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 (£598m) and the operational boundary (£568m) throughout 2022/23.

Summary

The **2022/23 Statement of Accounts** presents in a financial context the continued delivery of public services against the particularly challenging financial outlook described above – since 2010 we have suffered a significant real terms cut in external core funding. 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 Corporate Leadership 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, high inflation and the cost of living crisis.

The accounts are a clear demonstration of the Council continuing to deliver against the Mayor's priorities and further evidence of the 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 2022/23 Statement of Accounts is available on the Council's website (https://hackney.gov.uk/accounts) 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 this commitment and to bring people into the workforce, for example, through our apprenticeship programmes and supported internships. We also aim to recruit and retain a 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 by tackling poverty and inequality, responding to the housing crisis and climate emergency and promoting economic benefits, safety and health and wellbeing. There is also an ambition to help every child to reach their potential. These commitments are set out in the Council's Strategic Plan for the period 2022 to 2026, which was adopted in November 2022 to recognise the worsening outlook for public finances combined with additional demand for Council services.

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 2023, up to the date of approval of the statement of accounts.

During 2022/23 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 2022/23 are provided at Appendix 1, the outcomes of issues identified in 2021/22 can be viewed here.

We are satisfied that the steps set out above have led to improvement in all areas, although some issues remain as a concern and further action on these is set out in the 'Improving Governance' section at the end of this statement. 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 move on 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 2022/23. 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 organisations.

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 2022/23. 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.

A sector wide issue concerning the valuation of infrastructure assets has prevented the completion of the External Audit review of the Council's Statement of Accounts for 2020/21 and 2021/22. The Council was impacted by a moratorium that was put in place to prevent the external audit opinion being given until this was resolved. It is important to note that this issue was not exclusive to Hackney but has arisen across local government. Following a temporary resolution to this issue at a national level it is anticipated that an unqualified opinion on our 2020/21 accounts will be issued in June 2023 which will include making a recommendation to management in respect of record keeping of expenditure on infrastructure assets, to ensure gross book values, and the associated accumulated depreciation, do not become materially misstated following removal of the statutory override.

The external auditors risk assessment of the Council's value for money arrangements has not identified any significant weaknesses. Considerable progress have been achieved in conducting the audit for the 2021/22 accounts. However, an opinion on the audit has not been issued due to a delay caused by a new nationwide concern related to the Council's reporting of assets and liabilities associated with its membership in local government pension schemes (the Hackney Pension Fund and LPFA). As a result, additional work is necessary to accurately assess the pension liability figures included in the 2021/22 accounts

The governance framework has been in place at Hackney Council for the year ended 31 March 2023 and up to the date of approval of the annual report and the audit of the 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 cost of living crisis, 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 Corporate Head of Audit, Anti-Fraud & Risk Management is considered to support this statement.

Directorate reviews of governance arrangements

The Senior Leadership Team for each directorate 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 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
- Regular updates about the Council's financial position

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 May 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.
- Compliance with Guidance on members' use of ICT information.
- Review of the Register of Declaration of interest forms
- Review of the number of complaints about Members
- Appointment of members to the Board of other companies
- 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

During the year Scrutiny Commissions considered various reports including;

- Housing Repairs
- Changes to the Housing Register & Lettings Policy
- Adult Social Care reforms: Fair cost of Care & Sustainability
- Food Poverty: Eligibility, Accessibility & Update on Free School Meals
- Review of Hackney's SEND Strategy
- Local Economy Update: Understanding the Local Economy

Opinion of the Corporate Head of Audit, Anti-Fraud & Risk Management

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Corporate Head of Audit, Anti-Fraud & 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 Corporate Head of Audit, Anti-Fraud & 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 2022/23, supported by other sources of assurance, is satisfied a reasonable conclusion can be drawn on the adequacy and effectiveness of the Council's governance arrangements, and 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 2023 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 will be provided within the Internal Audit Annual Report for 2022/23 which is due to be considered by the Audit Committee on 21 June 2023. An outline of the rationale for the 'Adequate' assurance opinion can be viewed here .

The ability to undertake audit reviews during 2022/23 markedly improved as the effects of the cyber attack receded, with the notable exception of scheduled ICT reviews because resources were still directed toward recovering from the attack, and the service was also being restructured. The ICT audits have started to resume toward the end of the financial year and there are grounds to be optimistic that this programme of work will be fully deliverable in 2023/24.

The corporate loss of data and localised issues that persist involving access to some systems as a result of the cyber attack 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.

In addition, there is a continuing need for the Council to move at pace to deliver new services to the community to mitigate the worst effects of the cost of living crisis. Recent experience gained through the pandemic response has developed our capacity to do this, but it is noted that change to service provision and restructuring of services does provide a challenge that the governance arrangements must keep up with. The adequate assurance opinion provided here reflects that we have continued to carry out effective governance despite the challenges of the cost of living crisis following on from 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 2023/24, there may also be a need to further review our corporate resilience.

The Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards (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 2021/22 however all such reviews remained suspended at that time due to the pandemic, and the cyber attack then required a further delay. The external review is now scheduled for July 2023. Because of this we are not fully compliant with the requirements of PSIAS. 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.

Appendix 1

Improving Governance

Based on our review of the governance framework, the following significant issues will be addressed in 2023/24.

Issues Identified 2022/23	Planned Action
1. Cyber Attack	
Recovery of systems and data affected by the cyberattack is ongoing, with the majority of services now operating normally. Some workaround processes remain while recovery / rebuild of systems and clearing of backlogs caused by the cyberattack continues, and there are also services where some functionality is not yet fully recovered and ongoing service impacts continue. 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. The Council continues to work closely with the Information Commissioner's Office, partners and external experts to support this.	The overall recovery from the cyberattack 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 (e.g. replacement of Windows PCs with Chrome OS devices for almost all users). The Council has maintained a current Public Services Network (PSN) Code of Connection accreditation and is also helping to lead collaborative work with the London Office of Technology & Innovation (LOTI) to develop enhanced cyber assurance arrangements across London's councils. A full programme of ICT internal audit work has been approved, including reviews of ICT governance and consideration of some key new systems.
2. Significant Cost Pressures	
Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily	High-level pressures are subject to ongoing challenge through budget meetings and the monthly Budget Board which is jointly chaired

Issues Identified 2022/23	Planned Action
involving care packages in Adult Social Care, Children & Families and Hackney Education. Inflation has also increased supplier costs and may yet lead to further pressures which are not funded by central government.	by the Group Director Finance and Corporate Resources and the Group Directors of Adults, Health & Integration and Children and Education. Budget planning for all services is focussed on developing a balanced budget. Medium Term Financial Plan assumptions are kept under review and are updated as necessary. Gateway processes in major project delivery will robustly challenge affordability in the context of rising construction inflation. Income maximisation work to support residents and businesses will continue, including via the money hub initiative which will be subject to internal audit review.
3. Falling School Roll Numbers / Surplus Primary School Places	
The change in demand will increase financial pressures on schools because of the per pupil funding arrangements. Significant change requires that governance arrangements are updated and fit for purpose. Changes to the school estate will need to be made following the correct governance processes to ensure fairness and the perception of fairness.	The Education Sufficiency & Estates Strategy. The Council is planning to consult on closing or merging six primary schools in the borough as a direct result of the significant decrease in pupil numbers which has resulted in some schools being under serious and irreversible financial pressure. Consultation with parents, carers, staff and governors is planned throughout June 2023. Final decisions by Cabinet in December 2023 / January 2024. Governance arrangements are in place and dedicated programme support and structures to manage the strategy and implementation. Four schools in the borough are currently considered to potentially merge into two schools on one of the existing sites.
4. Contract Management in Planned Asset Management	
We are experiencing significant delays in the procurement of our main framework for capital contractors to undertake our improvement works.	The Strategic Director of Housing Services is working with his management team and colleagues from across the Council to address any weaknesses in the procurement and

Issues Identified 2022/23	Planned Action
This delay means that homes will wait longer for capital improvements which could potentially increase the level of non-decency. It is also resulting in increased pressure and demand on our responsive repairs delivery. 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.	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
5. Housing Disrepair incorporating damp and mould issues	
Housing Disrepair, which incorporates issues relating to damp and mould, were highlighted as a result of national and local media reports showing examples of unacceptable living conditions across the whole social housing sector. In addition, a significant backlog of repairs was identified in the latter part of 2021/22 as a result of the pandemic and the cyber attack which was contributing to the increase in disrepair cases. This pandemic related backlog has now been cleared, however the increased focus on damp and mould has seen a significant increase in the level of reported damp and mould in our homes. This has resulted from a combination of the impact of the pandemic, the loss of the housing systems following the cyberattack and the delay to the main housing maintenance procurements .	Following a review a repairs improvement plan has been put in place which focuses on three main areas: ● Clearing the backlog of responsive repairs built up as a result of limiting the service to emergency / urgent repairs only for 12 months ● Addressing and reducing the level of legal disrepair cases (which are often in the worst condition) ● Improving the customer experience thereby increasing customer satisfaction levels A Housing Repairs Improvement Board has been established chaired by the Strategic Director of Housing with clear targets for the three main areas, The Governance for overseeing this work is further enhanced by regular briefings to the Mayor and Lead Member Housing and performance updates to Audit Committee

Issues Identified 2022/23	Planned Action
6. Senior Officer Capacity	
The Chief Executive and Group Director Finance & Corporate Resources both have key responsibilities to ensure that the governance arrangements meet statutory requirements, are up to date, and also to provide leadership to the Council. The Chief Executive is currently on a period of extended leave to enable him to deal with family issues. In his absence the Group Director of Finance & Corporate Resources is currently deputising as Acting Chief Executive but will be leaving Hackney in August 2023 to join Liverpool City Council after 16 years at Hackney.	The following measures will be in place to provide leadership to the Council on governance matters: ● Interim appointments will be made to ensure that key roles continue to be covered without interruption, these will draw on succession planning and experience and capacity within the Corporate Leadership Team as appropriate; ● A documented handover of work and responsibilities will take place before the Group Director Finance & Corporate Resources (GD FCR) leaves; ● A process to recruit a new GD FCR will begin without delay; ● Regular communications will take place to all staff to provide assurance on recruitment processes and ensure that governance issues continue to receive prominence.

These issues will be supported by a detailed action plan, progress on which will be monitored during 2023/24 and reported to senior management.

Outcomes from significant issues identified in 2021/22 that were addressed in 2022/23 can be found [here].

Signed on behalf of Hackney Council:

pp

Phillip Glanville
Mayor

Mark Carroll
Chief Executive

Ian Williams
Group Director Finance & Corporate Resources

23rd May 2023

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 2023 and its income and expenditure for the year then ended.

Ian Williams

Group Director, Finance and Corporate Resources
31 May 2023

Movement in Reserves

Movement in Reserves 2022/23	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 31/03/2022	(168,117)	(27,033)	(104,515)	0	(26,382)	(326,045)	(3,252,674)	(3,578,719)
Movement in reserves during 2022/23								
Total Comprehensive Income and Expenditure	91,075	23,880	0	0	0	**114,955**	(886,669)	**(771,714)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(85,436)	(23,230)	(8,500)	(3,450)	(13,590)	**(134,207)**	134,207	**0**
(Increase) / Decrease in 2022/23	5,639	650	(8,500)	(3,450)	(13,590)	**(19,252)**	(752,463)	**(771,714)**
Balance as at 31/03/2023	(162,478)	(26,383)	(113,015)	(3,450)	(39,972)	(345,297)	(4,005,137)	(4,350,433)

Movement in Reserves 2021/22	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**	(311,289)	**(257,277)**
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)**	(231,310)	**(257,277)**
Balance as at 31/03/2022	(168,117)	(27,033)	(104,515)	0	(26,382)	**(326,045)**	(3,252,674)	**(3,578,719)**

Comprehensive Income and Expenditure Statement

Comprehensive Income & Expenditure Statement	Notes	2022/23 Gross Expenditure £'000	2022/23 Gross Income £'000	2022/23 Net Expenditure £'000	2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000
Adults, Health & Integration							
Hackney Education		325,011	(278,395)	46,616	324,650	(262,321)	62,330
Children & Families		92,358	(20,970)	71,388	89,628	(16,275)	73,353
Adult Services		150,293	(70,532)	79,761	150,037	(80,065)	69,971
Public Health		42,401	(43,954)	(1,553)	41,946	(41,616)	331
Climate, Homes and Economy							
Public Realm		158,072	(86,082)	71,990	123,253	(82,462)	40,791
Housing & Regeneration GF		5,261	(2,445)	2,816	5,371	(2,021)	3,350
Finance & Corporate Resources							
Revenues & Benefits		332,944	(302,223)	30,721	332,807	(302,103)	30,704
Finance and Resources Other		54,680	(14,552)	40,128	37,685	(17,166)	20,519
Chief Executives							
Chief Executive		46,402	(2,495)	43,907	13,129	(3,067)	10,062
Housing Revenue Account							
HRA		200,668	(151,242)	49,426	195,128	(146,676)	48,452
Cost of Services		**1,408,090**	**(972,890)**	**435,200**	**1,313,634**	**(953,772)**	**359,862**
Other operating expenditure	9			(16,200)			(4,449)
Financing and investment income and expenditure	10			34,284			8,894
Taxation and Non-Specific Grant Income and expenditure	11			(338,329)			(310,295)
(Surplus) or Deficit on Provision of Services				**114,955**			**54,012**
(Surplus)/deficit on revaluation of Property, Plant and Equipment				(204,946)			(107,688)
(Surplus)/deficit on revaluation of financial assets (Fair Value through P&L)				0			62
Remeasurement of net defined benefit liabilty *				(681,723)			(203,663)
Other Comprehensive Income and Expenditure				**(886,669)**			**(311,289)**
Total Comprehensive Income and Expenditure				**(771,714)**			**(257,277)**

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Balance Sheet

Balance Sheet	Notes	31st March 2023	31st March 2022
		£'000	£'000
Property, Plant and Equipment	13	4,359,263	4,212,507
Heritage Assets	12	2,465	2,465
Investment Property	14	182,765	199,043
Intangible Assets	15	6,517	6,253
Long Term Investments		5,830	20,830
Long Term Debtors		15,348	15,398
Long Term Assets		**4,572,188**	**4,456,496**
Assets Held for Sale	19	36,319	53,352
Short Term Investments		10,000	9,971
Inventories		1,189	1,062
Short Term Debtors (incl PIA)	17	121,301	140,374
Cash and Cash Equivalents	18	30,969	88,408
Current Assets		**199,779**	**293,167**
Short Term Borrowing		(14,500)	(355)
Short Term Creditors (incl RIA)	21	(126,957)	(172,714)
Revenue Grants Receipts in Advance	38	(9,592)	(71,953)
Capital Grants Receipts in Advance	38	(1,053)	(153)
Provisions	20	(23,090)	(25,009)
Current Liabilities		**(175,191)**	**(270,184)**
Long Term Creditors		(3,448)	(6,570)
Provisions	20	(13,237)	(13,704)
Long Term Borrowing		(63,074)	(71,700)
Other Long Term Liabilities	42,43,44	(125,417)	(755,281)
Revenue Grants Receipts in Advance	38	0	(1,202)
Capital Grants Receipts in Advance	38	(41,167)	(52,301)
Long Term Liabilities		**(246,343)**	**(900,758)**
Net Assets		**4,350,433**	**3,578,719**
Usable Reserves	22	(345,296)	(326,045)
Unusable Reserves	23	(4,005,137)	(3,252,674)
Total Reserves		**(4,350,433)**	**(3,578,719)**

Cash Flow Statement

	Notes	31st March 2023	31st March 2022
		£'000	£'000
Net (surplus) / deficit on the provision of services		114,955	54,012
Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	(163,534)	(284,011)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	112,043	162,066
Net cash flows from Operating Activities		**63,464**	**(121,945)**
Investing Activities	25	12,889	12,670
Financing Activities	26	(18,914)	8,410
Net (increase) or decrease in cash and cash equivalents		**57,439**	**(100,865)**
Cash and cash equivalents at the beginning of the reporting period		88,408	41,555
Cash and cash equivalents at the end of the reporting period	18	**30,969**	**88,408**

1. Accounting Policies

(i) General principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at 31st March 2023. 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 2022/23, 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 4.8% actual (2.7% in 2021/22). 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 2022/23 and 2021/22 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.

(i) 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,

- 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).

(x) 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.

(xi) 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.

(xii) 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 is updated every 5 years. 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.

(xiii) 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.

(xiv) 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.

(xv) 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.

(xvi) 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.

(xvii) 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 41 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 41 to the core financial statements.

(xviii) 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 41.

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 1 April 2024.

(xix) 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.

Hackney is part of the Eight Authority Pool (8AP) to maximise the retention of locally generated business rates for 2022/23.

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.

(xx) 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 £100k (except where justification can be identified) is treated as de minimis and written off to revenue. All capital expenditure over £100k 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.

(xxi) 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.

(xxii) 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 2022/23 (SeRCOP). Elements of support costs remaining within core unit budgets at year-end are, where material, fully allocated to services on the same basis as those used throughout the year.

(xxiii) 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).

(xxiv) 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.

(xxv) 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.

(xxvi) 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.

(xxvii) 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 VAT incurred are made on a monthly basis.

(xxviii) 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

(xxix) Highways Network Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (eg illuminated traffic signals, bollards) and land which together form a single integrated network.

Recognition: Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement: Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation: Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network have either been assessed by the Group Highways Engineer, based on industry standards, based on existing inventories or by using best estimates where appropriate. The useful lives for each class will be reviewed annually and are as follows:

Carriageways, Footways and Cycle tracks = 25 years
Structures = 25 years
Street lighting = 25 years
Street furniture* = 25 years
Other Highways Network Infrastructure* = 25 years

**Significant expenditure on these assets are reviewed on a case by case basis to determine if the weighted average life set out in the policy is appropriate.*

Disposals and derecognition: When a component of the Network is disposed of or decommissioned, the carrying amount of the component 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). The written-off amounts 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

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.

- IFRS 16 Leases
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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:

- The future funding levels for local government remain uncertain, which poses challenges for the Council. However, based on the current assessment, the Council does not believe that this uncertainty will lead to the impairment of its assets, resulting in the closure of facilities or reduction 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 2023 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 2022/23 Hackney retained 30% of the rates raised, the GLA 37% and the Governments share was 33%. 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 2023. 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.

