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23 June 2010

To: All Members of the General Purposes Committee

Dear Member,

General Purposes Committee - Monday, 28th June, 2010

I attach a copy of the following report for the above-mentioned meeting which was not available at the time of collation of the agenda:

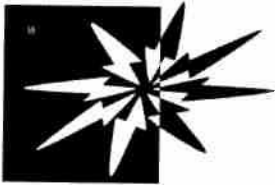
**6. APPROVAL OF THE COUNCIL'S STATEMENT OF ACCOUNTS  
2009/10**

The report seeks approval of the Council's financial statements.

Yours sincerely

Natalie Cole  
Principal Committee Co-Ordinator

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Haringey Council

Agenda Item

**General Purposes Committee**
**On 28 June 2010**

 Report title: **Statement of Accounts 2009/10**

 Report of: **Director of Corporate Resources**
**Ward(s) affected:** All

**Report for:** Key Decision

**1. Purpose**

1.1 To provide Members with the Council's financial statements for approval. These statements have been prepared with the aim of giving clear and concise information about the financial affairs of the Authority to Members of the Council, the public and other stakeholders.

**2. Recommendations**

2.1 That the Committee approve the Council's financial statements for 2009/10.

**Report authorised by: Julie Parker – Director of Corporate Resources**

*J. Parker 23/6/10*

**Contact officer: Kevin Bartle – Head of Corporate Finance**  
**Telephone 020 8489 3743**

### **3. Executive Summary**

3.1 Approval of the Council's accounts is a non-executive function, fulfilled by the General Purposes Committee.

3.2 Cabinet on 15<sup>th</sup> June 2010 received a report on the Council's provisional financial outturn on a service basis. This report sets out the final outturn position within the full financial statements.

3.3 The report also explains the structure of the statement of accounts, provides some interpretations for Members and highlights key matters regarding the statements for Members consideration.

3.4 The statutory deadline for the financial statements to be approved is 30th June 2010 in line with Government legislation.

3.5 The financial statements are appended for approval.

### **4. Reasons for any change in policy or for new policy development (if applicable)**

4.1 None.

### **5. Local Government (Access to Information) Act 1985**

**The following background papers were used in the preparation of this report:**

Report of Director of Corporate Resources to Cabinet 15 June 2010 – Financial Outturn 2009/10

Local Government Finance Act 1992

Local Government Act 2003

CIPFA Accounting Code of Practice (ACOP) for Local Authorities



## 6. Background

- 6.1 Approval of the Council's accounts is a non-executive function, fulfilled by the General Purposes Committee. The Cabinet in June received the Council's provisional outturn. This report sets out:
- the final outturn;
  - the structure of the statement of accounts, provides some interpretations for Members, and highlights key matters regarding the statements.
- 6.2 The statutory deadline for the financial statements to be approved is 30<sup>th</sup> June 2010.
- 6.3 The appended financial statements are recommended for approval and have been produced in line with all the relevant accounting codes and statutory regulations.
- 6.4 As part of the Council's drive to continuously improve, these accounts have already been subject to a pre-audit technical review by Grant Thornton, the Council's external auditors.
- 6.5 The accounts are submitted to allow members to scrutinise them before finalisation for audit.

## 7. Final Outturn

- 7.1 The provisional outturn reported to Cabinet in June showed a net service overspend of £2.183m, excluding schools.
- 7.2 The final outturn position has changed and, after taking into account transfers to reserves and final adjustments, there is a net overspend of £1.678m. This deficit will reduce the general balances. The movement of £505k from the figure reported to Cabinet is as a result of an increased item 8 charge to the HRA (£232k), a change to the Alexandra Palace and Park Trust position in the Cabinet report (£62k) and a number of small miscellaneous changes.
- 7.3 The final position on the general balances of the Council is a balance of £9.903 million, after taking into account the share of the collection fund surplus of £69k.
- 7.4 The provisional dedicated schools grant (DSG) overspend of £1.486m reported to Cabinet (£2.208m overspend on schools, £722k underspend on non-schools DSG) remains unchanged. The £2.208m overspend on schools will reduce the 2008/09 £6.615 million balance available to schools to £4.407 million at the close of 2009/10. The £722k underspend on non-schools DSG is a ring-fenced carry forward which will be used in accordance with legislation and following consultation with the Schools Forum.