Change in Assumptions at 31 March 2023	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount (£000)
0.1% decrease in Real Discount Rate	2%	32,384
1 year increase in member life expectancy	4%	77,368
0.1% increase in the Salary Increase Rate	0%	2,269
0.1% increase in the Pension Increase Rate (CPI)	2%	30,602

A one 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 May 2023. 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 2023, 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 2022/23	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Usable Reserves: 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	(26,168)	(45,120)	0	0	0	71,288
- Revaluation losses on Property, Plant and Equipment	(50,950)	(43,320)	0	0	0	94,270
- Movement in the market value of Investment Properties	(15,075)	(793)	0	0	0	15,868
- Amortisation of intangible assets	(3,536)	0	0	0	0	3,536
- Capital grants and contributions applied	19,044	13,383	0	0	4,343	(36,770)
- Revenue expenditure funded from capital under statute	(832)	(1,181)	0	0	0	2,013
- 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	(20,578)	(16,685)	0	0	0	37,263
Insertion of items not debited or credited to the Comprehensive I&E Statement						
- Statutory provision for the financing of capital investment	3,375	0	0	0	0	(3,375)
- Capital expenditure charged against the General Fund and HRA balances	643	0	0	0	0	(643)
- Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure	104	0	0	0	0	(104)
Adjustments primarily involving the Capital Grants Unapplied Account:						
- Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	16,334	1,599	0	0	(17,933)	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)	(19)	0	0	0	32
	(77,652)	(92,136)	0	0	(13,590)	183,378

Movement during 2022/23	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:	(77,652)	(92,136)	0	0	(13,590)	183,378
Adjustments primarily involving the Capital Receipts Reserve:						
- Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	0	0	22,565	0	0	(22,565)
- Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	30,769	30,913	(61,693)	0	0	11
- Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	30,628	0	0	(30,628)
Adjustments primarily involving the Major Repairs Reserve:						
- Reversal of Major Repairs Allowance credited to the HRA	0	45,120	0	(45,120)	0	0
- Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	41,670	0	(41,670)
Adjustments primarily involving the Financial Instruments Adjustment Accoun						
- 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	(18)	0	0	0	18
Adjustments primarily involving the Pensions Reserve:						
- Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	(45,862)	(7,092)	0	0	0	52,954
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	10,520	0	0	0	0	(10,520)
Adjustments primarily involving the Dedicated School Grant Adjustment Acco						
- Transfer in-year Dedicated Schools Grant deficit (to DSG Deficit Reserve)	(3,147)	0	0	0	0	3,147
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	(64)	(18)	0	0	0	82
Total Adjustments	(85,436)	(23,231)	(8,500)	(3,450)	(13,590)	134,207

Movement during 2021/22	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Usable Reserves: 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	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Usable Reserves: 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

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 2022/23.

	Balance at 31/03/21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/22	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31/03/23
General Fund:	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Balances held by schools under scheme of delegation	(16,765)	614	0	(16,151)	3,726	0	(12,425)
Rising Energy Costs	(492)	384	(33)	(141)	64	(484)	(561)
Unspent contingencies	(765)	120	0	(645)	560	0	(86)
Revenue contributions to capital programme	(5,505)	591	(3,518)	(8,432)	1,284	(1,072)	(8,220)
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	(6,150)	0	0	(6,150)	0	0	(6,150)
Fleet Replacement	0	0	(823)	(823)	94	(2,040)	(2,769)
CYP Commissioning Activity/Looked After Children	(3,707)	3,707	(2,600)	(2,600)	2,600	(1,670)	(1,670)
Adult Social Care	(8,405)	1,419	(10,585)	(17,570)	3,576	(2,098)	(16,092)
PFI grant to be released over life of contract	(4,071)	0	0	(4,071)	0	0	(4,071)
Building capacity and mitigation of government funding loss	(7,362)	11,112	(11,353)	(7,603)	10,821	(7,688)	(4,469)
Pay Award Reserve	0	0	0	0	0	(6,500)	(6,500)
Taxation Income Grant	(6,040)	2,000	0	(4,040)	4,040	0	0
NNDR Reserve	(14,372)	14,372	(11,088)	(11,088)	1,994	0	(9,093)
Cyber Attack	(1,000)	(1,332)		(2,332)	2,332	0	0
Children in Need - s17 cases	(700)	700	(900)	(900)	900	(800)	(800)
Election Costs Reserve	(600)	454	(454)	(600)	589	(589)	(600)
Public Health	(1,621)	0	0	(1,621)	0	0	(1,621)
Hackney Education	(6,951)	1,600	(1,600)	(6,951)	5,751	(5,567)	(6,767)
Whole Life Costings and repairs to civic estate	(5,099)	0	(400)	(5,499)	66	(400)	(5,833)
Leisure Centre Management	(1,888)	0	0	(1,888)	0	0	(1,888)
Revenue grants received in advance of expenditure incurred	(18,313)	6,612	(658)	(12,359)	6,726	(8,891)	(14,525)
General Fund Sub Total	**(114,197)**	**42,354**	**(44,011)**	**(115,855)**	**45,122**	**(37,799)**	**(108,532)**

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	Balance at 31/03/21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/22	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31/03/23
General Fund b/f from above	**(114,197)**	**42,354**	**(44,011)**	**(115,855)**	**45,122**	**(37,799)**	**(108,532)**
Hardship Fund	(823)	156	0	(667)	149	0	(517)
Hackney Walk	(7,574)	0	(418)	(7,992)	0	(423)	(8,415)
Woodberry Down - MOU	(594)	0	0	(594)	0	0	(594)
CACH Transformation	(2,627)	747	0	(1,880)	217	0	(1,663)
Adult Social Care - DFG	(2,103)	357	(916)	(2,661)	387	(632)	(2,906)
Day Services Transport	(800)	0	(186)	(986)	0	(500)	(1,485)
Private Sector Housing - Licensing income	(1,221)	345	0	(876)	308	0	(568)
AHI Workforce Contingency	0	0	(824)	(824)	354	0	(470)
Unplanned Care Integrated Discharge Hub Scheme	0	0	(2,000)	(2,000)	1,720	0	(280)
Unplanned Care Learning Disabilities	0	0	(757)	(757)	757	0	0
Commercial Property	0	0	0	0	0	(1,000)	(1,000)
Other miscellaneous reserves	(15,996)	4,160	(6,182)	(18,018)	4,490	(5,518)	(19,046)
Total GF Earmarked Reserves	**(145,935)**	**48,119**	**(55,295)**	**(153,110)**	**53,505**	**(45,872)**	**(145,477)**
GF Working Balance	**(15,007)**			**(15,007)**			**(17,000)**
Total GF Reserves per MiRS	**(160,942)**			**(168,117)**			**(162,477)**

	Balance at 31/03/21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/22	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31/03/23
HRA:	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Tenant Levy	(382)	0	(25)	**(407)**	0	(109)	**(516)**
Aerial Mast Income	(1,729)	0	(238)	**(1,967)**	0	(306)	**(2,273)**
HRA Rightsizing	(5,629)	0	(2,017)	**(7,646)**	2,365	0	**(5,281)**
Utilities	(2,762)	0	0	**(2,762)**	0	0	**(2,762)**
HRA Insurance	(550)	0	0	**(550)**	0	0	**(550)**
Total HRA Earmarked Reserves	**(11,052)**	**0**	**(2,280)**	**(13,332)**	**2,365**	**(415)**	**(11,382)**
HRA Working Balance	**(12,300)**			**(13,700)**			**(15,000)**
Total HRA Reserves per MiRS	**(23,352)**			**(27,032)**			**(26,382)**

9. Other Operating Expenditure

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

	2022/23	2021/22
	£'000	£'000
Levies	8,220	9,178
Payments to the Government Housing Capital Receipts Pool	0	3,253
(Gains) / Losses on the disposal of non-current assets	(24,420)	(16,894)
Other	0	14
Total	**(16,200)**	**(4,449)**

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.

	2022/23	2021/22
	£'000	£'000
Interest payable and similar charges	13,372	14,031
Pensions interest cost and expected return on pensions	20,549	18,238
Interest receivable and similar income	(3,311)	(1,997)
Income and expenditure in relation to investment properties and changes in their fair value.	3,674	(21,378)
Total	**34,284**	**8,894**

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.

	2022/23	2021/22
	£'000	£'000
Council tax income	(97,741)	(89,447)
Non domestic rates	(60,937)	(57,300)
Non domestic rates grant top-up	(79,938)	(76,305)
Revenue Support Grant	(36,649)	(35,556)
Non-ringfenced government grants	(12,703)	(21,435)
Capital grants and contributions	(50,360)	(30,252)
Total	**(338,329)**	**(310,295)**

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 are revalued on a five yearly rolling programme by an external surveyor; James Glennie from Art & Antiques Appraisals recommended from the authorities' independent broker's insurer.

The last valuation was conducted in January 2022. This valuation attempts to take into account that there are important parts of the collection that if lost, would be replaced where possible with similar objects; there are items that would be replaced with similar objects but not necessarily of the same fiscal value; there are those that would be replaced with different objects altogether and there are those that would not be replaced.

Importantly whilst putting the insurance level of some areas at a lower figure than in the past, it continues to insure the collection responsibly, whilst providing a pragmatic solution in times of stringent budgeting and still providing the museum with sufficient funds, in the case of a major disaster, to both replace the objects and protect the fiscal asset.

The heritage assets include Civic Regalia, Artworks and Artefacts (further details contained in Note 48). The following is a reconciliation of the carrying value of heritage assets held by the Council recorded on the Balance Sheet.

	Civic Regalia	Artwork	Artefacts	Total Assets
	£000	£000	£000	**£000**
Cost or Valuation				
Balance as at 1 April 2022	710	897	857	**2,465**
Revaluations *	0	0	0	**0**
Balance as at 31 March 2023	**710**	**897**	**857**	**2,465**
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**

* The frequency of valuations has changed resulting in no movement in 2022/23

13. Property, Plant and Equipment

Movements in 2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	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
Cost or Valuation							
At 1st April 2022	2,359,876	1,639,592	39,105	46,090	46,116	4,130,779	26,317
Adjustment:	0	0	0	0	0	0	0
Additions	40,648	38,453	3,502	5,671	28,865	**117,139**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	77,373	130,822	0	(3,249)	0	**204,946**	0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(53,694)	(74,617)	(134)	(1,614)	(13,614)	**(143,673)**	0
Derecognition - disposals	(16,883)	(1,902)	0	0	0	**(18,785)**	0
Other movements in cost or valuation	45,148	(1,339)	0	0	(45,148)	**(1,339)**	0
At 31st March 2023	**2,452,468**	**1,731,009**	**42,473**	**46,898**	**16,219**	**4,289,067**	**26,317**
Accumulated Depreciation and Impairment							
At 1st April 2022	(41,667)	(16,194)	(25,051)	0	0	(82,912)	(348)
Depreciation charge	(38,188)	(16,435)	(6,977)	0	0	**(61,600)**	(361)
Depreciation written out to the Surplus/Deficit on the Provision of Services	35,189	15,546	0	0	0	**50,735**	352
Derecognition - disposals	198	83	0	0	0	**281**	0
At 31st March 2023	**(44,468)**	**(17,000)**	**(32,028)**	**0**	**0**	**(93,496)**	**(357)**
Net Book Value at 31st March 2023	**2,408,000**	**1,714,009**	**10,445**	**46,898**	**16,219**	**4,195,571**	**25,960**

Movements in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	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
Cost or Valuation							
At 1st April 2021	2,280,366	1,585,567	40,681	46,023	129,958	4,082,595	26,317
Adjustment:	0	(4,867)	(4,700)	0	0	**(9,567)**	0
Additions	65,767	29,074	3,167	4,047	31,894	**133,949**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	74,352	41,646	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)	(329)	(12,617)	**(106,972)**	0
Derecognition - disposals	(10,728)	(62,145)	0	0	0	**(72,873)**	0
Other movements in cost or valuation	4,154	90,265	0	0	(103,119)	**(8,700)**	0
At 31st March 2022	**2,359,876**	**1,639,592**	**39,105**	**46,090**	**46,116**	**4,130,779**	**26,317**
Accumulated Depreciation and Impairment							
At 1st April 2021	(35,232)	(18,754)	(27,394)	0	0	(81,380)	(334)
Adjustment:	0	1,621	7,946	0	0	**9,567**	0
Depreciation charge	(37,461)	(17,723)	(5,818)	0	0	**(61,002)**	(354)
Depreciation written out to the Surplus/Deficit on the Provision of Services	30,890	16,962	215	0	0	**48,067**	340
Derecognition - disposals	136	1,700	0	0	0	**1,836**	0
At 31st March 2022	**(41,667)**	**(16,194)**	**(25,051)**	**0**	**0**	**(82,912)**	**(348)**
Net Book Value at 31st March 2022	**2,318,209**	**1,623,398**	**14,054**	**46,090**	**46,116**	**4,047,867**	**25,969**

Highways Infrastructure Assets

Movements on balances: In accordance with the temporary relief offered by the Update to the Code on infrastructure assets [Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets for England and Wales Local Authorities] this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Highways Infrastructure Assets	2022/23	2021/22
	£000	£000
Net book value (modified historical cost)		
at 1st April	164,641	160,631
Additions	10,043	13,541
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,326)	(840)
Depreciation	(9,666)	(8,691)
Net Book Value at 31st March	**163,692**	**164,641**

Property, Plant and Equipment	2022/23	2021/22
	£'000	£'000
Infrastructure assets	163,692	164,641
Other PPE assets	4,195,571	4,047,867
	4,359,263	**4,212,508**

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 2023, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment into 2023/24 and future years, budgeted to cost £54.629 million. Similar commitments as of 31st March 2022 were £31.296 million. The major commitments are as follows:

- Estate Regeneration and housing supply program of Colville 2C, Buckland and Wimbourne, £36.205million (£9.032 million as at 31st March 2022)

- Hackney Planned Asset Maintenance - Hackney HiP's and former Decent Homes Programme, £15.175 million (£12.870 million as at 31st March 2022)

- Abney Park Restoration (Leisure, Parks and Green Spaces), £0.932 million (£3.021 million as at 31st March 2022)

- Woodberry Down Children Centre Relocation and Refurbishment £2.317 million (nil as at 31st March 2022)

Effects of Changes in Estimates

In 2022/23 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.

	2022/23	2021/22
	£000	£000
Rental income from investment property	(11,909)	(6,537)
Direct operating expenses arising from investment property	509	0
Net (gain) / loss	**(11,400)**	**(6,537)**

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.

	2022/23	2021/22
	£000	£000
Balance at start of the year	199,043	175,843
Additions - Subsequent expenditure	0	0
Transfers to/from PPE	(410)	8,700
Net (gain)/losses from FV adjustments	(15,868)	14,500
Balance at the end of the year	**182,765**	**199,043**

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 £3.536 million charged to revenue in 2022/23 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 £100,000 for individual assets. These are instead held at acquisition cost.

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

	2022/23	2021/22
	£000	£000
Balance at start of the year		
- Gross carrying amount	12,027	6,537
- Accumulated amortisation	(5,774)	(3,469)
Net carrying amount at start of the year	6,253	3,068
Additions - Purchases	3,807	5,490
Impairment losses, recognised in the Surplus/Deficit on the Provision of Services	(7)	0
Amortisation for the period	(3,536)	(2,305)
Net carrying amount at the end of year	**6,517**	**6,253**
Comprising:		
- Gross carrying amounts	15,827	12,027
- Accumulated amortisation	(9,310)	(5,774)
Total	**6,517**	**6,253**

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
- short-term loans from other local authorities
- 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 instruments are carried in the Balance Sheet.

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

Financial Liabilities	Long Term 31.3.2023	Long Term 31.3.2022	Short Term 31.3.2023	Short Term 31.3.2022
	£000s	£000s	£000s	£000s
Loans at amortised cost:				
- Principal sum borrowed	(63,100)	(71,700)	(14,500)	(400)
- Accrued interest	0	(422)	(415)	(7)
Total Borrowing	**(63,100)**	**(72,122)**	**(14,915)**	**(407)**
Liabilities at amortised cost:				
- Finance leases	(22)	(23)	0	0
- PFI arrangements	(8,581)	(9,676)	0	0
Total Other Long-term Liabilities	**(8,603)**	**(9,699)**	**0**	**0**
Liabilities at amortised cost:				
- Finance leases	0	0	(1)	(88)
- PFI arrangements	0	0	(1,096)	(1,020)
Included in Creditors	**0**	**0**	**(1,097)**	**(1,108)**
Total Financial Liabilities	**(71,703)**	**(81,821)**	**(16,012)**	**(1,515)**

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

Financial Assets	Long Term 31.3.2023	Long Term 31.3.2022	Short Term 31.3.2023	Short Term 31.3.2022
	£000s	£000s	£000s	£000s
At amortised cost:				
- Principal	14,948	29,990	10,009	10,000
- Accrued interest	0	173	133	7
- Loss allowance	(53)	(127)	(7)	0
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	5,830	5,830	0	0
Total Investments	**20,725**	**35,866**	**10,135**	**10,007**
At amortised cost:				
- Principal	0	0	10,059	5,045
- Accrued interest	0	0	94	0
- Loss allowance	0	0	(4)	(1)
At fair value through profit & loss:				
- Fair value	0	0	24,980	94,968
Total Cash and Cash Equivalents	**0**	**0**	**35,130**	**100,012**
At amortised cost:				
- Lease receivables	401	430	30	32
Included in Debtors	**401**	**430**	**30**	**32**
Total Financial Assets	**21,126**	**36,296**	**45,295**	**110,051**

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 31.3.2023	Fair Value 31.3.2022	Dividends 31.3.2023	Dividends 31.3.2022
	£000s	**£000s**	**£000s**	**£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 Amortised Cost	Financial Liabilities Fair Value through Profit & Loss	Financial Assets Amortised Cost	Financial Assets Fair Value through Profit & Loss	2022/23 Total	2021/22 Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	828	0	0	0	828	2,310
Interest payable and similar charges	**828**	**0**	**0**	**0**	**828**	**2,310**
Interest income	0	0	(282)	0	(282)	(252)
Dividend income	0	0	0	(1,428)	(1,428)	(69)
Interest and investment income	**0**	**0**	**(282)**	**(1,428)**	**(1,710)**	**(321)**
Net impact on surplus/deficit on provision of services	828	0	(282)	(1,428)	(882)	1,989
Net Gain/(Loss) for the Year	**828**	**0**	**(282)**	**(1,428)**	**(882)**	**1,989**

(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 2023, 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	31.3.2023	Fair Value 31.3.2023	31.3.2022	Fair Value 31.3.2022
		£000s	£000s	£000s	£000s
Financial liabilities held at amortised cost:					
Long-term loans	2	(63,100)	(49,173)	(72,122)	(67,636)
Lease payables and PFI liabilities	2	(9,700)	(7,921)	(10,807)	(9,620)
TOTAL		**(72,800)**	**(57,094)**	**(82,929)**	**(77,256)**
Liabilities for which fair value is not disclosed		(14,915)		(407)	
TOTAL FINANCIAL LIABILITIES		**(87,715)**		**(83,336)**	
Recorded on balance sheet as:					
Short-term creditors		(1,098)		(1,108)	
Short-term borrowing		(14,915)		(407)	
Long-term borrowing		(63,100)		(72,122)	
Other long-term liabilities		(8,602)		(9,699)	
TOTAL FINANCIAL LIABILITIES		**(87,715)**		**(83,336)**	

	Fair Value Level	31.3.2023	Fair Value 31.3.2023	31.3.2022	Fair Value 31.3.2022
		£000s	**£000s**	**£000s**	**£000s**
Financial assets held at fair value:					
Money market funds	**1**	24,980		94,995	
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**	20,748	0	20,790	0
Lease receivables	**3**	430	185	463	263
TOTAL		**46,188**	**25,195**	**116,278**	**95,288**
Assets for which fair value is not disclosed		20,295		30,225	
TOTAL FINANCIAL ASSETS		**66,483**		**146,503**	
Recorded on balance sheet as:					
Long-term debtors		400		430	
Long-term investments		20,778		35,993	
Short-term debtors		30		33	
Short-term investments		10,142		10,007	
Cash and cash equivalents		35,133		100,040	
TOTAL FINANCIAL ASSETS		**66,483**		**146,503**	

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31.3.2023 Liabilities	31.3.2023 Assets	31.3.2023 Net	31.3.2022 Liabilities	31.3.2022 Assets	31.3.2022 Net
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Not over 1	(14,915)	45,275	30,360	(407)	110,056	109,649
Over 1 but not over 2	(4,500)	185	(4,315)	(800)	15,182	14,382
Over 2 but not over 5	(12,700)	27	(12,673)	(400)	227	(173)
Over 5 but not over 10	(16,000)	36	(15,964)	(12,004)	45	(11,959)
Over 10 but not over 20	(26,000)	0	(26,000)	0	0	0
Over 20 but not over 40	(3,900)	14,700	10,800	(58,918)	14,700	(44,218)
Uncertain date	0	5,830	5,830	0	5,830	5,830
Total	**(78,015)**	**66,053**	**(11,962)**	**(72,529)**	**146,040**	**73,511**

17. Debtors

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

	2022/23	2021/22
	£000	£000
Trade receivables	29,181	25,873
Prepayments	3,626	2,760
Other receivable amounts	88,493	111,741
Total	**121,301**	**140,374**

18. Cash and Cash Equivalents

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

	2022/23	2021/22
	£'000	£'000
Cash held by the Council	144	142
Bank current accounts	(4,133)	(11,774)
Short-term investments	34,958	100,040
Total	**30,969**	**88,408**

19. Assets Held for Sale

All assets held for sale are classed as current assets.

	2022/23	2021/22
	£000	£000
Balance at start of year	53,352	72,251
Assets newly classified as held for sale:		
- Property, Plant and Equipment	1,749	0
Depreciation	(22)	0
Assets declassified as held for sale:		
- Assets sold	(18,760)	(18,899)
Balance at end of year	**36,319**	**53,352**

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.

2022/23	Insurance	Housing Benefit (Govt. Grants)	HRA Legal Disrepair	NNDR Appeals	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 31st March 2022	(10,287)	(4,475)	(1,976)	(13,751)	(8,224)	**(38,713)**
Provisions made in 2022/23	(9,734)	0	0	0	(218)	**(9,952)**
Amounts used in 2022/23	7,481	0	0	2,166	125	**9,772**
Unused amounts reversed	0	0	0	834	1,666	**2,500**
Balance at 31st March 2023	**(12,540)**	**(4,475)**	**(1,976)**	**(10,751)**	**(6,651)**	**(36,393)**

2021/22	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 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 biennial review using actuarial methods. The provision as at 31st March 2023 was £12.540 million (£10.288 million as at 31st March 2022). Of this total, £2.164 million represents the provision made for the Housing Revenue Account (£1.560 million as at 31st March 2022) .

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% of the provision for appeals within the Balance Sheet.

Other Provisions

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

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.

	2022/23	2021/22
	£'000	£'000
Trade payables	(90,069)	(87,106)
Other payables	(36,888)	(85,608)
Total	**(126,957)**	**(172,714)**

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

	31/3/2023	31/3/2022
	£'000	£'000
Revaluation Reserve	(1,440,113)	(1,246,496)
Financial Instruments Revaluation Reserve	170	202
Capital Adjustment Account	(2,703,245)	(2,780,440)
Financial Instruments Adjustment Account	(26)	(45)
Dedicated Schools Grant Adjustment Account*	17,062	13,915
Deferred Capital Receipts	(433)	(465)
Pensions Reserve	116,837	745,606
Collection Fund Adjustment Account	(2,964)	7,556
Accumulated Absences Account	7,575	7,492
Total	**(4,005,137)**	**(3,252,674)**

*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.

	2022/23	2021/22
	£'000	£'000
Balance as at 1st April	**(1,246,496)**	**(1,149,105)**
Upward revaluation of assets	(224,436)	(164,031)
Downward revaluation of assets	19,489	56,343
Difference between fair value depreciation and historical cost depreciation	11,330	10,297
Balance as at 31st March	**(1,440,113)**	**(1,246,496)**
Amount written off to the Capital Adjustment Account	11,330	10,297

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

	2022/23	2021/22
	£'000	£'000
Balance as at 1st April	**202**	**140**
Upward revaluation of investments	**(32)**	**0**
Downward revaluation of investments	**0**	**62**
Balance as at 31st March	**170**	**202**

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.

	2022/23	2021/22
	£'000	£'000
Balance as at 1st April	**(465)**	**(25,532)**
Long term operating leases reclassified as finance leases	32	67
Transfer to the Capital Receipts Reserve upon receipt of cash	0	25,000
Balance as at 31st March	**(433)**	**(465)**

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.

	2022/23		2021/22	
	£'000	£'000	£'000	£'000
Balance as at 1st April		**(2,780,440)**		**(2,782,186)**
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	71,288		69,693	
- revaluation losses and reversals of losses on Property, Plant and Equipment	94,269		54,942	
- amortisation of intangible assets	3,536		2,305	
- expected credit losses	(72)		(814)	
- revenue expenditure funded from capital under statute	2,013		1,217	
- 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	37,263		89,935	
	37,263	208,297		217,278
Adjusting amounts written out of the Revaluation Reserve	(11,330)	(11,330)	(10,296)	(10,296)

	2022/23		2021/22	
	£'000	£'000	£'000	£'000
Net written out amount of the cost of non-current assets consumed in the year		196,967		206,982
Capital financing applied in the year				
- use of the Capital Receipts Reserve to finance new capital expenditure	(30,628)		(68,469)	
- use of the Major Repairs Reserve to finance new capital expenditure	(41,670)		(43,746)	
- capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(33,324)		(30,450)	
- capital grants and other contributions that have been applied to capital financing	(3,446)		(1,945)	
- capital expenditure charged against the General Fund and HRA balances	(642)		0	
- capital receipts applied to debt	(22,555)		(42,839)	
		(132,265)		(187,449)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,267)		(2,210)	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	15,868		(14,500)	
Finance lease and PFI movements	(1,108)	12,493	(1,077)	(17,787)
Balance as at 31st March		**(2,703,245)**		**(2,780,440)**

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.

	2022/23	2021/22
	£'000	£'000
Balance as at 1st April	**(45)**	**(68)**
Amounts by which finance costs charged to CI&ES are different from finance costs chargeable in year in accordance with statutory requirements	19	23
Balance as at 31st March	**(26)**	**(45)**

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.

	2022/23	2021/22
	£'000	£'000
Balance as at 1st April	**745,606**	**894,508**
Remeasurements of net defined liability / (asset)	(681,723)	(203,663)
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on Provision of Services	118,566	116,049
Employer's pension contributions and direct payments to pensioners payable in the year	(65,612)	(61,288)
Balance as at 31st March	**116,837**	**745,606**

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.

	2022/23	2021/22
	£'000	£'000
Balance as at 1st April	**7,557**	**23,288**
Movement in year	(10,521)	(15,731)
Balance as at 31st March	**(2,964)**	**7,557**

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	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Balance as at 1st April	**6,614**	**7,361**	**879**	**1,085**
Settlement / cancellation of accrual made at the end of the preceding year	(6,614)	(7,361)	(879)	(1,085)
Amounts accrued at the end of the current year	6,678	6,614	897	879
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from charges in accordance with statutory requirements	64	(747)	18	(206)
Balance at 31st March	**6,678**	**6,614**	**897**	**879**

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

	2022/23	2021/22
	£'000	£'000
Interest Received	(2,941)	(357)
Interest Paid	2,150	2,295
Total	**(791)**	**1,938**

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

	2022/23	2021/22
	£'000	£'000
Depreciation	(71,288)	(69,693)
Impairment and downward valuations	(94,270)	(54,942)
Amortisation	(3,536)	(2,305)
(Increase)/decrease in impairment for bad debts	(6,264)	(12,844)
(Increase)/decrease in creditors	113,132	(35,881)
Increase/(decrease) in debtors	(2,099)	20,707
Increase/(decrease) in inventories	128	(160)
Movement in pension liability	(52,954)	(54,761)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(37,263)	(89,935)
Other non-cash movements charged to the surplus or deficit on provision of services	(9,120)	15,804
Total	**(163,534)**	**(284,011)**

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

	2022/23	2021/22
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	61,683	131,814
Any other items for which the cash effects are investing or financing cash flows	50,360	30,252
Total	**112,043**	**162,066**

25. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2022/23	2021/22
	£'000	£'000
Balance as at 1st April		
Purchase of PPE, investment property and intangible assets	130,988	152,976
Purchase of investments	0	25,972
Other investing activities	0	(1,000)
Proceeds from the sale of Non Current Assets	(61,683)	(131,814)
Proceeds from investments	(14,972)	(14,500)
Other receipts from investing activities	(41,445)	(18,964)
Balance as at 31st March	**12,888**	**12,670**

26. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

	2022/23	2021/22
	£'000	£'000
Cash receipts of short and long-term borrowing	(10,000)	0
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	1,108	949
Repayments of short and long term borrowing	4,500	4,500
Other payments for financing activities	(14,522)	2,961
Net Cash flows from financing activities	**(18,914)**	**8,410**

27. Reconciliation of Liabilities arising from financing activities

	2022/23 1st April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	2022/23 31st March
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Long-term borrowings	(72,100)	4,500	0	0	(67,600)
Short-term borrowings	-	(10,000)	0	0	(10,000)
- Lease liabilities	(111)	88	0	0	(23)
- On balance sheet PFI liabilities	(10,697)	1,020	0	0	(9,677)
Total liabilities from financing activities	**(82,908)**	**(4,392)**	**0**	**0**	**(87,300)**

	2021/22 1st April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	2021/22 31st March
	£'000	£'000	£'000	£'000	**£'000**
Long-term borrowings	(77,000)	4,900	0	0	(72,100)
Short-term borrowings	0	0	0	0	0
- Lease liabilities	(240)	129	0	0	(111)
- On balance sheet PFI liabilities	(11,645)	949	0	0	(10,696)
Total liabilities from financing activities	**(88,885)**	**5,978**	**0**	**0**	**(82,907)**

28. 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.

	2022/23 Net Expenditure Chargeable to the GF & HRA Balances	2022/23 Adjustments between accounting basis and funding basis	2022/23 Net Expenditure in CI&ES	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
	£'000	£'000	£'000	£'000	£'000	£'000
Adults, Health and Integration						
Hackney Education	42,513	4,103	46,616	(8,440)	70,769	62,329
Children & Families	67,541	3,846	71,388	68,924	4,429	73,353
Adult Services	75,321	4,440	79,761	66,510	3,462	69,972
Public Health	(2,061)	508	(1,553)	(191)	521	330
Climate, Homes and Economy						
Public Realm	28,274	43,717	71,990	26,400	14,391	40,791
Housing & Regeneration GF	2,914	(98)	2,816	4,068	(718)	3,350
Finance & Corporate Resources						
Revenues & Benefits	30,362	359	30,721	26,733	3,971	30,704
Finance and Resources Other	18,480	21,648	40,128	60,686	(40,167)	20,519
Chief Executives						
Chief Executive	42,987	920	43,907	10,050	12	10,062
Housing Revenue Account						
HRA	26,196	23,230	49,426	43,510	4,942	48,452
Net Cost of Services	332,528	**102,672**	**435,200**	**298,250**	**61,612**	**359,862**
Other income and expenditure	(326,239)	5,994	(320,245)	(309,106)	3,256	(305,850)
(Surplus) / Deficit on Provision of Services	**6,289**	**108,666**	**114,955**	**(10,856)**	**64,868**	**54,012**
Opening GF & HRA Balance "	(195,149)			(184,293)		
Less Deficit on GF & HRA Balance in Year	6,289			(10,856)		
General Fund & HRA Balance at 31st March 2023	(188,860)			(195,149)		

Analysed between General Fund and HRA	2022/23 GF	2022/23 HRA	2022/23 Total	2021/22 GF	2021/22 HRA	2021/22 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening GF & HRA Balance 2023	(168,117)	(27,032)	(195,149)	(160,942)	(23,351)	(184,293)
Less Deficit on GF & HRA Balance in Year	5,639	650	6,289	(7,175)	(3,681)	(10,856)
General Fund & HRA Balance at 31st March 2023	(162,478)	(26,382)	(188,860)	(168,117)	(27,032)	(195,149)

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29. Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2022/23	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adults, Health and Integration				
Hackney Education	(9,042)	10,012	3,134	4,103
Children & Families	177	3,737	(67)	3,846
Adult Services	1,539	2,888	13	4,440
Public Health	9	497	1	508
Climate, Homes and Economy	0	0	0	
Public Realm	35,917	7,723	77	43,717
Housing & Regeneration GF	(213)	468	6	260
Finance & Corporate Resources	0	0	0	
Revenues & Benefits	5,847	2,622	21	8,490
Finance and Resources Other	12,797	449	(89)	13,157
Chief Executives	0	0	0	
Chief Executives	(44)	953	11	920
Housing Revenue Account	0	0	0	
Local authority housing (HRA)	16,120	7,092	18	23,230
Net Cost of Services	**63,107**	**36,440**	**3,126**	**102,672**
Other income and expenditure from the Expenditure and Funding Analysis	0	16,514	(10,520)	5,994
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**63,107**	**52,954**	**(7,395)**	**108,666**

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
Adults, Health and Integration				
Hackney Education	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
Climate, Homes and Economy				
Public Realm	6,065	8,700	(375)	14,391
Housing & Regeneration GF	(1,205)	506	(20)	(718)
Finance & Corporate Resources				
Revenues & Benefits	(11,480)	2,936	(104)	(8,648)
Finance and Resources Other	(24,446)	(2,279)	(824)	(27,548)
Chief Executives				
Chief Executive	(491)	534	(31)	12
Housing Revenue Account				
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**

30. Expenditure and Income Analysed by Nature

	2022/23	2021/22
	£000's	**£000's**
Expenditure:		
Employee expenses	297,475	279,198
Other service expenses	907,725	870,616
Support services recharges	64,758	67,640
Capital related	183,505	109,327
Interest and investment expenditure	84,867	68,716
Precepts and levies	8,220	9,178
Payments to Housing Capital Receipts Pool	0	3,253
Total expenditure:	**1,546,551**	**1,407,928**
Income:		
Fees, charges and other service income	(418,754)	(378,414)
Interest and investment income	(15,220)	(8,534)
Income from council tax, non domestic rates	(158,678)	(130,022)
Government grants and contributions	(838,945)	(836,946)
Total income:	**(1,431,597)**	**(1,353,916)**
Surplus or Deficit on the Provision of Services	**114,955**	**54,012**

31. 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 £0.164 million in 2022/23 (£0.169 million in 2021/22).

There was no cost to the Council in providing this service. The commission received for the Jardine Lloyd Thompson arrangement was £0.034 million for 2022/23 (£0.035 million in 2021/22).

32. Members' Allowances

The council paid £1.391 million in allowances to members of the council during 2022/23 (£1.299 million in 2021/22).

33. 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.

	2022/23	2021/22
	£'000	£'000
Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year	227	227
Fees payable to Mazars for the certification of grant claims and returns for the year	TBC	35
Fees payable to Mazars with regard to external audit services carried out on the London Borough of Hackney Pension Fund	25	16
Total	**252**	**278**

The audit fees are currently being reviewed and are expected to be finalised soon. Please note that they may be subject to change.

34. 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 *	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Funding provided to the pooled budget						
- provided by the Council	(7,167)	(6,919)	(22,783)	(20,824)	(18,367)	(17,878)
- provided by other Partners	(13,269)	(11,104)	(10,573)	(10,255)	(24,408)	(23,101)
Expenditure met from the pooled budget						
- met by the Council	8,879	8,189	25,795	22,725	29,687	28,678
- met by other Partners	13,882	11,363	10,573	10,255	13,089	12,301
Net deficit arising on the pooled budget during the year	2,325	1,529	3,012	1,901	1	0
Council's share of the net (surplus) / deficit arising on the pooled budget	**1,712**	**1,270**	**3,012**	**1,901**	**11,320**	**10,800**

* 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.

35. Officers' Remuneration

Post Holder Details	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
	2022/23	2021/22	2022/23	2021/22	**2022/23**	**2021/22**	2022/23	2021/22	**2022/23**	**2021/22**
	£	£	£	£	£	£	£	£	£	£
Chief Executive - Mark Carroll	194,139	95,631	0	0	**194,139**	**95,631**	35,916	17,692	**230,055**	**113,323**
Chief Executive - Tim Shields (period 01/04/2021 to 31/05/2021, working 4 days a week)	0	24,906	0	0	**0**	**24,906**	0	4,608	**0**	**29,514**
Acting Chief Executive - Ian Williams (period 01/06/2021 to 03/10/2021)	0	66,367	0	0	**0**	**66,367**	0	12,278	**0**	**78,645**
Group Director Finance & Corporate Resources - Ian Williams *	167,954	109,347	0	0	**167,954**	**109,347**	15,536	20,229	**183,490**	**129,576**
Group Director Adults, Health and Integration - Helen Woodland	162,420	154,960	0	0	**162,420**	**154,960**	30,048	28,668	**192,468**	**183,628**
Group Director Children and Education - Jacquie Burke	162,420	102,981	0	0	**162,420**	**102,981**	30,048	19,035	**192,468**	**122,016**
Group Director Children & Education- Anne Canning (01/04/2021 to 31/05/2021)	0	27,262	0	3,294	**0**	**30,556**	0	5,653	**0**	**36,209**
Group Director Neighbourhoods & Housing - Rickardo Hyatt (started 1st July 2022)	113,025	0	0	0	**113,025**	**0**	20,910	0	**133,935**	**0**
Group Director Neighbourhoods & Housing - Ajman Ali (last day of service 10/04/2022.)	0	165,821	0	0	**0**	**165,821**	0	30,677	**0**	**196,498**

Notes

* LGPS (CARE) 50/50 Scheme

**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	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
	2022/23	2021/22	2022/23	2021/22	**2022/23**	**2021/22**	2022/23	2021/22	**2022/23**	**2021/22**
	£	£	£	£	**£**	**£**	£	£	**£**	**£**
Strategic Director Engagement, Culture and Organisational Development	140,283	131,162	0	0	**140,283**	**131,162**	25,952	24,265	**166,235**	**155,427**
Director, Legal & Governance	140,283	142,175	0	0	**140,283**	**142,175**	25,952	26,302	**166,235**	**168,477**
Head of Policy and Strategic Delivery	95,355	0	0	0	**95,355**	**0**	17,641	0	**112,996**	**0**
Strategic Director Inclusive Economy, Corporate Policy and New Homes (Apr 2022-July 2022)	46,119	114,837	0	0	**46,119**	**114,837**	8,532	25,494	**54,651**	**140,331**
Strategic Director Sustainability and Public Realm (Apr 2022-July 2022)	46,119	0	0	0	**46,119**	**0**	8,532	0	**54,651**	**0**
Strategic Director Housing (Apr 2022-July 2022) *	46,119	0	0	0	**46,119**	**0**	4,260	0	**50,379**	**0**

Notes

* LGPS (CARE) 50/50 Scheme

**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			
	2022/23		2021/22		2022/23		2021/22		2022/23		2021/22		2022/23		2021/22	
	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council £	Schools	Council £	Schools
£0 - £20,000	4	6	15	6	35	17	23	28	39	23	38	34	401,915	200,227	363,621	289,988
£20,001 - £40,000	3	3	7	1	24	1	12	4	27	4	19	5	761,341	106,189	510,768	146,336
£40,001 - £60,000	3	0	1	0	3	2	1	1	6	2	2	1	297,839	108,491	91,241	41,911
£60,001 - £80,000	0	1	1	1	0	0	1	0	0	1	2	1	0	68,610	149,935	72,172
£80,001 - £100,000	1	0	0	0	0	0	0	1	1	0	0	1	86,674	0	0	84,789
£100,001 - £150,000	3	0	0	0	3	0	0	0	6	0	0	0	742,065	0	0	0
£150,001 - £200,000	0	0	0	0	2	0	0	0	2	0	0	0	351,575	0	0	0
£200,001 - £250,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	14	**10**	**24**	**8**	**67**	**20**	**37**	**34**	**81**	**30**	**61**	**42**	**2,641,409**	**483,517**	**1,115,565**	**635,196**

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.