- 7.6 The provisional capital outturn reported to Cabinet showed an underspend of £27.8 million, which is unchanged.
- 7.7 The provisional HRA outturn that was reported to Cabinet was a surplus of £0.538 million, after taking into account the 2009/10 deficit of Homes for Haringey (HfH). The final HRA position, excluding the HfH deficit, is a surplus of £1.301m which increases the HRA balances to £8.550 million.
- 8. Matters for attention in the 2009/10 accounts**
- 8.1 There has been one major change required to the 2009/10 accounts as a result of amendments in regulations around salary disclosures.
- 8.2 Regulation 4 of the Accounts and Audit (Amendment No. 2) (England) Regulations 2009 introduced a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior officers. Previously in the accounts, the number of all officers whose total remuneration was in excess of £50,000 was disclosed in £10,000 bands. The banding has been changed to £5,000.
- 8.3 The regulation also refers to senior employees which Haringey has interpreted as the members of the Chief Executives Management Board. For senior employees whose salary is £50,000 or more per year but less than £150,000, they are required to be listed individually by way of job title plus disclosure of salary, fees and allowances, employer's pension contribution and any other emoluments. For senior employees whose salary is £150,000 or more per year, in addition they must be identified by name.
- 8.4 New accounting standards (IFRIC 12) included in the Accounting Code of Practice concern PFI schemes and service concessions. Haringey's PFI financing arrangement for its secondary schools has been reviewed under the new standards and the additional disclosures required have been included.
- 8.5 For the first time in 2009/10 the Chief Financial Officer is required by regulation 10(2) of the Accounts and Audit Regulations to certify that the accounts present a true and fair view, as opposed to presenting fairly the accounts. In the last few years changes to the form of local authority accounts have meant that the accounts now include a presentation of the financial results and position of an authority that conforms to generally accepted accounting practice, while also being consistent with the requirements of legislation. Consequently the accounts present a true and fair view - this is accepted in the UK as confirming that the accounts meet the highest standards of accounting practice.
- 8.6 In 2009/10 the Council received £6.96m of its investments that were held in Icelandic banks. The current prediction of the cash loss is £3.8 million of the original £36.96m invested and to date the Council has received back £6.96m from Heritable Bank. Accounting regulations require the authority to account for the fact that these funds have not and will not be available for the authority's use until the future dates identified and therefore there is a notional loss of future interest. The impairment loss recognised in the Income and Expenditure

Account in 2009/10 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. The interest rates used for this calculation are prescribed to be the 'contract' rate, i.e. the rate under the existing deposit terms, which on average is just under 5%. This has resulted in an additional impairment charge in 2009/10 of £716k.

- 8.7 The Council received a capitalisation direction up to a maximum of £11.1m from the government in early 2010. The total impairment due to be written down is £11.227m and the Council has applied £11.1m to capital with the remaining balance being taken from revenue. This allows the Council to spread the charges for actual cash loss over a maximum of twenty years.

**9. Statement of Accounts**

- 9.1 The statement of accounts set out the financial statements for the Council and the Pensions Fund and is appended to this report. These have been prepared in accordance with the Accounting Code of Practice in Great Britain (ACOP) and the Best Value Accounting Code of Practice (BVACOP).
- 9.2 The statements have been prepared with the aim of giving clear and concise information about the financial affairs of the Authority to both Members of the Council, the public and other stakeholders.
- 9.3 **Section one** - The **Executive Summary** shows the outturn of the general fund compared to budget and the change in general fund balances between years, HRA outturn, capital outturn compared with budget and the summary position for the Pension Fund. It also sets out the Authority's responsibilities to maintain proper administration of its financial affairs, responsibilities to ensure proper financial control, and the Chief Financial Officer's responsibilities.
- 9.4 **Section two** - This section includes the Annual Governance Statement and the Statement of Accounting Policies.
- 9.5 The **Annual Governance Statement** is the draft considered by the Audit Committee on the 24th June. Any comments or amendments required by the Audit Committee have not yet been included in the draft Statements attached. The 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. The Council 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.
- 9.6 In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 9.7 The **Statement of Accounting Policies** shows the accounting policies that apply to the financial statements of the Council. These were approved by the Audit Committee on 29<sup>th</sup> March 2010.
- 9.8 **Section three** - This section shows the Council's accounts.
- 9.9 The section includes the **Income and Expenditure Account (I&E)** which shows the annual gross expenditure, income and net expenditure analysed by service and also shows how the Council's services are funded. The service expenditure headings conform to the Best Value Accounting Code of Practice (BVACOP).

- 9.10 The I&E account has been prepared to be compliant with the UK accounting standards and only contains transactions in line with these standards. The result of this is a number of transactions that are unique to local government are not included in this statement and the I&E account needs to be read in conjunction with the Statement of Movement on the General Fund Balances.
- 9.11 The bottom line of the I&E account shows a deficit position of £147.666m. This is before a number of key statutory transactions have been put through the accounts. These transactions are shown in the **Statement of Movement on the General Fund Balances**. This statement shows how the balance on the Income and Expenditure Account moves to the final balance that is taken to the Council's general reserves. The end of year closing revenue position is a net overspend of £1.678m and is arrived at after adjusting the I&E balance for a number of statutory adjustments for example deduction of depreciation, accounting for any revenue contributions to capital outlay (RCCO) and transfers to and from specific reserves.
- 9.12 Once the net planned transfer to reserves of £3.971 million is taken into account the year end general fund balance is £9.903 million which is in line with the Council's overall medium term financial strategy. At this level the reserves are still considered to be adequate. The Council's reserves are a key determinant of financial strength and define the Council's ability to respond robustly to the strategic and performance agendas whilst managing the financial risks inherent in the operation of a large and complex organisation.
- 9.13 **The Statement of Total Recognised Gains and Losses (STRGL)** shows how the Council's reserves, the bottom section of the balance sheet, have moved year on year. For 2009/10 this shows the balance sheet has decreased by £436 million, primarily caused by the increase in the pensions' liability (£279 million) and the large deficit on the income and expenditure account (£148 million). This deficit on the I&E is mainly as a result of the downward valuation of fixed assets being charged to the I&E where no prior-year revaluation gains existed.
- 9.14 The **Balance Sheet** shows the financial position of the Authority (excluding amounts attributable to the Pensions Fund), and summarises its assets and liabilities.
- 9.15 It is appropriate to highlight the following key issues relating to the Balance Sheet.

**Fixed assets** are valued on a rolling basis by the Head of Property Services. Valuation bases are in accordance with the Statement of Asset Valuation practices and guidance notes of the Royal Institute of Chartered Surveyors. The accounting policies on fixed assets set out the different valuation methodologies applied to each asset type. The overall value of the assets has decreased by £35 million.

- **Debtors** – debt management has been a key focus for Haringey for a number of years. The table below shows that overall the Council's net debt position has increased by £17.662 million (25.6%).