	2022/23		2021/22	
	No. of employees		No. of employees	
	Council	Schools	Council	Schools
£50,000 - £54,999	320	126	264	138
£55,000 - £59,999	207	139	182	135
£60,000 - £64,999	146	70	102	57
£65,000 - £69,999	73	43	58	40
£70,000 - £74,999	49	23	27	24
£75,000 - £79,999	22	19	18	13
£80,000 - £84,999	13	12	5	14
£85,000 - £89,999	8	10	18	9
£90,000 - £94,999	11	5	6	9
£95,000 - £99,999	9	7	5	4
£100,000 - £104,999	12	4	11	2
£105,000 - £109,999	4	1	1	4
£110,000 - £114,999	2	2	2	1
£115,000 - £119,999	0	2	2	1
£120,000 - £124,999	1	2	7	2
£125,000 - £129,999	7	1	3	1
£130,000 - £134,999	1	0	0	2
£135,000 - £139,999	0	2	2	0
£140,000 - £144,999	2	0	1	0
Total	**888**	**468**	**714**	**456**

36. Termination Benefits

The Council terminated the contracts of 111 employees in 2022/23, incurring liabilities of £3.175 million (£1.751 million in 2021/22) 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.

37. 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 2022/23 are as follows.

	Central Expenditure	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2022/23 before academy and high needs recoupment			314,071
Academy and high needs figure recouped for 2022/23			83,322
Total DSG after academy and high needs recoupment for 2022/23			**230,748**
Plus: Brought forward from 2021/22			0
Less: Carry-forward to 2023/24 agreed in advance			0
Agreed initial budgeted distribution in 2022/23	57,788	172,960	**230,748**
In year adjustments	0	179	179
Final budget distribution for 2022/23	**57,788**	**173,139**	**230,928**
Less: Actual central expenditure	62,493		62,493
Less: Actual ISB deployed to schools		171,582	171,582
Plus: Local authority contribution for 2022/23	0	0	0
In-year carry-forward to 2023/24	(4,704)	1,558	**(3,147)**
Plus: Carry-forward to 2023/24 agreed in advance			0
Carry-forward to 2023/24			0
DSG unusable reserve at the end of 2021/22			(13,915)
Addition to DSG unusable reserve at the end of 2022/23			(3,147)
Total of DSG unusable reserve at the end of 2022/23			(17,062)
Net DSG position at the end of 2022/23			**(17,062)**

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 2022/23. These pressures are experienced by many authorities across the UK and are widely reported through the press and also through discussions at many public sector meetings. The source of the pressure is mainly demand – significant increases in CYP requiring additional support. There was a 114% increase in Education, Health and Care Plans (EHCPs) between 2014 (1,399 plans) and 2022 (2,996 plans).

38. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2022/23. No donations were received during the year.

	2022/23	2021/22
	£'000	£'000
Credited To Taxation and Non-Specific Income		
Revenue Support Grant	(36,649)	(35,556)
Business Rates Grant Top up	(79,938)	(76,305)
PFI Grant	(1,387)	(1,387)
New Homes Bonus	(2,480)	(4,514)
COVID 19 Grant	0	(14,433)
Capital Grants	(50,360)	(30,252)
Other Grants	(8,836)	(1,100)
Total	**(179,651)**	**(163,547)**
Credited to Services		
Department for Education	(266,636)	(250,365)
Department for Work and Pensions	(249,091)	(245,988)
Department of Health	(51,160)	(53,996)
Department for Levelling Up, Housing and Communities	(46,288)	(43,388)
Contribution from Health Authorities	(5,435)	(20,344)
Contribution from other partners	(16,755)	(16,779)
Other Grants and Contributions	(24,653)	(26,893)
Total	**(660,018)**	**(657,753)**

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.

	2022/23	2021/22
	£'000	£'000
Capital Grants Receipt in Advance		
Department for Education	0	0
Other Grants	(1,053)	(153)
Total	**(1,053)**	**(153)**

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

	2022/23	2021/22
	£'000	£'000
Revenue Grants Receipt in Advance		
Department for Work and Pensions	(7,207)	(45,838)
Department for Levelling up, Housing and Communities	(22)	(16,338)
Business, Energy and Industrial Strategy	(403)	(1,581)
Department for Education	(647)	(2,762)
Department of Health	0	(2,377)
Other Grants	(1,313)	(3,057)
Total	**(9,592)**	**(71,953)**

Long term liabilities

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

	2022/23	2021/22
	£'000	£'000
Capital Grants Receipt in Advance		
Other Grants	0	0
Section 106 Grants	(41,167)	(52,301)
Total	**(41,167)**	**(52,301)**

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

	2022/23	2021/22
	£'000	£'000
Revenue Grants Receipt in Advance		
Department for Education	0	(1,202)
Total	**0**	**(1,202)**

Following the annual review of grant conditions in 2022/23, 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.

39. Related Parties

Central Government 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 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 £613 million (£594 million in 2021/22), 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 38.

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 2022/23 are summarised in the paragraphs below.

The Council made payments totalling £0.870 million and received income of £0.004 million (£1.365 million / £0.226 million in 2021/22) to six voluntary organisations in which there are five declared interests by Members. Payments of £5.080 million and income of £0.023 million (£5.132 million / £0.125 million in 2021/22) were made to seven Housing Associations and Tenant Management Organisations in which seven controlling interests was declared by Members. In addition, payments of £2.671 million and income of £0.007 million (£4.242 million / £2.072 million in 2021/22) were made to six public-related organisations in which there are six declared interests by Members and one Senior Officer

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 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 2022/23 on HSFL £3.577m and HSF2L £1.447m.

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 attributable to the Makers was £213k (£1.3m in 2021/22) and attributable to Otto £130k (£137k in 2021/22).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 to provide commercial waste and recycling services beyond the borough boundaries specifically across East and Central London

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 2022/23, the Mayor, four Members and three Chief Officers were on the Health and Wellbeing Board. The Chief Executive of Homerton University Hospital NHS Foundation Trust is a Co-opted member 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 (£0.11m).

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 £63.62 million to the Fund in 2022/2023 (£58.46 million in 2021/22). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.44 million in 2022/23 (£0.42 million in 2021/22) 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 £6.612 million (£7.785 million in 2021/22). The council also incurred charges of £1.802 million (£1.738 million in 2021/22) towards non-household waste and £0.599 million (£0.547 million in 2021/22) 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 19 Board Members including the Mayor, 5 Councillors and 4 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 2022/23.

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 (London LGPS CIV Limited) wholly owned by the 32 participating authorities, and the ACS fund itself. The Pension Fund is a minority shareholder in London LGPS CIV Limited, and shares valued at £150k at 31 March 2023 are included as long-term investments in the Fund’s net asset statement.

The Pension Fund incurred costs of £10k in 2022/23 (£110k in 2021/22) in relation to charges from the London CIV Ltd (the operating company).

The Pension Fund incurred costs of £149k in 2022/23 (£151k in 2021/22) in relation to the custody and management of investments held and managed within the London CIV regional asset pool.

40. 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.

	2022/23		2021/22	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		**466,705**		**503,329**
Capital investment				
- Property, Plant and Equipment	127,181		147,487	
- Investment properties	0		0	
- Intangible Assets	3,808		5,490	
- Revenue Expenditure Funded from Capital under Statute	2,013		1,217	
- Loans and Investments	0	133,002	0	154,194
Sources of finance				
- Capital receipts	(30,628)		(68,469)	
- Government grants and other contributions	(36,770)		(32,395)	
- Direct revenue contributions	(4,050)		(3,355)	
- Repayment of debt	(22,566)		(42,853)	
- Major Repairs Allowance	(41,670)	(135,684)	(43,746)	(190,818)
Closing Capital Financing Requirement		**464,023**		**466,705**
Explanation of movements in year				
Increase in underlying need to borrow (unsupported by government financial assistance)		23,291		9,584
Minimum Revenue Provision		(3,407)		(3,355)
Additional repayment of debt		(22,566)		(42,853)
Increase / (decrease) in Capital Financing Requirement		**(2,682)**		**(36,624)**

41. Leases

Authority as Lessee

Finance Leases

As at 31st March 2022 the Council leased 7 assets which have been classified as finance leases, this stayed the same as at 31st March 2023. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	2022/23	2021/22
	£000	£000
Other Land and Buildings	2,490	2,550
Vehicles, Plant, Furniture and Equipment	0	0
Total	**2,490**	**2,550**

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.

	2022/23	2021/22
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)		
- current	1	88
- non-current	22	23
Finance costs payable in future years	1	1
Minimum lease payments	**24**	**112**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000
Not later than one year	1	88	1	88
Between one year and not later than five years	4	4	3	3

	Minimum Lease Payments		Finance Lease Liabilities	
	2022/23	2021/22	2022/23	2021/22
Later than five years	19	20	19	20
Total	**24**	**112**	**23**	**111**

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.

	2022/23	2021/22
	£000	£000
Adults, Health and Integration		
Hackney Education	87	98
Climate, Homes and Economy		
Public Realm	0	30
Finance and Corporate Resources		
Finance and Resources Other	1	1
	0	**129**

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.

	2022/23	2021/22
	£000	£000
Not later than one year	3,381	4,266
Later than one year and not later than five years	13,361	13,349
Later than five years	10,503	13,184
Total	**27,245**	**30,800**

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 75 years and 243 Old Street with a remaining term of 40 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.

The gross investment is made up of the following amounts.

	2022/23	2021/22
	£000	£000
Finance lease debtor (net present value of minimum lease payments)		
- current	30	32
- non-current	401	431
Unearned finance income	65	80
Gross investment in the lease	**496**	**543**

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	
	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000
Not later than one year	30	32	42	47
Later than one year and not later than five years	87	99	117	136
Later than five years	314	332	337	360
Total	**431**	**463**	**496**	**543**

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.

	2022/23	2021/22
	£000	£000
Not later than one year	3,449	3,830
Later than one year and not later than five years	9,288	10,797
Later than five years	8,264	9,890
Total	**21,001**	**24,517**

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.

42. PFI and Similar Contracts

The Council has one PFI scheme for the Technology and Learning Centre (TLC). 2022/23 was the twentieth year of a thirty-one year PFI contract for the design, build and financing of the TLC, which Hackney Learning Trust (formerly The Learning Trust), Hackney Library and Hackney Museum occupy. The PFI contract is with Investors in the Community (Hackney) Limited. Under the terms of the contract the Council determines what services must be provided and the standards expected for those services. The Council monitors these standards and the contract allows for deductions to be made from the fees payable should performance be below standard or if the facilities are unavailable.

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

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

Lifecycle costs have not been included in the model used to determine the principal and interest elements of the unitary payments made. There have been no changes to the scheme or refinancing in 2022/23.

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 2023 (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 2023/24	1,950	1,096	72 4	**3,770**
Payable within 2 to 5 years	8,765	5,275	2,009	**16,049**
Payable within 6 to 10 years	14,037	3,306	373	**17,716**
Payable within 11 to 15 years	0	0	0	**0**
Total	**24,752**	**9,677**	**3,106**	**37,535**

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.

	2022/23	2021/22
	£'000	£'000
Balance at start of year	**(10,697)**	**(11,646)**
Payments during the year	1,020	949
Balance at end of year	**(9,677)**	**(10,697)**

43. 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 2022/23 the Council paid £15.180 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £15.056 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 44.

44. 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	
	2022/23	**2021/22**	**2022/23**	**2021/22**
	£'000	£'000	£'000	£'000
Cost of Services				
- current service cost (incl.admin)	95,951	96,950	85	158
- Past Service cost incl settlement & curtailments	1,981	703	0	0
Total	**97,932**	**97,653**	**85**	**158**
Financing and Investment Income and Expenditure				
- Net interest cost	20,489	18,192	60	46
Total	**20,489**	**18,192**	**60**	**46**
Re-measurements of net defined benefit liability				
- Return on plan assets	129,302	(74,443)	763	(7,320)
- changes in demographic assumptions	(19,707)	28,737	(2,349)	0
- changes in financial assumptions	(936,025)	(155,455)	(12,735)	(1,242)
Other	145,104	(2,478)	13,924	8,538
Total	**(681,326)**	**(203,639)**	**(397)**	**(24)**

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	
	2022/23	**2021/22**	**2022/23**	**2021/22**
	£'000	£'000	£'000	£'000
Reversal of net charges made to the Surplus/Deficit for the Provision of Services in accordance with the Code	(118,421)	(115,845)	(145)	(204)
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 2022/23 this amounted to £0.236 million (£0.233 million in 2021/22).

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 2022/23 accounts in respect of the above commitments was £3.315 million (£3.394 million in 2021/22).

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

	LBH		LPFA	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Balance as at 1st April	**1,888,297**	**1,820,030**	**47,805**	**50,704**
Interest Income	51,072	36,447	1,542	1,019
Remeasurement gain/loss				
Return on assets	(129,302)	74,443	(763)	7,320
Other Actuarial gains/losses	0	0	23	(8,500)
Employer contributions	62,056	57,482	272	300
Contributions by scheme participants	14,379	13,325	11	13
Unfunded benefit contributions	3,284	3,506	239	260
Unfunded benefit payments	(3,284)	(3,506)	(239)	(260)
Benefits paid	(67,253)	(63,570)	(2,782)	(2,980)
Other	0	(49,860)	(18)	(71)
Balance as at 31st March	**1,819,249**	**1,888,297**	**46,090**	**47,805**

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

	LBH		LPFA	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Balance as at 1st April	**(2,631,503)**	**(2,712,018)**	**(50,206)**	**(53,225)**
Current service cost	(95,951)	(96,950)	(67)	(87)
Interest cost	(71,561)	(54,639)	(1,270)	(984)
Contributions by scheme participants	(14,379)	(13,325)	(11)	(13)

	LBH		LPFA	
	2022/23	2021/22	2022/23	2021/22
Remeasurement (gains) and losses				
Actuarial (gains) and losses arising in changes in demographic assumptions	19,707	(28,737)	2,349	0
Actuarial (gains) and losses arising on changes in financial assumptions	936,025	155,455	12,735	1,242
Other	(145,104)	52,338	(4,065)	(119)
Past service cost (including Curtailments)	(1,981)	(703)	0	0
Benefits paid	70,537	67,076	2,782	2,980
Balance as at 31st March	**(1,934,210)**	**(2,631,503)**	**(37,753)**	**(50,206)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	LBH		LPFA	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Present value of liabilities	(1,934,210)	(2,631,503)	(47,519)	(50,271)
Fair value of assets	1,819,249	1,888,297	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)	**(114,961)**	**(743,206)**	**(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 £116.837 million (£745.606 million 2021/22). 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.

The total contribution expected to be made to the London Borough of Hackney Pension Scheme by the Council in the year to 31 March 2024 is £55.004 million (£57.254 million, 2022/23). Expected contributions for the London Pension Fund Authority scheme in the year to 31 March 2024 are £0.017 million (£0.041 million, 2022/23).

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

	LBH		LPFA	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Cash and cash equivalents:	**159,601**	**380**	**75**	**1,443**
Equity instruments				
- Consumer	204,731	0	0	0
- Manufacturing	51,530	0	0	0
- Energy and Utilities	37,444	0	0	0
- Financial institutions	167,126	0	0	0
- Health and care	117,886	0	0	0
- Information technology	228,385	0	0	0
- Other	108,613	0	0	0
	915,715	**0**	**0**	**0**
Debt Securities:				
- Corporate Bonds	131,195	87,128	0	0
- Government Bonds	125,262	140,937	0	0
- Other	279,235	7,355	0	0
	535,692	**235,420**	**0**	**0**
Property:				
- UK Property	174,354	183,414	0	0
	174,354	**183,414**	**0**	**0**
Other investment funds and Unit Trusts:				
- Equities	0	1,003,094	34,606	34,472
- Bonds	0	304,359	0	0
- Commodities	4,787	0	0	0
- Infrastructure	19,186	24,320	7,446	6,170
- Property	0	0	5,779	5,434
- Other	9,918	137,434	0	0
	33,891	**1,469,207**	**47,831**	**46,076**
Derivatives:				
- Foreign Exchange	(4)	(124)	0	0
Other				
- LDI/Cashflow matching	0	0	0	0
Target Return Portfolio	0	0	10,942	13,044
	(4)	**(124)**	**10,942**	**13,044**
Balance as at 31st March	**1,819,249**	**1,888,297**	**58,848**	**60,563**

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	
	2022/23	2021/22	2022/23	2021/22
Mortality assumptions				
Longevity at 65 for current pensioners (years)				
- male	21.2	21.1	19.8	20.9
- female	24.0	23.6	23.2	23.7
Longevity at 65 for future pensioners (years)				
- male	22.4	22.5	21.0	22.2
- female	25.6	25.6	24.9	25.4
Financial assumptions				
- Pension increases (CPI) (% p.a.)	3.0%	3.2%	2.9%	3.4%
- Salary increases (% p.a.)	3.5%	3.5%	3.9%	4.4%
- Discount rate (% p.a.)	4.8%	2.7%	4.8%	2.6%

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	37,403	37,753	38,109
- Projected service cost	36	37	38
Adjustment to long term salary increase			
- PV of total obligation	37,759	37,753	37,748
- Projected service cost	37	37	37
Adjustment to pension increases and deferred revaluation			
- PV of total obligation	38,109	37,753	37,402
- Projected service cost	38	37	36
Adjustment to mortality age			

	£'000	£'000	£'000
- PV of total obligation	40,018	37,753	35,624
- Projected service cost	38	37	36

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

Change in Assumptions at 31 March 2023	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount (£000)
0.1% decrease in Real Discount Rate	2%	32,384
1 year increase in member life expectancy	4%	77,368
0.1% increase in the Salary Increase Rate	0%	2,269
0.1% increase in the Pension Increase Rate (CPI)	2%	30,602

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 (50.0%) and bonds (16.5%). The proportion in equities has decreased slightly over the year from 52.9% to 50.0%. Bonds have decreased from 17.9% to 16.5% . The Fund also invests in property, multi-asset, private debt and infrastructure funds as a part of the diversification of its investments. The Fund is currently overweight equities whilst it funds its private debt and infrastructure mandates, and underweight bonds, but has chosen to maintain these allocations whilst the 2023 strategy review is completed.

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 31 March 2022 and was complete by 31st March 2023. This valuation will set employer contribution rates from 1st April 2023 to 31st March 2026. The rate paid by the Council during 2022/23 was 30.0%, with no change from the previous year. This was in line with the rates and adjustments set by the Fund's actuary at the 2019 valuation. The Council remains the administering authority of the London Borough of Hackney Pension Fund and also the largest employer in the Fund.

45. Contingent Liabilities

There is a potential liability of approximately £600k (care costs) associated with an ongoing historic Ordinary Residence dispute. This legal dispute involves multiple Local Authorities (LAs), and the matter will be escalated to the Secretary of State for a final determination on which authority bears the responsibility for these costs. It is estimated that a decision on this matter will be reached within a timeframe of approximately six months.

46. Contingent Assets

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

47. 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) 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 £10m 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 £5m applies. The Council also sets limits on investments in certain sectors. No more than £20m 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:

	31.3.2023		31.3.2022	
Credit Rating	**Long-term £000s**	**Short-term £000s**	**Long-term £000s**	**Short-term £000s**
AAA	0	24,980	0	94,995
A+	0	59	0	5,045
A	0	0	0	0
A-	0	15,183	15,173	0
Unrated local authorities	0	5,044	0	10,007
Unrated other	0	0	0	0
Unrated housing associations	14,876	0	14,900	0
Total	**14,876**	**45,266**	**30,073**	**110,047**
Credit risk not applicable	14,948		5,830	
Total Investments	**29,824**	**45,266**	**35,903**	**110,047**

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 112% (2022: 67%) 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 2023, £11k 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.