Debtors	2009/10	2008/09	Increase/ (decrease)	Increase/ (Decrease)
	£'000	£'000	£'000	%
Public Sector debtors	50,880	36,394	14,486	39.8
Non Public Sector debtors	35,724	32,548	3,176	8.9
<b>TOTAL</b>	<b>86,604</b>	<b>68,942</b>	<b>17,662</b>	<b>25.6</b>

- **Net current assets** have decreased by £66.7 million. The main reason for this is a reduction in short term investments of £56.6 million. The reduction of investments has occurred following strategic decisions to utilise cash balances and not borrowing to help finance the Council's capital programme. Further details can be found in the treasury management outturn report. Net current assets are still in a strong position in that current assets exceed current liabilities.
  - **Provisions** are amounts set aside to meet future liabilities where they are certain to occur but the amount and timing is uncertain. These have decreased to £7.5 million due to the proper use of these provisions in 2009/10.
  - **Long term borrowing** shows a decrease of £32.5 million. This is due to some specific loans moving to short-term borrowing as they are due for repayment in 2009/10. The overall borrowing portfolio of the Council has remained static compared to 2008/09. The majority of this is borrowing supported within the government's grant formula.
  - The primary cause of the change in the **estimated net pensions' liability** of £306m as at 31 March 2009 to an estimated net liability of £589m as at 31 March 2010 is due to the fact that the financial assumptions around corporate bond yields and long term inflation at 31 March 2010 are less favourable than they were at 31 March 2009 and the mortality assumptions have been strengthened to reflect improvements in life expectancy. The liability has a substantial impact on the net worth of the authority, as recorded in the balance sheet, resulting in an overall balance of £266.684m. However, statutory arrangements for funding this deficit mean that the overall financial position of the authority remains healthy. The triennial actuarial review has started which examines the position of the scheme at that point and recommends actions required by member organisations of the pension fund to ensure the fund is fully funded to meet its long term liabilities. The pension fund accounts were considered by the Pensions Committee on the 21st June 2010.
- 9.16 The **cash flow statement** summarises the inflows and outflows of cash arising from transactions with third parties.
- 9.17 The **Housing Revenue Account (HRA)** shows the major elements of housing revenue expenditure. The HRA is managed by Homes for Haringey (HfH) but the management fee paid to HfH is split across its component parts, e.g.

repairs and maintenance, supervision. The HRA made an overall surplus of £1.3 million in 2009/10. As a result of this surplus the balance on the HRA is increased to £8.6 million. This is above the estimates within the medium term financial strategy, although there are continuing pressures in future years which will need to be managed carefully and it will be partly offset in 2010/11 by bringing in the 2009/10 HfH deficit of £885k.

- 9.18 The **Collection Fund** shows the income due from council tax and national non-domestic rates (NNDR) and the application of the proceeds. The Council is responsible for collecting council tax and NNDR; the latter on behalf of the government. The proceeds of the council tax are distributed to two precepting bodies; the Council and the Greater London Authority (GLA). In 2009/10 the Collection Fund made a surplus of £87k, which was then distributed between the Council (£69k) and the GLA (£18k).

9.19 **Section four**

- 9.19.1 This section contains the Authority **Group Accounts**. The group accounts incorporate together the accounts of the London Borough of Haringey and Homes for Haringey Ltd. Homes for Haringey is a wholly owned subsidiary of the Council. The statements which follow show the group Income and Expenditure account, STRGL, Balance Sheet and cash flow statement.

10. **Appendix 1 – Alexandra Park and Palace (AP&P)**

- 10.1 The AP&P draft accounts are attached for information and reference only and do not form a part of the accounts that this Committee is approving. These draft accounts are subject to approval by the AP&P Board and are subject to an audit by the Trust's own independent auditors under Charity Commission regulations, both of which are still yet to occur.
- 10.2 AP&P closed the financial year with a provisional deficit of £2.3 million which is the amount that the Council has allowed for in its accounts for 2009/10.

11. **Other important matters**

- 11.1 Council officers have worked closely with Grant Thornton, the council's external auditors, to further improve the closure of accounts process in 2009/10 and have fully taken into account recommendations that arose from the 2008/09 audit of accounts.
- 11.2 Particular emphasis has been placed on continuing to achieve excellent working papers to accompany the statements, and officers have worked closely with the auditors on this.
- 11.3 The external audit for 2009/10 accounts will commence on 1 July. The auditors will report any issues to this Committee in September and then the accounts are due to be signed off by the auditors at the end of September 2010.
- 11.4 The next year will see a period of immense change in the accounting regulations surrounding the production of the Councils accounts with the

requirement to implement new **International Financial Reporting Standards (IFRS)**. These changes are required to be implemented for the production of the 2010/11 accounts, but with the need to have amended comparator figures for financial year 2009/10, the work required for this has significantly progressed. The implementation of the new standards is being managed by a project board and regular consultation takes place with other London Boroughs and Grant Thornton. At present the project is on track to enable the Council's accounts for 2010/11 to be fully compliant with the new standards.

- 11.5 This Committee will be kept apprised of the implementation project and at an appropriate later stage, training for members on the new standards and format of the accounts will be given.

## **12. Recommendations**

- 12.1 That the Committee approve the Council's financial statements for 2009/10.

## **13. Comments of the Head of Legal Services**

- 13.1 The Council is required by the Accounts and Audit Regulations 2003 to prepare its annual statement of accounts in the prescribed form including statements for each fund where a separate account is required. The statement of accounts complies with the Regulations and the applicable codes of practice. The other legal implications are set out in the body of the report.



**LONDON BOROUGH OF HARINGEY**  
**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**SECTION 1**  
**EXECUTIVE SUMMARY**  
**2009/10**



## Executive Summary

### Foreword

This document sets out the financial statements for Haringey Council, the Pension Fund and the group accounts. Set out below is a review of the financial year 2009/10 setting out the Council spending in the year on both capital and revenue across all services. Also set out are the major changes in this year's accounts and further details of my responsibilities, as the Council's Chief Financial Officer. Finally it gives a description of the purpose of each of the main statements in the accounts.

### Review of the Financial Year

The Sustainable Community Strategy was adopted by the Council and its partners in 2007 and covers a ten year period to 2016. The vision is to create 'A place for diverse communities that people are proud to belong to.'

The Council Plan is aligned to this strategy and its priorities are:

1. Making Haringey one of London's greenest boroughs;
2. Creating a Better Haringey: cleaner, greener and safer;
3. Encouraging lifetime well-being at home, work, play and learning;
4. Promoting independent living while supporting adults and children when needed; and
5. Delivering excellent, customer focused, cost effective services.

This review sets out the Council's performance in its principal financial areas:

- The General Fund;
- The Housing Revenue Account;
- Capital investment; and
- The Balance Sheet.

This commentary is then supplemented by a review of the Pension Fund.

### The General Fund – Where council tax is spent

The General Fund contains income and expenditure relating to all of the services of the Council, other than council housing which is recorded separately in the Housing Revenue Account. In 2009/10 the Council planned net expenditure of £242.7 million, as set out in the following table:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Children and Young People (inc DSG underspend)*	72,032	77,852	5,820
Adults, Culture & Community	76,859	77,853	994
Corporate Resources	6,028	6,555	527
Urban Environment (incl. Housing)	50,823	52,549	1,726
PPPC**	8,688	8,486	(202)
People, Organisation & Development	(659)	(941)	(282)
Chief Executive Services	719	831	112
<b>Services</b>	<b>214,490</b>	<b>223,186</b>	<b>8,696</b>
Non service revenue	28,213	23,403	(4,810)
Transfer from Schools' reserves		(2,208)	(2,208)
<b>Total on General Fund</b>	<b>242,703</b>	<b>244,381</b>	<b>1,678</b>
General balances 1 April 2009			(7,540)
Planned contribution to reserves			(3,971)
Collection Fund Surplus			(69)
<b>General balances 31 March 2010</b>			<b>(9,903)</b>

\*DSG is the Dedicated Schools Grant – refer to page 36

\*\*PPPC is Policy, Performance, Partnerships & Communications

There is a net service overspend of £8.7m. After taking into account the non-service revenue account, transfers into earmarked reserves and the transfer of the ring-fenced Dedicated Schools Grant into reserves there was an overspend on the General Fund of £1.678m which will be funded from the general balances.