	31.3.2023		31.3.2022	
	Trade receivables	**Lease receivables**	Trade receivables	**Lease receivables**
Neither past due nor impaired	0	496	0	543
Total Receivables	**0**	**496**	**0**	**543**

Liquidity Risk

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

Market Risk - Interest Rate Risk

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

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

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

At 31 March 2023, £77.6 million (2022 £72.1 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:

	31.3.2023 £000s	31.3.2022 £000s
Increase in interest receivable on variable rate investments	(230)	(856)
Decrease in fair value of investments held at FVPL	20	144
Impact on Surplus or Deficit on the Provision of Services	**(210)**	**(712)**
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	**(210)**	**(712)**
Decrease in fair value of loans and investments at amortised cost	64	289
Decrease in fair value of fixed rate borrowing	(103)	(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.

48. 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 (previously located outside the old Britannia leisure centre) and is planned to be relocated to the new Tree Plaza 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.

2021/22	HRA Income & Expenditure Statement	2022/23	
£'000		£'000	£'000
	Expenditure		
46,345	Repairs and maintenance	57,458	
46,861	Supervision and management	46,537	
1,501	Rents, rates, taxes and other charges	1,283	
91,926	Depreciation and impairment of non-current assets	90,451	
55	Debt Management Costs	65	
3,662	Movement in the allowance for bad debts	(125)	
0	Sums directed by the Secretary of State that are expenditure in accordance with the Code	0	
190,350	**Total Expenditure**		**195,669**
	Income		
(114,881)	Dwelling rents	(119,447)	
(5,026)	Non-dwelling rents	(5,237)	
(13,886)	Charges for services and facilities	(13,956)	
(12,884)	Contributions towards expenditure	(12,603)	
(146,677)	**Total Income**		**(151,243)**
43,673	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**44,426**
550	HRA service share of Corporate and Democratic Core		547
4,228	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		4,453
48,451	**Net Income / (Cost) for HRA Services**		**49,426**
	HRA share of operating income and expenditure included in the Comprehensive I&E Statement		
(44,751)	(Gain) or loss on sale of HRA non-current assets		(14,228)
1,434	Interest payable and similar charges		992
(234)	Interest and investment income		0
2,471	Net Interest on the net defined benefit liability (asset)		2,672
(6,110)	Capital grants and contributions receivable		(14,982)
1,261	**(Surplus) or deficit for the year on HRA services**		**23,880**

2021/22	Movement on the HRA Statement	2022/23	
£'000		£'000	£'000
(12,300)	**Balance on the HRA at the end of the previous year**		**(13,700)**
1,261	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	23,880	
	Adjustments between accounting basis and funding basis under statute		
206	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(18)	
44,697	- Gain or (loss) on sale of HRA non-current assets	14,210	
(7,831)	- HRA share of contributions to or from the Pensions Reserve	(7,092)	
43,746	- Transfer to/(from) Major Repairs Reserve	45,120	
(84,890)	- Transfer to/(from) Capital Adjustment Account	(74,269)	
0	- 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	(1,181)	
(3,680)	Net increase or (decrease) before transfers to or from reserves	650	
	Transfers to or (from) reserves		
2,017	- HRA Resilience reserve	(2,365)	
25	- Tenants Levy Reserve	109	
0	- HRA Insurance Reserve	0	
238	- Aerial Mast income reserve	306	
(1,400)	Increase or (decrease) in year on the HRA		(1,300)
(13,700)	**Balance on the HRA at the end of the year**		**(15,000)**

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	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Expenditure	61,938	99,698	17,978	2,407
	61,938	**99,698**	**17,978**	**2,407**
Funded by				
Borrowing	5,362	0	5,724	0
Usable capital receipts	12,878	49,366	1	54
Grants and contributions	2,028	6,586	12,253	2,353
Major Repairs Reserve	41,670	43,746	0	0
	61,938	**99,698**	**17,978**	**2,407**

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.

	2022/23	2021/22
	£'000	£'000
Dwellings	30,913	56,484
Other Property	0	0
	30,913	**56,484**

3. Land, Housing Stock and Other Property

	2022/23	2021/22
Number of dwellings	No.	No.
Hostels	59	59
Houses and bungalows	2,105	2,107
Flats and maisonettes	19,486	19,523
Stock at 31st March	**21,649**	**21,688**
Value of assets	£'000	£'000
Dwellings	2,411,798	2,355,557
Other Property	165,288	162,907
Investment Property	0	793
Values at 31st March	**2,577,086**	**2,519,257**

4. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 31st March 2023 was £9,443 million (£9,096 million as at 31st March 2022). The difference of £7,043 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.

	2022/23	2022/23
	£'000	£'000
Operational assets		
Dwellings	38,057	37,314
Other land and buildings	7,063	6,432
	45,120	**43,746**

6. Revenue Costs funded from Capital

There is an amount of £1.181 million (£0.869 million in 2021/22) 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 £7.092 million in 2022/23 (£7.831 million in 2021/22). 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 2022/23 permanent tenants and licence arrears, as a proportion of gross income due is 5.39% (8.4% in 2021/22). The Arrears as at the 31st March 2023 are set out below.

	2022/23	2021/22
	£'000	£'000
Total arrears of current and former tenants	17,179	20,284
Expected Credit Loss (ECL) / Provision for bad and doubtful debts	15,884	14,680

The average rent for permanent tenants was £119.83 per week in 2022/23, an increase of £5.01 (4.1%) from the 2021/22 average rent of £114.82 per week.

The total provision included in the Balance Sheet in respect of HRA uncollectible debts is £15.9 million (£14.7 million as at 31st March 2022)

9. Exceptional Items and Prior Period Adjustments

There were no exceptional items or prior period adjustments in respect of the HRA during 2022/23.

2021/22 CTAX £000	2021/22 NNDR £000	The Collection Fund	Note	2022/23 CTAX £000	2022/23 NNDR £000
		Amounts required by statute to be credited to the Collection Fund			
(129,961)		Council Tax (net of discounts for prompt payment and transitional relief)	2	(133,213)	
		Transfers from General Fund			
	(136,625)	Non-domestic rates	1		(151,862)
	(1,875)	Transitional protection payments non-domestic rates			0
	(3,020)	Income collectable in respect of Business Rate Supplements (BRS)			(3,500)
(2,063)	(55,244)	Contributions towards previous year's estimated Collection Fund deficit		(1,663)	(10,186)
		Amounts required by statute to be debited to the Collection Fund			
		Precepts & demands from GLA & LBH and Shares of non-domestic rates			
89,219	43,714	- London Borough of Hackney	1	94,363	38,209
26,198	53,913	- Greater London Authority	1	29,266	47,125
	48,085	Payment in respect of central share of non-domestic rates to Central Gov	1		42,030
	0	Transitional protection payments non-domestic rates			1,638
	3,011	- Payments to levying authority's BRS Revenue Account			3,491
	9	- Administration costs			9
		Impairment of debts and appeals for council tax & non-domestic rates		5,004	13,003
14,263	1,122	- Allowance for impairment	3		607
	596	Charge to General Fund for allowable collection costs for non-domestic rates			0
0	0	Contributions towards previous year's estimated Collection Fund surplus		0	0
(2,344)	**(46,314)**	**Movement on fund balance**		**(6,243)**	**(19,436)**
4,039	67,096	Opening fund Balance at 1st April		1,695	20,782
1,695	**20,782**	**Closing fund balance at 31st March**	4	**(4,548)**	**1,346**

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. In 2021/22 a decision was taken for the London Authorities NNDR Pooling arrangements to temporarily discontinue.

As a temporary alternative to London Authorities NNDR Pooling, since 2021/22 Hackney and seven other authorities entered into an eight authority business rates pooling arrangement. Hackney keeps 30% of its non-domestic rating 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 22nd December 2021 was £397,455 million (30th December 2020 was £400,194 million), this value is multiplied by small business non-domestic rating multiplier for 2022/23 of 49.9 pence (49.9 pence for 2021/22) to arrive at the council's gross rates of £198.330 million (£199.697 million in 2021/22) gross of mandatory and discretionary relief, unoccupied property relief, and transitional arrangements/adjustments.

After applying all relief's the net rates payable was £142,345 million (£157.041 million in 2021/22). After 2022/23 estimated losses and repayments/refunds (NNDR appeals) collectable rates (net rates) payable was £127.958 million (£141.965 million in 2021/22). After factoring in if any transitional protection payments where applicable, and cost of collection allowance the resulting 2022-23 non-domestic rating income for sharing between Hackney Council (30%), Central Government (33%) and the Greater London Authority (37%) was £127,365 million (£145,712 million in 2021/22).

2022/23 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 25th March 2023 was £407.178 million (£396.609 million as at 30th March 2022). The small business non domestic rating multiplier for 2022/23 was frozen at 49.9 pence (49.9 pence in 2021/22). Net rates payable (before write-offs, allowance for non-collection, losses on appeal) was £141.859 million (£133.234 million in 2021/22). Non-Domestic Rating Income for sharing inclusive of transitional protection payments was £136.614 million (£136.782 million 2021/22). The actual 2022/23 deficit for sharing was £1.346 million (£20.782 million deficit in 2021/22) and will be shared between Greater London Authority (GLA), Central Government (DLUHC), and Hackney Council.

Revaluations are anticipated to be carried out every 3 years previously every 5 years, the last one being in April 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 2022/23 totalled £79.938m (£76.305m in 2021/22) and have been credited to the General Fund.

2. Council Tax Base

Council Tax income was received from the following sources.

	2022/23	2021/22
	£'000	**£'000**
Gross bills	133,213	129,961
Less Council Tax Benefit	n/a	n/a
Add Transitional relief adjustment	0	0
Income from Council Tax	**133,213**	**129,961**

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 73,981 for 2022/23 (72,039.30 for 2021/22). This basic amount of Council Tax for Band D property, £1,671.09 for 2022/23 (£1,602.13 for 2021/22), 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	Band D equivalent dwellings 2022/23	2021/22
A	up to	40,000	8,118	3,850	0.67	2,567	2,452
B	40,001	52,000	31,689	18,723	0.78	14,562	14,258
C	52,001	68,000	35,532	25,431	0.89	22,605	21,443
D	68,001	88,000	24,603	19,525	1.00	19,525	18,940
E	88,001	120,000	12,947	10,422	1.22	12,738	12,186
F	120,001	160,000	4,776	3,863	1.44	5,579	5,395
G	160,001	320,000	1,243	1,132	1.67	1,887	1,875
H	320,001	and above	48	43	2.00	86	87
			118,956	82,989		79,549	76,636
Other Adjustments							
Band D equivalent for Taxbase calculation						79,549	76,636
Collection rate assumed in the budget setting						93%	94%
Council Tax base						**73,981**	**72,039**

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 2022/23	NNDR 2022/23	Council Tax 2021/22	NNDR 2021/22
	£'000	£'000	£'000	£'000
Provision brought forward at 1st April	(43,362)	(64,173)	(29,123)	(63,051)
Impairment (made)/released	(14,263)	(1,122)	(14,263)	(1,122)
Write-offs /(write backs) charged directly to the Impairment Allowance	24	0	24	0
Provision carried forward at 31st March	**(57,601)**	**(65,295)**	**(43,362)**	**(64,173)**

4. Collection Fund (Surplus)/Deficit

Deficit on Council tax:

The estimate of the deficit on the Collection Fund as at 31st March 2023, which was made on the 15th January 2023 for the purposes of the 2023/24 budget, was £1.746 million (£1.663 million deficit at 31st March 2022). An element of this deficit amounting to £0.386 million will be paid by the Greater London Authority (GLA) in 2023/24.

The actual overall or cumulative surplus on the Collection Fund at 31st March 2023 is £4.548 million (£1.695 million deficit at 31st March 2022). The increase in the actual surplus compared with the estimate made in January will be taken into account in the calculation of the surplus or deficit as at 31st March 2024 for the purposes of the 2024/25 budget. The amount of the increase attributable to the GLA in 2024/25 is estimated at £1.541 million.

The total actual cumulative surplus (after deficit spreading) to 31st March 2023 was £4.548 million, the amount which will therefore be paid to the GLA is estimated at £1.194 million. This amount has been included in the Council's Balance Sheet as a creditor (GLA). Hackney's share of £3.354 million at 31st March 2023 (£1.322 million deficit at 31st March 2022) represents the estimated amount available to support the Council's budget in 2024/25.

Deficit on NNDR:

The estimate of the deficit (adjusted for spreading) on the Collection Fund as at 31 March 2023, which was made on 31 January 2023 for the purposes of the 2023/24 budget, was £0.696 million (£10.186 million deficit at 31 March 2022). This will be shared out and recouped in 2023/24 as follows: Central Government (DLUHC) £0.230 million, with Hackney £0.209 million, and Greater London Authority (GLA) £0.257 million.

The above estimated deficit will be repaid to the collection fund in 2023/24.

The actual cumulative deficit on the Collection Fund at 31 March 2023 was £1.346 million (£20.782 million deficit as at 31 March 2022). 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 31 March 2024 for the purposes of the 2024/25 budget.

The total actual cumulative deficit to 31 March 2023 was £1.346 million (£20.782 million deficit as at 31 March 2022) the attributable shares are as follows: Central Government £0.444 million, and the Greater London Authority (GLA) £0.498 million. These amounts have been included in the Council's Balance Sheet as debtors. Hackney's share of the closing fund balance is a deficit of £0.404 million as at 31 March 2023, (£6.235 million deficit as at 31 March 2022) represents the estimated amount that will negatively impact the Council's budget in 2023/24 and 2024/25.

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 six subsidiaries, each established by a single £1 share.

2. Subsidiary status for 2022/23 Consolidation

Of the six wholly owned subsidiaries that have been established, three have been consolidated into the group for 2022/23. The rationale for this is outlined in the table below.

Subsidiary	**Status for 2022/23 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	Immaterial - low turnover, consolidation unnecessary
Hackney Housing Company Limited (Holding company);	Consolidated	
Hackney PRS Housing Company Limited (Subsidiary);	Consolidated	
Hackney HLR Housing Company Limited (Subsidiary)	Consolidated	

Further commentary on activities undertaken by each of the subsidiaries can be found within the Related Parties section (Note 39)

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 2022/23

During 2022/23 London Borough of Hackney provided no further financing to Hackney Housing Companies, beyond that provided at the end 2021/22.

The material Group item is additional investment property of £19.4m. 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.

2022/23	Single entity £'000	Group Adjustments £'000	Group presentation £'000
Investment Property	182,765	19,349	202,114
Long Term Investments	5,830	(5,800)	30
Long Term Debtors	15,348	(14,703)	645

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

Movement in Reserves

Movement in Reserves 2022/23	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 31/03/2022	(326,045)	936	(101)	(325,211)	(3,252,674)	0	0	(3,252,674)	(3,577,886)
Movement in reserves during 2022/23									
Total Comprehensive Income and Expenditure	114,955	244	(45)	115,154	(886,669)	0	0	(886,669)	(771,515)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(134,207)	0	0	(134,207)	134,207	0	0	134,207	0
(Increase) / Decrease in 2022/23	(19,252)	244	(45)	(19,053)	(752,462)	0	0	(752,462)	(771,515)
Balance as at 31/03/2023	(345,297)	1,179	(146)	(344,264)	(4,005,136)	0	0	(4,005,136)	(4,349,401)

Movement in Reserves 2021/22	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)	(3,320,669)
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure	54,012	210	(149)	54,072	(311,289)	0	0	(311,289)	(257,217)
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)	210	(149)	(25,907)	(231,310)	0	0	(231,310)	(257,217)
Balance as at 31/03/2022	(326,045)	936	(101)	(325,211)	(3,252,674)	0	0	(3,252,674)	(3,577,886)

Comprehensive Income and Expenditure

	Notes	2022/23 Gross Expenditure £'000	2022/23 Gross Income £'000	2022/23 Net Expenditure £'000	2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000
Adults, Health & Integration							
Hackney Education		325,011	(278,395)	46,616	324,650	(262,321)	62,329
Children & Families		92,358	(20,970)	71,388	89,628	(16,275)	73,353
Adult Services		150,293	(70,532)	79,761	150,037	(80,065)	69,972
Public Health		42,401	(43,954)	(1,553)	41,946	(41,616)	330
Climate, Homes and Economy							
Public Realm		158,072	(86,082)	71,990	123,253	(82,462)	40,791
Housing & Regeneration GF		5,261	(2,445)	2,816	5,371	(2,021)	3,350
Finance & Corporate Resources							
Revenues & Benefits		332,944	(302,223)	30,721	332,807	(302,103)	30,704
Finance and Resources Other		54,680	(14,552)	40,128	37,685	(17,166)	20,519
Chief Executives							
Chief Executive		46,402	(2,495)	43,907	13,129	(3,067)	10,062
Housing Revenue Account							
HRA		200,668	(151,242)	49,426	195,128	(146,676)	48,452
Hackney PRS Housing Company							
PRS		263	(920)	(656)	363	(790)	(427)
Cost of Services		**1,408,353**	**(973,810)**	**434,544**	**1,313,997**	**(954,562)**	**359,435**
Other operating expenditure	9			(16,200)			(4,449)
Financing and investment income and expenditure	10			35,139			9,381
Taxation and Non-Specific Grant Income and expenditure	11			(338,329)			(310,295)
(Surplus) or Deficit on Provision of Services				**115,154**			**54,072**
(Surplus) / deficit on revaluation of fixed assets				(204,946)			(107,688)
(Surplus) / deficit on revaluation of financial assets (Available for sale)				0			62
Remeasurement of net defined benefit liabilty				(681,723)			(203,663)
Other Comprehensive Income and Expenditure				**(886,669)**			**(311,289)**
Total Comprehensive Income and Expenditure				**(771,515)**			**(257,217)**

Balance Sheet

Balance Sheet	Notes	31st March 2023	31st March 2022
		£'000	£'000
Property, Plant and Equipment	13	4,359,263	4,212,507
Heritage Assets	12	2,465	2,465
Investment Property	14	202,114	218,392
Intangible Assets	15	6,517	6,253
Long Term Investments		30	15,030
Long Term Debtors		645	1,703
Long Term Assets		**4,571,033**	**4,456,350**
Assets Held for Sale	19	36,319	53,352
Short Term Investments		10,000	8,968
Inventories		1,189	1,062
Short Term Debtors (incl PIA)	17	121,338	140,516
Cash and Cash Equivalents	18	31,098	88,806
Current Assets		**199,945**	**292,704**
Short Term Borrowing		(14,500)	648
Short Term Creditors (incl RIA)	21	(126,957)	(173,982)
Revenue Grants Receipts in Advance	38	(9,592)	(71,953)
Capital Grants Receipts in Advance	38	(1,053)	(153)
Provisions	20	(23,090)	(25,009)
Current Liabilities		**(175,191)**	**(270,449)**
Long Term Creditors		(3,696)	(6,570)
Provisions	20	(13,237)	(13,704)
Long Term Borrowing		(62,871)	(71,660)
Other Long Term Liabilities	42,43,44	(125,417)	(700,695)
Revenue Grants Receipts in Advance	38	0	(1,202)
Capital Grants Receipts in Advance	38	(41,167)	(52,301)
Long Term Liabilities		**(246,387)**	**(846,132)**
Net Assets		**4,349,399**	**3,632,473**
Usable Reserves	22	(344,263)	(325,212)
Unusable Reserves	23	(4,005,137)	(3,307,261)
Total Reserves		**(4,349,400)**	**(3,632,473)**

Cash Flow Statement	Notes	31st March 2023	31st March 2022
		£'000	£'000
Net (surplus) / deficit on the provision of services		115,154	54,072
Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	(163,451)	(283,234)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	112,043	162,066
Net cash flows from Operating Activities		**63,746**	**(67,096)**
Investing Activities	25	12,889	12,933
Financing Activities	26	(18,914)	7,380
Net (increase) or decrease in cash and cash equivalents		**57,721**	**(46,783)**
Cash and cash equivalents at the beginning of the reporting period		88,806	42,023
Cash and cash equivalents at the end of the reporting period	18	**31,085**	**88,806**

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

Statement of Accounts 2022/23

Fund Account

2021/22 £'000		Notes	2022/23 £'000
	Dealings with members, employers and others directly involved in the Scheme		
(76,104)	Contributions	7	(82,406)
(5,026)	Transfers in from other pension funds	8	(8,631)
(81,130)			(91,037)
62,658	Benefits	9	64,711
8,414	Payments to and on account of leavers	10	10,866
71,072			75,577
(10,058)	**Net (additions)/withdrawals from dealings with members**		**(15,460)**
15,174	**Management Expenses**	11	**13,976**
	Returns on investments		
(19,252)	Investment income	12	(21,933)
(86,404)	(Profit) and losses on disposal of investments and changes in the market value of investments	13c	116,534
4	Taxes on Income		1
(105,652)	**Net returns on investments**		**94,602**
(100,536)	**Net (increase)/decrease in the Fund during the year**		**93,118**
1,863,976	**Opening net assets of the Scheme**		**1,964,512**
1,964,512	**Closing net assets of the Scheme**		**1,871,394**

Net Assets Statement

2021/22			2022/23
£'000		**Notes**	**£'000**
1,933,215	Investment Assets	13a	1,826,183
150	Long-Term Investment	13a	150
4,880	Cash Deposits	13a	18,112
1,938,245			**1,844,445**
(332)	Investment Liabilities	13a	**(788)**
1,937,913	**Net Value of Investment Assets**	13a	**1,843,657**
226	Long-term debtors	20a	489
30,170	Current Assets	20	30,698
(3,797)	Current Liabilities	21	(3,450)
26,599			**27,737**
1,964,512	**Net Assets of the Fund available to fund benefits at the period end**		**1,871,394**

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.