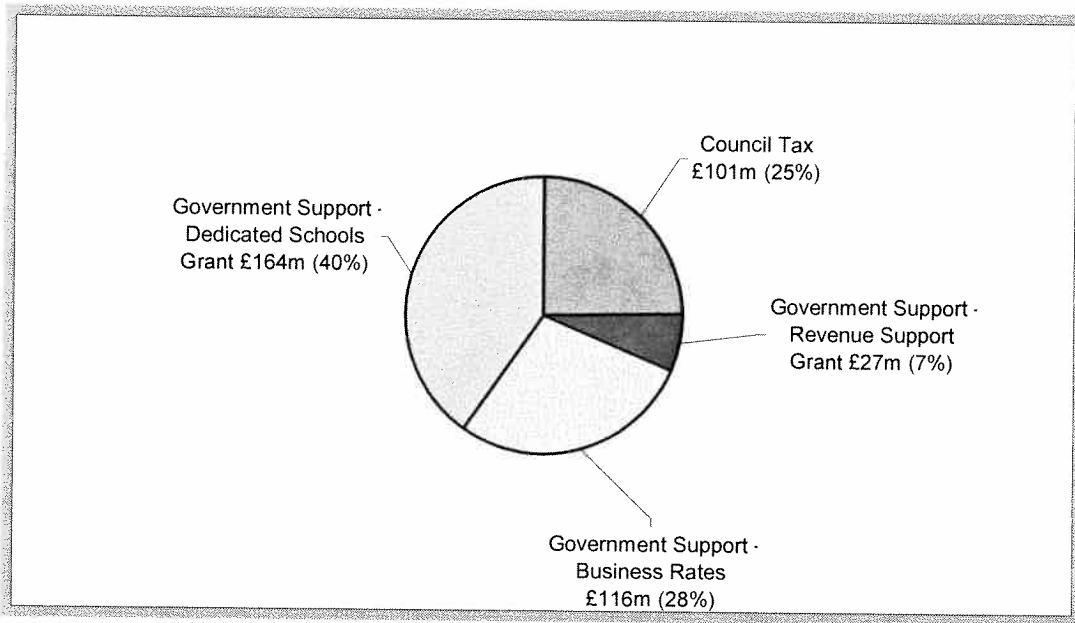
The Council produces an analysis of the variances as part of its Financial Outturn 2009/10 report that went to the Council's Cabinet in June 2010.

Included in the figures above are a number of transfers to earmarked reserves, as detailed below.

	2008/09	Movement in year	2009/10
	£'000	£'000	£'000
Schools (Revenue)	6,615	(2,208)	4,407
General Fund Services (Revenue)	2,317	(1,387)	930
Insurance	8,865	(222)	8,643
PFI – Education	4,967	791	5,758
Property and IT Infrastructure	2,503	(869)	1,634
Risk	10,160	0	10,160
Financing	14,072	(6,362)	7,710
Debt Repayment/Capital Financing	20,850	(3,416)	17,434
Major Repairs Reserve (HRA)	6,557	(5,740)	817
<b>Total</b>	<b>76,906</b>	<b>(19,413)</b>	<b>57,493</b>