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF THE FUND

The Hackney Pension Fund ('the Fund') is part of the The following description of the Fund is a summary only. For more detail, reference should be made to the Hackney Pension Fund Annual Report 2022/23 Local Government Pension Scheme and is administered by the London Borough of Hackney.

3, 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 2023 there are 37 active employer organisations within the Fund, including the London Borough of Hackney.

London Borough of Hackney Pension Fund	31 March 2023	31 March 2022
Number of Employers with active members	37	39
Number of Employees in scheme		
Council	7,099	6,686
Scheduled bodies	718	537
Admitted bodies	42	55
Total	**7,859**	**7,278**
Number of pensioners		
Council	7,441	7,125
Scheduled bodies	70	61
Admitted bodies	14	11
Ceased Employers	617	593
Total	**8,142**	**7,790**
Deferred members		
Council	8,566	8,671
Scheduled bodies	888	813
Admitted bodies	21	27
Ceased Employers	909	946
Total	**10,384**	**10,457**
Grand Total	**26,385**	**25,525**

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 2023.

Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuations. The last valuation was at 31 March 2022 with the next valuation due to take place at 31 March 2025. Current employer contribution rates were set from the 31st March 2019 valuation and can be found in the Rates and Adjustments Certificate in the Hackney Pension Fund Annual Report and Accounts 2022/23 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 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 2022/23, there were no fees based on such estimates (2021/22 no fees estimated).

A similar procedure is used for custodian fees, and in 2022/23 £4k of fees were estimated for the last quarter of the year (2021/22: 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 2023 (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 2023 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 2022-23.

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 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in 'real discount rate'	2%	33
0.1% p.a. increase in the 'salary increase rate'	0%	2
0.1% increase in the 'pension increase rate (CPI)'	2%	32
1 year increase in member life expectancy	4%	78

- 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 2023 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 2023 and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category	2022/23	2021/22
	£'000	**£'000**
Employers' Contributions split by:		
Normal Funding	(42,466)	(39,163)
Deficit Funding	(24,115)	(22,289)
Members' Contributions	(15,825)	(14,652)
Total	**(82,406)**	**(76,104)**

By Employer	2022/23	2021/22
	£'000	**£'000**
London Borough of Hackney	(79,950)	(71,633)
Scheduled Bodies	(2,041)	(4,133)
Admitted Bodies	(415)	(338)
Total	**(82,406)**	**(76,104)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

	2022/23	2021/22
	£'000	**£'000**
Individual Transfers	(8,631)	(5,026)
Total	**(8,631)**	**(5,026)**

9. BENEFITS PAYABLE

By Category	2022/23	2021/22
	£'000	**£'000**
Pensions	53,869	51,261
Commutation and Lump Sum Retirement Benefits	8,913	9,220
Lump Sum Death Benefits	1,929	2,177
Total	**64,711**	**62,658**

By Employer	2022/23	2021/22
London Borough of Hackney	60,112	58,211
Scheduled Bodies	2,993	2,919
Admitted Bodies	1,606	1,528
Total	**64,711**	**62,658**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022/23	2021/22
	£'000	**£'000**
Refunds to Members leaving service	145	160
Group Transfers	-	-
Individual Transfers	10,721	8,157
Employer Exit Credits	-	97
Total	**10,866**	**8,414**

11. MANAGEMENT EXPENSES

	2022/23 £'000	2021/22 £'000
Administrative Costs	1,179	785
Investment Management Expenses*	11,272	13,020
Oversight and Governance Costs	1,525	1,369
Total	**13,976**	**15,174**

The investment management expenses disclosed above include non-invoiced management, transaction and other costs paid/payable to the Fund's investment managers of £9,850k (£11,057k in 21/22). 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 £25k (£16k in 21/22) were incurred and are included in Oversight and Governance Costs in the above table, given the increased scope in audit work, further fees are to be agreed on audit completion.

11.A INVESTMENT MANAGEMENT EXPENSES

2022/23	Management Fees	Transaction Costs	Custody Fees	Performance Fees	Total
Asset Class	£'000	£'000	£'000	£'000	£'000
Bonds	363	107	-	-	470
Equities	-	-	-	-	-
Pooled Investments	3,284	1,827	146	-	5,257
Pooled Property Investments	2,726	623	-	113	3,462
Private Debt	1,988	1	15	-	2,004
Infrastructure	39	-	4	-	43
Cash	-	-	-	-	-
Custodian	-	-	36	-	36
Total	**8,400**	**2,558**	**201**	**113**	**11,272**

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

2021/22	Management Fees	Transaction Costs	Custody Fees	Performance Fees	Total
Asset Class	£'000	£'000	£'000	£'000	£'000
Cash	-	-	12	-	12
Custodian	-	-	31	-	31
Total	**9,305**	**3,495**	**200**	**20**	**13,020**

12. INVESTMENT INCOME

	2022/23	2021/22
	£'000	£'000
Fixed Interest Securities	(4,002)	(3,736)
Equity Dividends	(6,916)	(6,712)
Index Linked Securities	(244)	(183)
Pooled Investment Income	(9,459)	(7,424)
Interest on Cash Deposits	(224)	(26)
Other Income	(1,088)	(1,171)
Total	**(21,933)**	**(19,252)**

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 2023	Market value 31 March 2022
		£'000	£'000
Investment Assets:			
Fixed Interest Securities		**153,404**	**187,045**
Index Linked Securities		**51,256**	**50,951**
Equities	Long-Term Investment	**150**	**150**
Pooled Investments	Corporate Fixed Interest	100,131	109,947
	Diversified Growth Funds	128,813	140,709
	Property	159,485	187,783
	Emerging Markets Equity - Active	75,477	76,415
	Global Equity - Active	492,890	528,491
	Global & UK Equity - Passive	351,352	422,056
	Private Debt	270,533	202,600
	Infrastructure	40,267	24,900
		1,618,948	**1,692,901**
Derivative Contracts			
	Forward Currency	17	24
	Futures	135	448
		152	**472**
Other Investment Assets			
	Cash Deposits	18,112	4,880
	Other Investment Balances	2,423	1,846
		20,535	**6,726**
Total Investment Assets		**1,844,445**	**1,938,245**
Investment Liabilities:			
Derivative Contracts			
	Forward Currency	-	(151)
	Futures	(508)	(181)
		(508)	**(332)**
Other Investment Liabilities		**(280)**	**-**
Total Investment Liabilities		**(788)**	**(332)**
Net Investment Assets		**1,843,657**	**1,937,913**

b. Investments analysed by fund managers

As at 31 March 2023 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
	2022/23	2022/23	2021/22	2021/22
Investments managed by London CIV:				
BlackRock (Global & UK Equity Index)	351,381	19.1%	422,086	21.8%
LCIV/RBC (Global Active Equity)	292,417	15.9%	316,647	16.3%
LCIV/JP Morgan (Global Emerging Markets)	75,477	4.1%	76,415	3.9%
LCIV/Baillie Gifford (Global Multi Asset)	128,813	7.0%	140,709	7.3%
LCIV/Baillie Gifford (Global Equities)	200,473	10.9%	211,844	10.9%
LCIV/Churchill & Pemberton (Private Debt)	125,391	6.8%	73,242	3.8%
LCIV/BlackRock, Quinbrook,Stonepeak & Foresight (Infrastructure)	40,267	2.2%	24,900	1.3%
	1,214,219	**65.9%**	**1,265,843**	**65.3%**
Investments managed outside of London CIV:				
Threadneedle (Fixed Interest)	204,660	11.1%	254,430	13.1%
Threadneedle (Property)	159,485	8.7%	187,783	9.7%
BlackRock (Ultra Short Bond Fund)	100,131	5.4%	93,513	4.8%
Churchill (Private Debt)	61,779	3.4%	58,428	3.0%
Permira (Private Debt)	83,363	4.5%	70,930	3.7%
Other investments (including MMFs & Derivatives)	20,020	1.1%	6,986	0.4%
	629,438	**34.1%**	**672,070**	**34.7%**
Total	**1,843,657**	**100%**	**1,937,913**	**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 31/03/2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2023
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fixed Interest Securities	187,045	76,319	(84,662)	(25,298)	153,404
Index Linked Securities	50,951	24,766	(5,104)	(19,357)	51,256
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,692,901	133,067	(123,448)	(83,572)	1,618,948
Derivative Contracts					
Forward Currency Contracts	(127)	3,971	(3,035)	(792)	17
Futures	267	5,577	(8,821)	2,604	(373)
	1,931,187	**243,700**	**(225,070)**	**(126,415)**	**1,823,402**
Other Investment balances:					
Cash Deposits	4,880				18,112
Receivable for Sales	-				463
Investment Income due	1,846				1,960
Payable for Purchases	-				(280)
Net Investment Assets	**1,937,913**			**(126,415)**	**1,843,657**

The decrease in market value of £126,415k is £9,881k more than the change in market value on the Fund Account of £116,534k, as the above movement includes indirect manager fees.

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

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
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.

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 2023	% of total fund	Market Value 31 March 2022	% of total fund
	£'000		£'000	
LCIV 'RBC' Sustainable Equity Fund	292,417	15.6%	316,647	16.1%
BlackRock ACS World Low Carbon Equity Fund	231,637	12.4%	241,530	12.3%
LCIV Global Alpha Growth Paris-Aligned Fund	200,473	10.7%	211,844	10.8%
BlackRock Aquila Life MSCI World Equity Fund	119,745	6.4%	180,556	9.2%
Threadneedle Property Fund (TPEN)	142,136	7.6%	163,091	8.3%
LCIV 'Baillie Gifford' Diversified Growth Fund	128,813	6.9%	140,709	7.2%
LCIV Private Debt Fund	125,391	6.7%	73,242	3.7%
BlackRock Institutional Cash Series Ultra Short Bond Fund	100,131	5.4%	93,513	4.8%

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 2023 is given below.

Open forward currency contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Fair Value
		£'000		£'000	£'000
Assets					
One to six months	GBP	1,476	USD	(1,820)	6
	GBP	4,298	EUR	(4,883)	3
	GBP	4,298	EUR	(4,883)	3
	GBP	1,476	USD	(1,820)	5
Total Assets					**17**
Liabilities					
One to six months					**-**
Total Liabilities					**(0)**
Net Forward Contracts 2022/23					**17**

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Fair Value
		£'000		£'000	£'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)	(75)
Total Liabilities					**(151)**
Net Forward Contracts 2021/22					**(127)**

Futures

The Fund's bond manager, Threadneedle, is permitted to use bond futures for both risk management purposes and to facilitate efficient portfolio management. Specifically, the mandate permits Threadneedle 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-23	Economic Exposure	Market value 31-Mar-22
		£'000	**£'000**	**£'000**	**£'000**
Assets					
UK Bonds	Under one year	12,609	116	-	-
Overseas Bonds	Under one year	(3,820)	19	(13,972)	448
Total Assets			**135**		**448**
Liabilities					
UK Bonds	Under one year	-	-	(4,001)	(23)
Overseas Bonds	Under one year	(17,479)	(508)	434	(158)
Total Liabilities			**(508)**		**(181)**
Net Futures			**(373)**		**267**

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	2022/2023 Designated as Fair Value through Profit & Loss	2022/2023 Financial Assets at amortised costs	2022/2023 Financial Liabilities at amortised costs	2021/2022 Designated as Fair Value through Profit & Loss	2021/2022 Financial Assets at amortised costs	2021/2022 Financial Liabilities at amortised costs
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Fixed Interest Securities	153,404	-	-	187,045	-	-
Index Linked Securities	51,256	-	-	50,951	-	-
Equities	150	-	-	150	-	-
Pooled Investments	1,459,463	-	-	1,505,118	-	-
Pooled Property funds	159,485	-	-	187,783	-	-
Derivative Contracts	152	-	-	472	-	-
Cash	-	31,228	-	-	22,880	-
Other Investment Balances	11,259	-	-	4,968	-	-
Debtors	-	9,254	-	-	9,296	-
	1,835,169	40,482	-	1,936,487	32,176	-
Financial Liabilities						
Derivative Contracts	(508)	-	-	(332)	-	-
Other Investment Balances	(299)	-	-	(22)	-	-
Creditors	-	-	(3,450)	-	-	(3,797)
	(807)	-	(3,450)	(354)	-	(3,797)
Total	**1,834,362**	**40,482**	**(3,450)**	**1,936,133**	**32,176**	**(3,797)**
Grand Total			**1,871,394**			**1,964,512**

b. Net gains and losses on financial instruments

The majority of the financial assets and liabilities are classed at fair value. The following table summarises the net gains and losses as profit or losses associated with, the disposal of and changes in, the market value of investments and recognised within the Pension Fund account as 'Returns on Investments'.

	31 March 2023	31 March 2022
	£'000	£'000
Fair Value through Profit and Loss	(126,639)	75,265
Financial Assets measured at amortised cost	224	26
Financial Liabilities measured at amortised cost	-	-
Total	**(126,415)**	**75,291**

The decrease in market value of £126,415k is £9,881k more than the change in market value on the Fund Account of £116,534k, 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 2023		31 March 2022	
	Carrying Value	Fair Value	Carryin g Value	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets				
Fair Value through Profit and Loss	1,835,169	1,835,169	1,936,487	1,936,487
Financial Assets measured at amortised cost	40,482	40,482	32,176	32,176
Total Financial Assets	**1,875,651**	**1,875,651**	**1,968,663**	**1,968,663**
Financial Liabilities				
Fair Value through Profit and Loss	(807)	(807)	(354)	(354)
Financial Liabilities measured at amortised cost	(3,450)	(3,450)	(3,797)	(3,797)
Total Financial Liabilities	**(4,257)**	**(4,257)**	**(4,151)**	**(4,151)**
Grand Total		**1,871,394**		**1,964,512**

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

Description of Asset	Level	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting Valuations
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 2	Closing single price at end of the accounting period	NAV per share –	Not required
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

Values at 31 March 2023	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000
Financial Assets			
Fair Value through Profit and Loss	136,794	1,387,425	310,950
Financial Assets measured at amortised cost	40,482	-	-
Total Financial Assets	**177,276**	**1,387,425**	**310,950**
Financial Liabilities			
Fair Value through Profit and Loss	(807)	-	-
Financial Liabilities measured at amortised cost	-	(3,450)	-
Total Financial Liabilities	**(807)**	**(3,450)**	**-**
Net Financial Assets	**176,469**	**1,383,975**	**310,950**

Values at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	74,144	79,260	-	153,404
Index Linked Securities	51,256	-	-	51,256
Long-Term Investment Equities	-	-	150	150
Pooled Investment Vehicles	-	1,148,663	310,800	1,459,463
Pooled Property Funds	-	159,485	-	159,485
Derivative Contracts	135	17	-	152
Other Investment Balances	11,259	-	-	11,259
Total Financial Assets at FVTPL	**136,794**	**1,387,425**	**310,950**	**1,835,169**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(508)	-	-	(508)
Other Investment Balances	(299)	-	-	(299)
Total Financial Liabilities at FVTPL	**(807)**	**-**	**-**	**(807)**
Net Financial Assets at FVTPL	**135,987**	**1,387,425**	**310,950**	**1,834,362**

Values at 31 March 2022	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000
Financial Assets			
Fair Value through Profit and Loss	5,416	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**

Values at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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**

Reconciliation of Fair Value Measurement and Transfers Within Level 3

2022/23	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	202,600	-	-	67,418	(15,146)	15,661	-	270,533
Pooled Investments - Property Funds (*1)	187,783	-	(187,783)	-	-	-	-	-
Pooled Investments - Infrastructure	24,900	-	-	10,754	(4,989)	9,602	-	40,267
Total	**415,433**	**-**	**(187,783)**	**78,172**	**(20,135)**	**25,263**	**-**	**310,950**

*1 Transferred from level 3 to level 2 during 2022-23 due to the increased reliability in the valuation of the property market data following the uncertainty in property related transactions that arose as a result of the Covid-19 pandemic. The underlying property asset valuations are based on the standard CBRE valuation methodology; these assets were held at level 2 prior to 2019/20.

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 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.

The following assets have been carried at cost:

Values at 31 March 2023	Level 1	Level 2	Level 3
	£'000	£'000	£'000
Investment in London CIV Ltd			150
Investments held at cost	**0**	**0**	**150**

Unquoted equities in the London CIV asset pool are valued at cost, i.e. transaction price. The inputs available to the Fund to calculate fair value are limited, and the fund considers that the original transaction price represents an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2023 as the reliability of any observable or unobservable inputs used to calculate fair value cannot be assessed with certainty.

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

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023 and 31 March 2022.

2022/23	Potential Variation in Fair Value	Value at 31 March 2021	Potential Value on Increase	Potential Value on Decrease
	£'000	£'000	£'000	£'000
Equity	+/- 16.5%	150	175	125
Private Debt	+/- 8.9%	270,533	294,610	246,456
Infrastructure	+/- 14.2%	40,267	45,985	34,549
Total		**310,950**	**340,770**	**281,130**

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**

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

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.

The main investment objective of the Fund is to optimise return whilst managing market risk exposure within an acceptable tolerance, to ensure member benefits are met as they fall due. This is achieved by investing assets across a diversified portfolio. The Fund also manages its liquidity risk to ensure there is sufficient liquidity to meet forecasted cash flows.