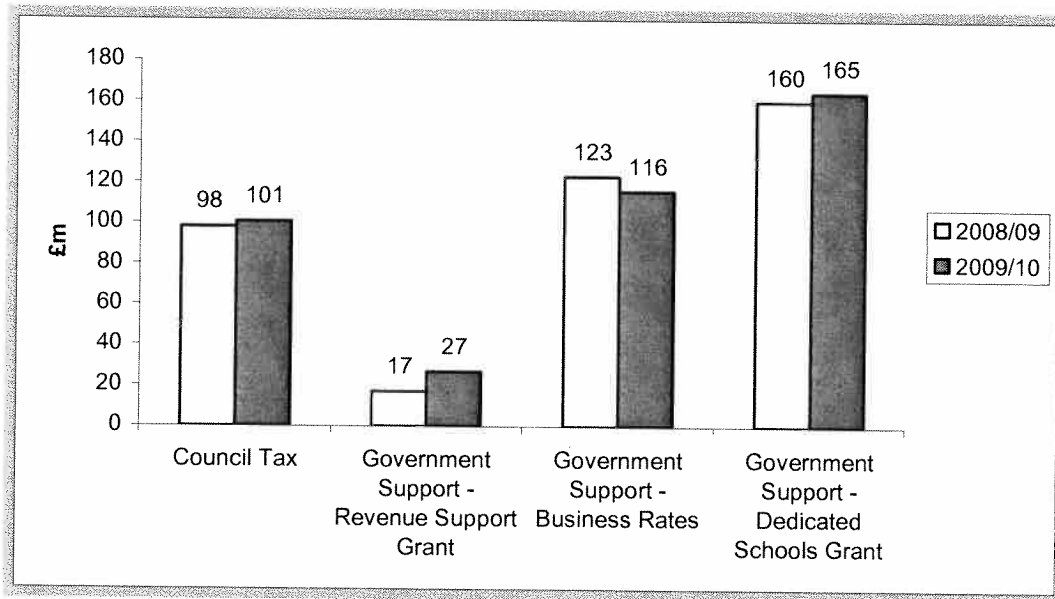
Below is a graph showing the revenue funding sources of Government Grants, NNDR and Council Tax for the net costs of the spend in 2009/10.

**Sources of Revenue Funding 2009/10 – Total £408m**



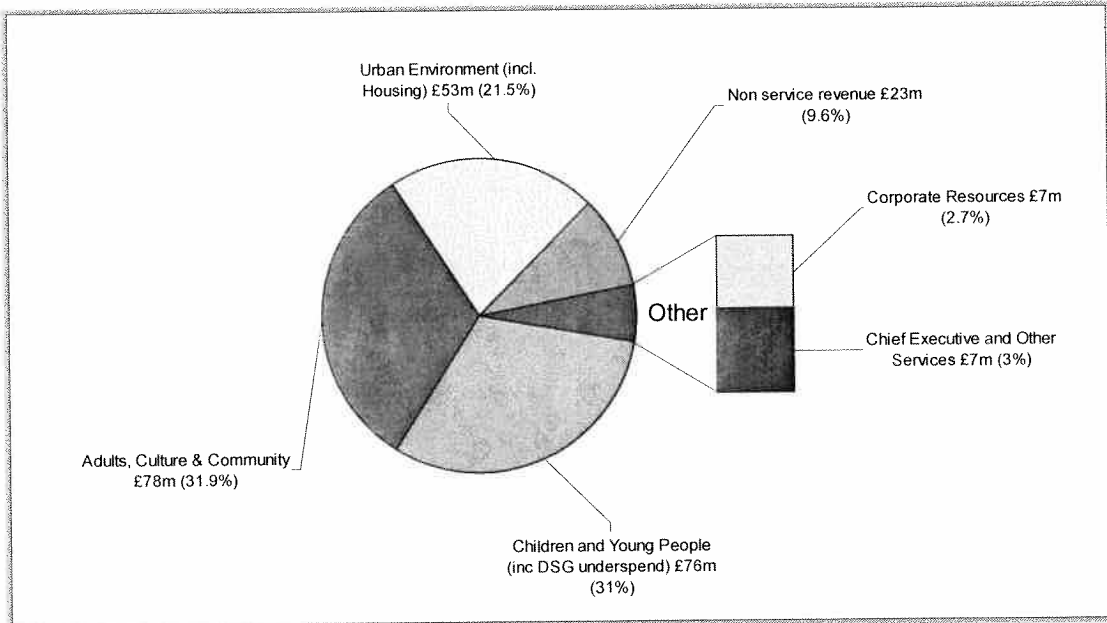
As can be seen from the above, council tax funds only 25% of the full net cost of services.