The Fund's activities expose it to a variety of financial risks, including:

- **Investment risk -** the possibility that the Fund will not receive the expected returns.
- **Counterparty and credit risk -** the possibility that other parties might fail to pay amounts due to the Fund.
- **Liquidity risk -** the possibility that the Fund might not have liquid funds available to meet its commitments to make payments as they fall due.
- **Market risk -** the possibility that financial loss might arise as a result of market movements. This is split into the following subsections:
  - **Other Price risk -** the risk that the value of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
  - **Interest Rate risk -** the risk that future cash flows will fluctuate because of changes in market interest rates.
  - **Currency risk -** the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Investment risk

To achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing in an appropriate portfolio of assets, which is monitored on an ongoing basis to ensure it remains appropriate.

Counterparty risk

In deciding to effect any transaction for the Fund, steps are taken to ensure that the respective counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

Credit risk

The Fund's credit risk is largely associated with its Fixed Income investments. This risk stems from third parties potentially failing to meet interest payments or failing to return the Fund's principal at the end of the investment period. There is also credit/counterparty risk associated with property investments and derivative instruments, albeit these are typically used to hedge certain risks, such as foreign currency exposures rather than to generate additional return.

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.

Some 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 2023	Balance at 31 March 2022
		£'000	£'000
Cash (Current Assets)			
Lloyds Bank Plc	A+	21,933	21,099
Cash Deposits (Investment Assets)			
Cash held outside fund managers and custodian			
Money Market Funds (Various)	AAA	8,817	3,100
Cash held by fund managers and custodian			
Cash	AA-	9,295	1,780
Call Accounts (Various)	AA- to A	-	-
Total		**40,045**	**25,979**

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due, particularly pension payments to its members. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The appropriate strategic level of cash balances to be held forms part of the Fund's investment strategy and the Fund carries out cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions on an ongoing basis.

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 £270,533K (£202,600k in 2021/22) and its infrastructure mandate currently valued at £40,267K (£24,900K in 2021/22). Whilst the Fund has no direct property exposure, it is invested in a single-priced, open-ended property fund. Whilst this fund 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.

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.

a) Other price risk

The Fund is exposed to other market risks, such as equity price risks, which arise from investments held by the Fund of which the future price is uncertain. The Fund aims to reduce the exposure to this price risk by ensuring appropriate levels of diversification in its asset allocation. The asset allocation is monitored on an ongoing basis to ensure it remains in line with the limits specified in the Fund's investment strategy.

The table below indicates a measure of sensitivity of the returns of each major asset class in which the Fund is invested, based on the 1-year standard deviation of returns within the respective asset classes.

Asset class	1 year expected volatility (%)	% of Fund
Active Sustainable Global Equities	15.7	26.6
Passive Global Equities	16.5	6.5
Passive Sustainable Global Equities	15.7	12.5
Active Emerging Market Equities	20.7	4.1
Diversified Growth Fund	9.7	7.0
Renewable Infrastructure	14.2	2.4
Property	11.9	9.2
Senior Loans	12.6	7.9
Private Debt	8.9	6.8
Active Global Corporate and Government Bonds	9.6	11.6
Short Bond	10.1	5.4
Total fund volatility	**13.4**	**100.0**

The table below shows the potential impact of volatility on the Fund's asset value. The calculations assume that all other factors and assumptions remain unchanged.

31 March 2023		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,843,657	13.4	2,090,707	1,596,607
	1,843,657	**13.4**	**2,090,707**	**1,596,607**

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**

b) 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 2023 and 31 March 2022 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 2023	Balance at 31 March 2022
	£'000	£'000
Cash Deposits	18,112	4,880
Cash Balances	21,933	21,099
Fixed Interest Securities	253,535	296,992
Total	**293,580**	**322,971**

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 2023	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	18,112	181	(181)
Cash Balances	21,933	219	(219)
Fixed Interest Securities*	253,535	(18,255)	18,255
Total	**293,580**	**(17,855)**	**17,855**

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**

* 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 of the bonds and the inverse relationship between bond prices and interest rates.

c) 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 2023 and as at the previous period end:

Currency Exposure – asset type	Asset Value as at 31 March 2023	Asset Value as at 31 March 2022
	£'000	£'000
Fixed Interest Securities	11,377	22,215
Pooled Investment Vehicle	61,779	58,428
Cash and Deposits	757	543
Total	**73,913**	**81,186**

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 2023		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	73,913	9.5	80,935	66,891
Total change in assets			**7,022**	**(7,022)**

31 March 2022		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	81,186	9.5	88,899	73,473
Total change in assets			**7,713**	**(7,713)**

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.

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 2022. The next valuation will take place as at 31 March 2025. The contribution rates for 2022/23 were set at the valuation that took place as at 31 March 2019.

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, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate
- to minimise the long-term cash contributions which employers need to pay to the Fund,by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);

- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

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 2022 valuation was based on a market value of the Fund's assets as at 31 March 2022, which amounted to £1,965 million and revealed a pension surplus of £104 million, representing a funding level of 106% of the pension liability.

The valuation takes account of the amount of current and future pension liabilities of the Fund, the expected contributions received by the Fund and the expected rate of investment returns held by the Fund. Other factors which influence the valuation and are taken into account by the actuary include anticipated pay, pension inflation, and mortality rates. The whole fund primary contribution rates applying from 1 April 2020 until 31 March 2022 and based on the 2019 valuation report and from 1 April 2023 until 31 March 2025 and based on the 2022 valuation report are as follows:

Year	Employer Contribution rate	Year	Employer Contribution rate
2023/24	20.4%	2020/21	18.7%
2024/25	20.4%	2021/22	18.7%
2025/26	20.4%	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 an asset-liability model. This model relies on Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS reflects the uncertainty associated with future levels of inflation and asset returns and the interactions and correlations between different asset classes and wider economic variables.

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 2019 valuation report assumptions which informed the contributions payable from 1 April 2020 - 31 March 2023 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.

The 2022 valuation report assumptions which informed the contributions payable from 1 April 2023 - 31 March 2026 were:

Financial Assumptions based on 2022 Valuation Report

Assumption	Rate
Investment return (discount rate)	4.3%
Inflation	2.7% (CPI)
Salary increases*	3.2%
Pension increases	CPI

Mortality Assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Mortality assumptions at age 65		31 March 2023 Years	31 March 2022 Years
Current pensioners	Males	21.5	21.2
	Females	24.2	23.4
Future pensioners (assumed current age 45)	Males	22.8	22.4
	Females	25.8	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 2023, calculated in line with IAS 19 assumptions, is estimated to be £2,008 million (£2,661 million in 2021/22).

Present Value of Promised Retirement Benefits	31 March 2023	31 March 2022
	£m	£m
Active members	622	877
Deferred members	508	755
Pensioners	878	1,029
Total	**2,008**	**2,661**

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022.

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

Assumptions

Financial Assumptions

The financial assumptions used for the IAS19 valuation as at 31 March 2023 have been revised from the 2022 valuation report as set out in the table below:

Assumption	31 March 2023	31 March 2022
Pension increase rate assumption	3.00%	3.20%
Salary increase rate	3.50%	3.70%
Discount rate	4.75%	2.70%

Demographic Assumptions

The longevity assumptions used for the IAS19 valuation as at 31 March 2023 are set out in the below table:

	Males	Females
Current Pensioners	21.2 years	24.0 years
Future pensioners (assumed current age 45)	22.4 years	25.6 years

Sensitivity Analysis

Change in assumption at 31 March 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a increase in the Pension Increase Rate (CPI)	2%	32
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. decrease in the Discount Rate	2%	33
1 year increase in member life expectancy	4%	78

20. CURRENT ASSETS

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

	31 March 2023	31 March 2022
	£'000	**£'000**
Short-Term Debtors:		
Contributions due	6,666	7,222
Sundry debtors	1,940	1,767
Cash Balances	21,933	21,099
VAT	159	82
Total	**30,698**	**30,170**

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 2023	31 March 2022
	£'000	**£'000**
Long-Term Debtors:		
Reimbursement of LTA / AA	489	226
Total	**489**	**226**

21. CURRENT LIABILITIES

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

Creditors	31 March 2023	31 March 2022
	£'000	**£'000**
Short-Term Creditors:		
Benefits Payable	(796)	(1,670)
Sundry Creditors	(2,654)	(2,127)
Total	**(3,450)**	**(3,797)**

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 2023 was £4.733 million (£5.030 million as at 31 March 2022). Contributions received into the AVC facility during the year amounted to £0.266 million (£0.197 million in 2021/22). 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 £63.62 million to the Fund in 2022/23 (2021/22: £58.46 million). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.44 million in 2022/23 (£0.42 million in 2021/22) 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 (London LGPS CIV Limited) wholly owned by the 32 participating authorities, and the ACS fund itself. The Pension Fund is a minority shareholder in London LGPS CIV Limited, and shares valued at £150k at 31 March 2023 are included as long-term investments in the Fund’s net asset statement.

The Fund incurred costs of £110k in 2022/23 (£110k in 2021/22) in relation to charges from London LGPS CIV Limited.

The Fund incurred costs of £149k in 2022/23 (£151k in 2021/22) in relation to the custody and management of investments held and managed within the London CIV.

Governance

The following Pensions Committee Members were deferred members of the Local Government Pension Scheme (LGPS) during the year; Cllr Michael Desmond (Vice-Chair until May 2022), Cllr Margaret Gordon, Cllr Ben Hayhurst.

The following Pensions Committee Members were pensioner members of the Local Government Pension Scheme (LGPS) during the year; Cllr Robert Chapman (Chair until May 2022, Vice-Chair thereafter)

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 2023 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 2023 £'000	31 March 2022 £'000
Short term benefits	258	238
Long term/post-retirement benefits	48	44
Total	**306**	**282**

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 2023 were £142,296k (31 March 2022: £203,586k). 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 2023 £'000	31 March 2022 £'000
Pooled Private Debt Funds	82,960	138,486
Pooled Renewables Infrastructure Fund	59,336	65,100
Total	**142,296**	**203,586**

26. IMPAIRMENT LOSSES

During 2022/23 there were £0k impairment losses to recognise (2021/22: £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.

Expected Credit Loss: The difference between the present value (PV) of all contractual cashflows and the PV of expected future cash flows. This is often referred to as the 'cash shortfall'.

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 1 April 2007 (i.e. b/f from 31 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 the 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 the 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 costs 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 the 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 in which an asset is expected to be available for use by an entity.

VAT: An indirect tax levied on most business transactions and on many goods and some services.

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Hackney

Title of Report	External Audit Plan 2022/23
For Consideration By	Audit Committee
Meeting Date	26 September 2023
Classification	Open
Ward(s) Affected	All
Group Director	Jackie Moylan, Group Director of Finance

1. Introduction

1.1. This report introduces the 2022/23 Audit Strategy Memorandums from Mazars, the Council's external auditors, in respect of both the Council's Accounts and the Pension Fund Accounts.

1.2. The Memorandums set out the key risks identified in respect of the financial statements audit, the approach to be taken for the audits along with information on the audit team, proposed deliverables from Mazars, timescales for the audit and related fees. Memorandums have been agreed with relevant officers of the Council.

2. Recommendations

2.1. **The Audit Committee is recommended to: consider and note the contents of the attached reports from Mazars, the Council's external auditor.**

3. Reason(s) for decision

3.1. The Audit Committee is "those charged with governance" in respect of the Council's annual statement of accounts and other financial matters. As such, they receive regular reports from Mazars, the Council's external auditors, in relation to the accounts and the external audit. This report provides the Committee with details of the audit arrangements in respect of the 2022/23 Statement of Accounts for both the Council and the Pension Fund.

4. **Background**

Policy Context

4.1. The attached memorandums set out the arrangements for the audit of the Council's annual Statement of Accounts and the Pension Fund Accounts as required by the relevant legislation and related Accounts and Audit Regulations.

Equality impact assessment

4.2. This report does not require an equality impact assessment.

Sustainability and climate change

4.3. Not Applicable

Consultations

4.4. Mazars consulted with relevant senior officers of the Council in the preparation of the Memorandums.

Risk assessment

4.5. As set out in the Plan, the external auditors have considered the key risks and this has informed the audit approach as set out in the detailed reports from Mazars attached to this report as an Appendices.

4.6. Audit Strategy Memorandums 2022/23

4.7. Mazars have identified four significant risks in relation to the Authority's accounts where audit attention will focus due to the likelihood of potential financial misstatement. These are the same as for the audit of the 2021/22 accounts and are in respect of the management override of controls, the valuation of property, plant and equipment (PPE), valuation of investment properties and the pensions defined benefit liability valuation. Details of these risks and the audit approach to these are set out in section 4 of the Audit Strategy Memorandum, attached at appendix 1 of this report.

4.8. In relation to the audit of the Pension Fund Accounts, the auditors have identified just two significant risks relating to management override of controls and the valuation of investments where at least one input that has an impact on the valuation is not based on observable market data. Further details and the auditors' approach to these risks are set out in section 4 of the Pension Fund Memorandum at appendix 2.

4.9. Section 5 of the Audit Strategy Memorandum sets out the requirements of the external auditor in relation to the Council's value for money arrangements under the Code of Audit Practice. It is noted that the auditors have yet to commence their planning and risk assessment work in relation to this requirement and will report the results of our planning and risk assessment work to the next Audit Committee.

4.10. At the time of writing this report, work has already commenced in relation to the 2022/23 audit, and the expectation is that this will run through to November with a conclusion in December 2023.

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

5.1. As detailed in the Audit Strategy Memorandum (Section 6, Appendix One), the proposed base fee for conducting the annual audit of accounts is projected to be £196,659. This reflects a 13% increase compared to the previous year. The fee structure for 2022/23 is established using the 2021/22 audits as a starting point, with additional adjustments for:

- A 8% recurrent fee variations for 2019/20 and 2020/21 audits, for audited bodies where these have been submitted to PSAA and approved; and
- the 5.2% inflationary increase required under PSAA's current audit contracts

5.2. However, there are a number of additional fees quoted in respect of Group Accounts, increased regulatory requirements, changes to the Code in respect of VFM and revised auditing standards in respect of accounting estimates. The fee for this additional work is quoted in the range of £23,400 to £53,000 At the upper end of the scale this is an additional 12%-27% compared to the base fee. We also note there are a number of areas 'TBC'. We will be working with Mazars to determine expectations and understand criteria in terms of where the final fee for the audit will sit. It is noted that the fees quoted are based upon a number of assumptions regarding risks, quality and timeliness of working papers and compliance with the CIPFA Code of practice on Local Authority Accounting. Any deviation from such assumptions could impact the final fee charged.

5.3. In addition to the main audit fee, the charge for audit of the Pension Fund accounts and annual report is expected to be £17,852, an increase of £841 from the previous year. There is an additional £2,000 - £4,000 in relation to audit work required on IAS19 assurances and Level 3 investments & ISA 540. The fees are still being subject to review and discussion between the Council and Mazars

5.4. Additional fees in respect of the audit of the Housing Benefits grant claim and other returns are yet to be estimated in full.

5.5. The costs outlined will need to be contained within existing budgets.

6. **<u>Comments of the Acting Director of Legal, Democratic and Electoral Services</u>**

6.1. The Council is required to have its annual statement of accounts audited in line with current legislation and related regulations.

6.2. The external auditor's statutory responsibilities are set out in the Local Audit and Accountability Act 2014 and the national Audit Office's Code of Audit Practice. They are required to audit/review and report on the financial statements, providing an opinion and the use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness (the VFM conclusion).

6.3. The Audit Strategy Memorandum proposals accord with the required arrangements.

<u>Appendices</u>

Appendix 1 - Audit Strategy Memorandum – LB Hackney 2022-23
Appendix 2 – Audit Strategy Memorandum – LB Hackney Pension Fund 2022-23

<u>Background documents</u>

None

Report Author	Mizanur Rahman Chief Accountant mizanur.rahman@hackney.gov.uk 020 8356 4347
Comments for the Group Director of Finance prepared by	Jackie Moylan Group Director Finance jackie.moylan@hackney.gov.uk 020 8356 3032
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Louise Humphreys Acting Director of Legal, Democratic & Electoral Services louise.humphreys@hackney.gov.uk 020 8356 4817

Audit Strategy Memorandum

London Borough of Hackney

Year ended 31 March 2023

Contents

This document is to be regarded as confidential to London Borough of Hackney. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

mazars

Audit Committee
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Hackney Town Hall
Mare Street
London

Mazars LLP
30 Old Bailey
London
EC4M 7AU

September 2023

Dear Audit Committee Members

Audit Strategy Memorandum – Year ended 31 March 2023

We are pleased to present our Audit Strategy Memorandum for London Borough of Hackney for the year ended 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 8 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing London Borough of Hackney which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. Our detailed planning procedures are in progress and if we identify any new risks we will reporting them to the Committee. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07977 261873.

Yours faithfully

Suresh Patel, Partner - Mazars LLP

Mazars LLP – 30 Old Bailey, London, EC4M 7AU
Tel: 020 7063 4000 – Fax: 020 7063 4001 – www.mazars.co.uk
Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU
We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of London Borough of Hackney (the Council) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

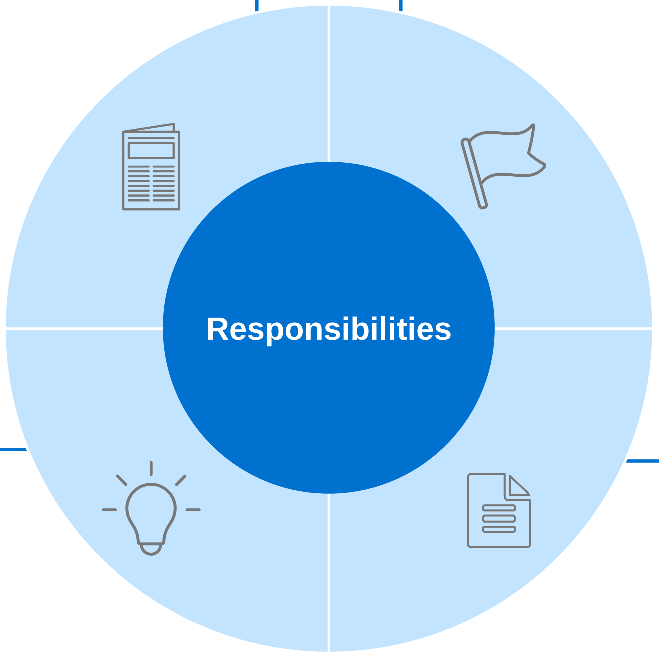
Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The Group Director of Finance is responsible for the assessment of whether is it appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance & Property's use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

02

Section 02:

Your audit engagement team

2. Your audit engagement team

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We have retained your core audit team for 2021/22. They will continue to work in collaboration with the Council's finance team to deliver the audit efficiently and effectively. In addition, the Council continues to meet the criteria of a Major Local Audit under the Local Audit and Accountability Act 2014. As a result, as part of the firm's quality management arrangements we appoint an engagement quality reviewer (EQR) who works closely with Suresh and the team but has no direct engagement with the Council. We will ensure that the timing of the EQR input is built into our planned timetable for the delivery of the audit.

03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

3. Audit scope, approach and timeline

The Council published its draft statements for 2022/23 by the end of May 2023, one of a few councils in the country. Due to the backlog of other audits we have to complete, we informed the Council of our planned timetable as outlined below. Our timetable enables the the Council to service the audit so that we can aim to complete the audit by December 2023.

Planning – July 2023

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

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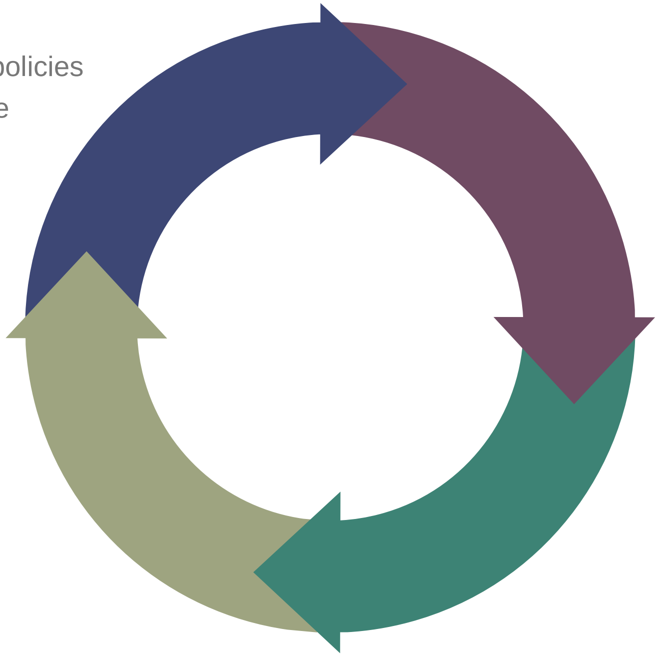
Interim - July to August 2023

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



Completion – December 2023

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

Fieldwork - August to November 2023

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high-risk areas
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Reliance on internal audit

We do not intend to rely on the work of internal audit. However, we will review their work and it to inform our assessment of the control environment and we will modify the nature, extent and timing of our audit procedures

We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Service Organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any relevant service organisations.

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Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson *(London Borough of Hackney Pension Fund - LBHPF).* Barnett Waddingham *(London Pension Fund Authority - LPFA)*	We make use of PWC actuarial services who are commissioned by the NAO to review the national analysis of pension trends and assumptions of the various LGPS actuaries.
Property, plant and equipment valuation	Internal valuer Wilks Head Eve	We will review the analysis of property valuation movements available from third parties and consider the outcome of the Council's valuations in comparison with these, challenging conclusions as appropriate. We will make use of our internal valuation team to support our review of valuations.
Financial instrument disclosures	Arlingclose	No expert required.

3. Audit scope, approach and timeline

Group audit approach

The Council's group structure for 2022/23 will include one wholly owned subsidiary company, Hackney Housing Company Limited, which itself has 100% owned subsidiaries Hackney PRS Housing Company Limited and Hackney HLR Housing Company Limited. In auditing the accounts of the Council's Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council's subsidiary and its subsidiaries.

Our approach will reflect the size and complexity of the transactions from the subsidiary company that are consolidated into the Council's Group financial statements. Our plan, based on our cumulative understanding obtained from the 2021/22 audit, and the values reported in the prior year financial statements, is that we will obtain assurance from group level analytical procedures. We do not plan to obtain specific assurance from the component auditors of the Council's subsidiary companies.

Entity	Significant by size	Significant risk	Planned audit scope	Auditor
Hackney Housing Company Limited	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP
Hackney PRS Housing Company Limited	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP
Hackney HLR Housing Company Limited	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP
Makers Management Company Limited.	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP
Otto Management Company Limited.	No	No	Mazars to complete group analytical procedures. Full audit carried out by auditor.	Mazars LLP

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Risk Analysis

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement (‘RMM’) at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

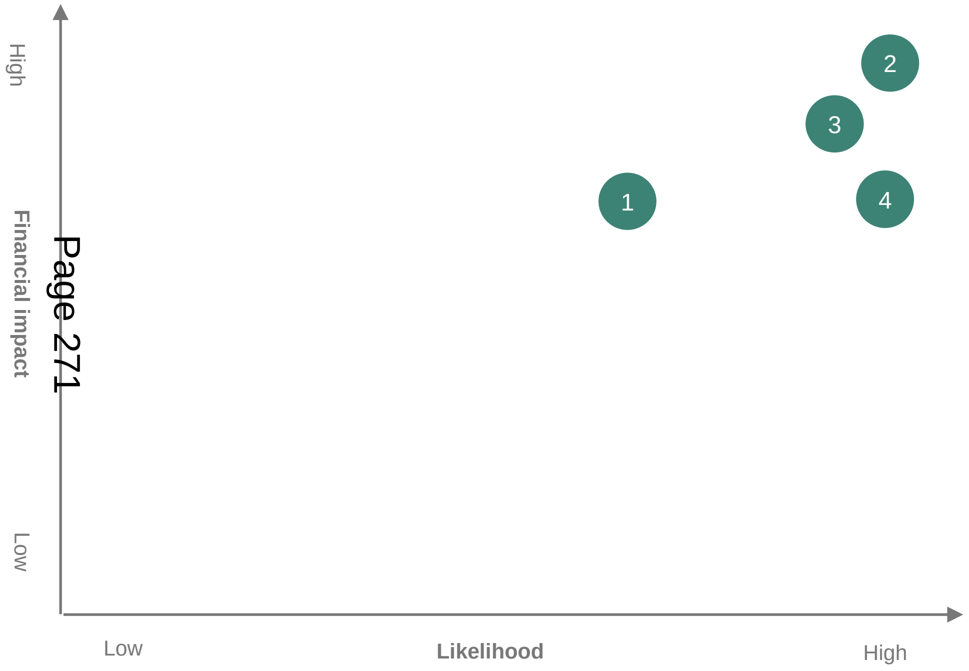
Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



1. Management override of controls
2. Valuation of property, plant and equipment
3. Valuation of Investment properties
4. Net defined benefit liability valuation

Key: Significant risk; Enhanced risk / significant management judgement

4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 272	**Management override of controls** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual. We will address the risk through performing audit procedures, covering a range of areas including (but not limited to): • accounting estimates included in the financial statements for evidence of management bias; • any significant transactions outside the normal course of business; and • Testing a sample of journals that meet our risk criteria and other adjustments recorded in the general ledger in preparing the financial statements.

4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
2	**Property, plant and equipment (PPE) valuation** The CIPFA Code requires that the carrying value of PPE should reflect the appropriate current value as at the year end. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five year cycle, and may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value. Land and buildings including Council dwellings are the Council's most valuable assets accounting for £3.9 billion of the Council's £4.2 billion Property, Plant and Equipment balance at 31 March 2022. In respect of Council dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by government. Due to the high degree of estimation uncertainty associated with valuations and the fact that there were significant findings in the prior year we have determined there is a significant risk in this area.	○	●	●	We will address this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end are not materially misstated, and consider the robustness of that approach. We will also assess the risk of the valuation changing materially in year, considering the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that current values have moved materially. In addition, for those assets which have been revalued during the year we will: • assess the valuer's qualifications; • assess the valuer's objectivity and independence; • review the methodology used; • for a sample, perform testing of the associated underlying data and assumptions; and • using our internal expert to provide a review on the valuation process and analysed data.

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4. Significant risks and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
3	**Investment property valuation** The CIPFA Code requires that the carrying value of investment properties should reflect fair value. For the Council's £199m of investment properties this is using fair value. Due to the high degree of estimation uncertainty associated with market valuations and the issues we reported in the prior year, we have determined there is a significant risk in this area.	○	●	●	We will review the Council's approach to revaluing its investment property portfolio as at 31 March 2023 and engage our own expert to test a sample of properties to: • Review the methodology used; and • For a sample, test the underlying data and assumptions.

Significant risks (continued)

	Description	Fraud	Error	Judgement	Planned response
4	**Net defined benefit liability valuation** The latest triennial valuation of the Pension Fund which the Council has disclosed in its statements were completed at 31 March 2022. As an admitted body within each fund, the valuation also provides the basis of the associated net pension liability for the Council as at 31 March 2023. The valuation of the Council's net liabilities includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council's employees and other appropriate data. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area	○	○	●	We will address this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary by the fund administrators, the London Borough of Hackney Pension Fund and in respect of the LPFA. We will also: • assess the skill, competence and experience of the Fund's actuary; • challenge the reasonableness of the assumptions used by the actuary as part of the Technical Actuarial Standards ; and • carry out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation. We will also request the auditor of the pension funds to carry out testing of the membership data that the Council has provided to the actuary as part of the 31 March 2022 triennial valuation.

05

Section 05:

Value for Money

5. Value for Money

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report where we identify significant weaknesses in arrangements, Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Status of the VFM work

At the time of drafting this document we have yet to complete our planning and risk assessment work. We will report the results of our planning and risk assessment work to the next Audit Committee.

06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

The scale fee set by PSAA for 2022/23 includes an inflationary increase of £9.721 which they will contribute to the Council. We have yet to agree the final fees for the 2021/22 audit.

Area of work	2022/23 Proposed Fee	2021/22 Proposed Fee
Code Audit Work (Scale fee)	£196,659	£174,266
Additional fees:		
- PPE & IP valuations – use of our expert (Note 1)	TBC	TBC
- Impact of C-19 (Note 2)	-	TBC
- Group accounts (Note 3)	£5,000-7,000	£5,000-7,000
- Increased regulatory requirements (Note 4)	£5,000-6,000	£5,000-6,000
- Code changes to value for money (Note 5)	£9,000-£30,000	£9,000-£30,000
- Revised auditing standard on accounting estimates (Note 6)	£4,400-£10,000	£4,400-£10,000
- Additional work to address enhanced risks (Note 7)	TBC	TBC
- Dealing with correspondence / objections	TBC	-
TOTAL	**TBC**	**TBC**

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7. 1

Area of work	2022/23 Proposed Fee	2021/22 Fee
Housing Benefits Subsidy Assurance	TBC	TBC
Teachers' Pensions	TBC	£4,300
Pooled capital receipts	TBC	TBC

Notes:

1. We have engaged our own expert on PPE valuations given the issues we identified.
2. We were required to revisit and update our risk assessments and audit strategy in light of the impact of C-19 on the Council's statement of accounts.
3. We are required to carry out additional procedures on the group accounts and the consolidation process.
4. Since the latest PSAA contract was awarded there have been significant changes to the requirements on auditors by regulators. This has resulted in additional procedures and additional internal review.
5. The Code introduces new VFM requirements. We have used the PSAA range plus an estimate of work to address significant weaknesses in arrangements if identified by the risk assessment.
6. Revisions to ISA 540 apply to the 2022/23 audit and we have used the PSAA minimum level of additional fees as the lower end of the proposed range.
7. This memorandum includes enhanced risks which increases the audit work we need to carry out. The additional work falls within the PSAA criteria of fee variations. We will quantify this when we design our specific procedures.

07

Section 07:

Our commitment to independence

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the
audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Suresh Patel in the first instance.

Prior to the provision of any non-audit services Suresh Patel will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

08

Section 08:

Materiality and other misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds:

Threshold	Group Initial threshold £'000	Council Initial threshold £m
Overall materiality	£25,360k	£25,346k
Performance materiality	£17,752k	£17,742k
Trivial threshold for errors to be reported to	£761k	£760k

Materiality

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Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

8. Materiality and misstatements

Materiality (continued)

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that Gross Revenue Expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 1.8% of Gross Revenue Expenditure. This is an increase from the prior year where we applied 1.5% and reflects our view that the readers of the accounts have a good understanding of materiality and the estimations used by the Council in the accounts. Based on prior year unaudited accounts we anticipate the overall materiality for the year ended 31 March 2023 to be in the region of £25.35m (£19.7m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 70% of overall materiality as performance materiality. This is an increase from the prior year where we applied 60% and reflects our view on the likelihood of material misstatements in the draft accounts.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £760k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Suresh Patel.

Reporting to the Audit Committee

The following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

Appendices

A

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor’s Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee. Audit Planning and Clearance meetings

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Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and the Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the consolidated financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

Suresh Patel, Partner

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London
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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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Audit Strategy Memorandum

London Borough of Hackney Pension Fund

Year ending 31 March 2023

mazars

Contents

This document is to be regarded as confidential to London Borough of Hackney Pension Fund. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

mazars

Audit Committee
London Borough of Hackney
Hackney Town Hall
Mare Street
London

Mazars LLP
30 Old Bailey
London
EC4M 7AU

September 2023

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present an Indicative Audit Strategy Memorandum for London Borough of Hackney Pension Fund for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing London Borough of Hackney Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07977 261873.

Yours faithfully

Suresh Patel, Partner - Mazars LLP

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU.
We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of London Borough of Hackney Pension Fund (the Pension Fund) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

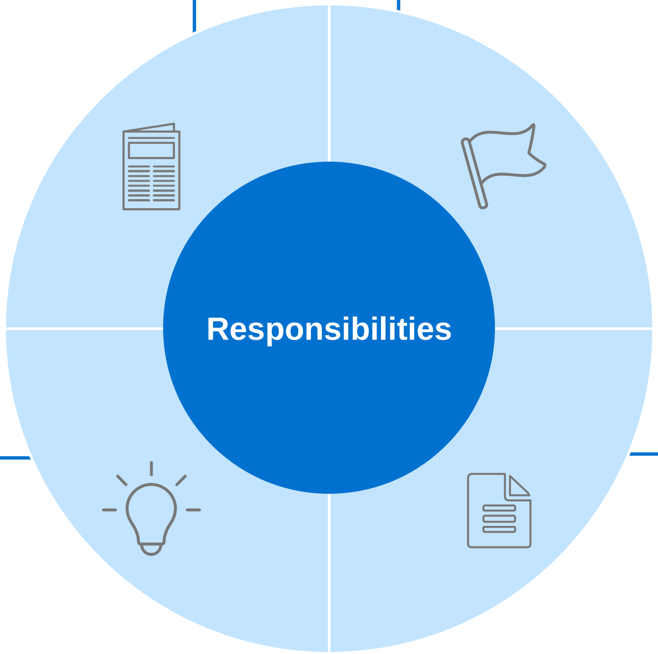
Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the corporate committee, as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether is it appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Consistency Statement

We are required to form and express an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of London Borough of Hackney.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance and key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the London Borough of Hackney and consider any objection made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

02

Section 02:

Your audit engagement team

2. Your audit engagement team

We have made one change to your audit team. Tom Greensill will manage your audit, having worked as the lead auditor for the last year.

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Suresh Patel

Partner and Engagement Lead

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Telephone: 07977 261873

Tom Greensill

Manager

Email: tom.greensill@mazars.co.uk

Telephone:

03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

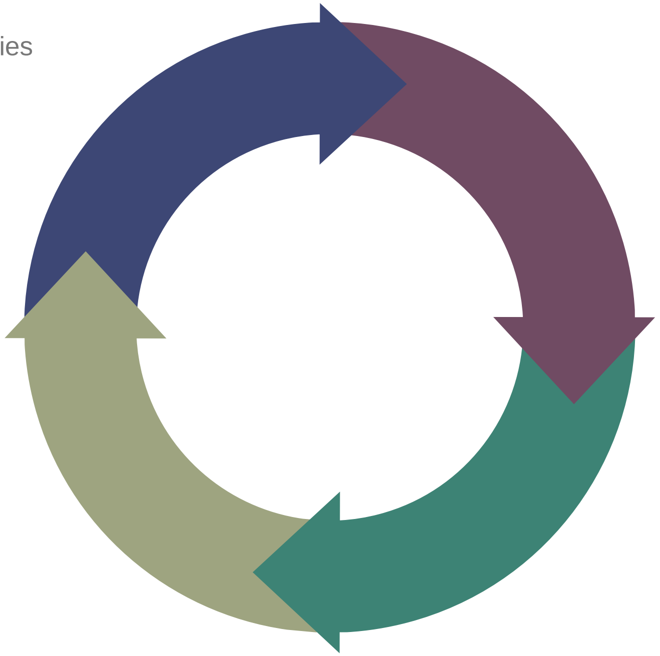
3. Audit scope, approach and timeline

Planning – July 2023

- Planning visit and developing our understanding of the Pension Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Interim – July 2023

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



Completion – October 2023

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor’s reports

Fieldwork – August – September 2023

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Reliance on internal audit

We do not intend to rely on the work of internal audit. However, we will review their work and it to inform our assessment of the control environment and we will modify the nature, extent and timing of our audit procedures

We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of contractual retirement benefits.	Hymans Robertson	We make use of PWC actuarial services who are commissioned by the NAO to review the national analysis of pension trends and assumptions of the various LGPS actuaries and consider the findings for potential impact on the values included within the financial statements.
Financial instrument disclosures	Arlingclose	We will review the output and associated analysis against available information to confirm that the basis of the assessments appears reasonable and the disclosures are appropriate.

Service Organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any relevant service organisations.

Items of account	Service organisation	Audit approach
Investment valuations and income along with all related disclosures	Fund managers and Custodians	Substantive testing of transactions occurring in the year, income received and valuations applied to investments at the year end. We will seek an appropriate Type 1 or Type 2 report in respect of the operation of systems by the service organisation to give us assurance over their operation of key controls. We will consider the findings of this review and the impact on the overall control environment.
The management and maintenance of administrative information to allow for calculation of pension payments, transfers, etc., as well as the actuarial assessment of funding levels based on up to date membership data.	Equiniti	We will seek appropriate confirmation that the organisation's controls and procedures have operated as designed throughout the year and that no weaknesses have been identified that would have a material impact on the information they provide to the London Borough of Hackney Pension Fund.

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the London Borough of Hackney Pension Fund. We have summarised our audit response to these risks on the next page.

Key: Significant risk Enhanced risk / significant management judgement

4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	**Management override of controls** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	●	○	○	We will address the risk through performing audit procedures, covering a range of areas including (but not limited to): • accounting estimates included in the financial statements for evidence of management bias; • any significant transactions outside the normal course of business; and • Testing a sample of journals that meet our risk criteria and other adjustments recorded in the general ledger in preparing the financial statements.

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	**Valuation of level 3 investments** As at 31 March 2022 the Pension Fund held investments with a fair value of £248m which were identified as level 3 (those where at least one input that has an impact on the valuation is not based on observable market data). These assets account for 14.2% of the Fund’s net investment assets. Inherently these assets are harder to value, as they may not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end. As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.	○	●	●	We plan to address this risk by completing the following additional procedures: • agree holdings from fund manager reports to the global custodian’s report; • agree the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agree the investment manager valuation to audited accounts or other independent supporting documentation, where available; and • where audited accounts are available, check that they are supported by a clear opinion.

05

Section 05:

Fees for audit and other services

5. Fees for audit and other services

Fees for work as the Pension Fund's appointed auditor

The scale fee set by PSAA for 2022/23 includes an inflationary increase which they will provide a contribution to the fund of £871. At this stage we indicating the additional work we will have to undertake as part of our audit of the 2022/23 financial statements.

Area of work	2022/23 Proposed Fee	2021/22 Proposed Fee
Code Audit Work	£17,852	£17,011
Fee variations: - Level 3 investments & ISA 540	£2,000 - £4,000	£2,000 - £4,000

Fees for non-PSAA work

We confirm that we have not been separately engaged by the Fund to carry out additional work for the London Borough of Hackney Pension Fund. Further information about our responsibilities in relation to independence is provided in section 6.

06

Section 06:

Our commitment to independence

6. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Suresh in the first instance.

Prior to the provision of any non-audit services Suresh will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

07

Section 07:

Materiality and other misstatements

7. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £’000s
Overall materiality	£18.7m
Performance materiality	£14.9m
Specific materiality:	
Fund account overall materiality	£8.3m
Fund accounts performance materiality	£6.6m
Trivial threshold for errors to be reported to the Audit Committee	£561k

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

7. Materiality and misstatements

Materiality (continued)

Our provisional materiality is set based on a benchmark of Net Assets as at 31 March 2023. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that net assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 1% of Net Assets. Based on the current year financial statements we have set the overall materiality for the year ending 31 March 2023 as £18.7m (£19.6m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on medium inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £561k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Suresh.

Reporting to the Audit Committee

The following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

A

Appendix: Key communication points

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Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor’s Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee, Audit Planning and Clearance meetings

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Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Suresh Patel, Partner

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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