**Sources of Revenue Funding 2009/10 (£408m) and 2008/09 (£398m)**

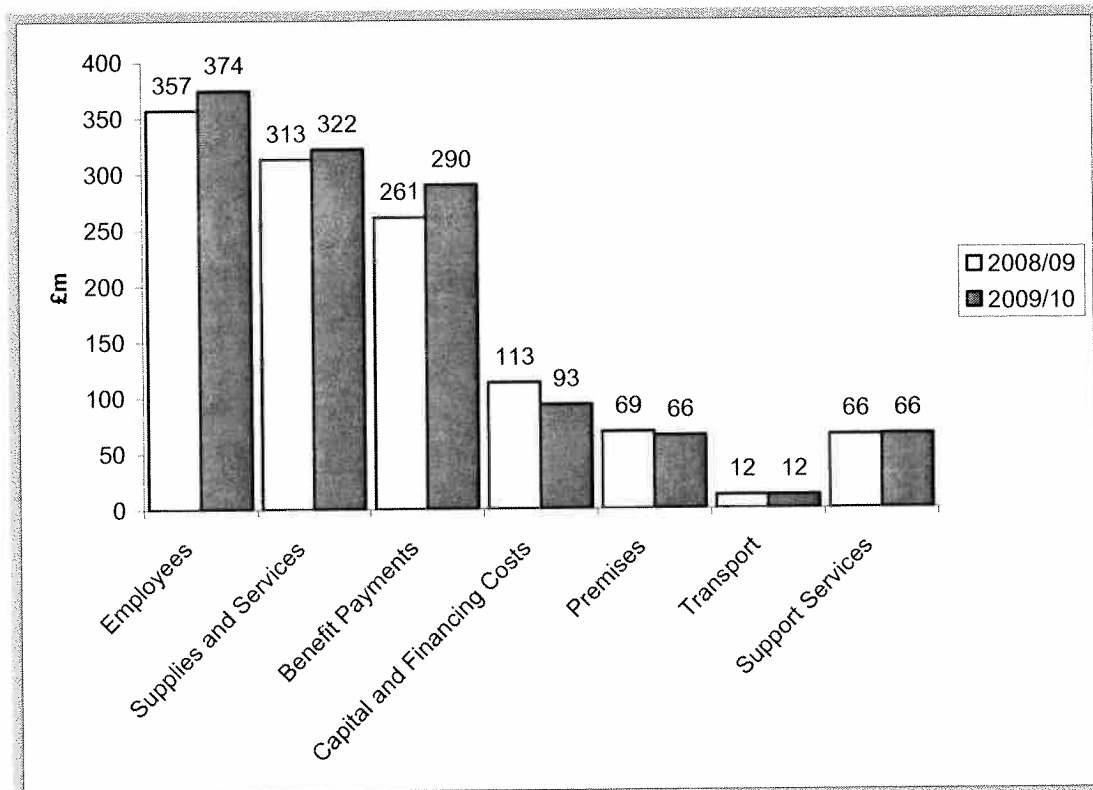


**How the money was spent – Total £244m**

The following two graphs show how the Council budget was used across each service and then, of the money spent, what it was spent on, e.g. staff costs.



**Subjective Analysis of Gross Revenue Expenditure (£1,191m 2008/09, £1,223m 2009/10)**



**The Housing Revenue Account – How Housing Rents are used**

The Housing Revenue Account is a statement of the income and expenditure on council housing. The Council is the landlord for 16,259 dwellings and the related income and expenditure is ring-fenced, that is the Council is prevented by legislation from subsidising the



cost of council housing from its General Fund or vice versa. The Housing Revenue Account services are primarily funded from rents (£71.5m) and government grant (£19.8m). The total funding requirement is £112.2m.

In 2009/10, the Council spent £115.8m on its council housing, including £20.9million on repairs and maintenance and £38.5 million on supervision and management. After financing and appropriation adjustments, there was a surplus of £1.3 million on the account.

**Capital Investment**

Capital investment is expenditure incurred on the physical assets of the Council such as buildings, roads etc.

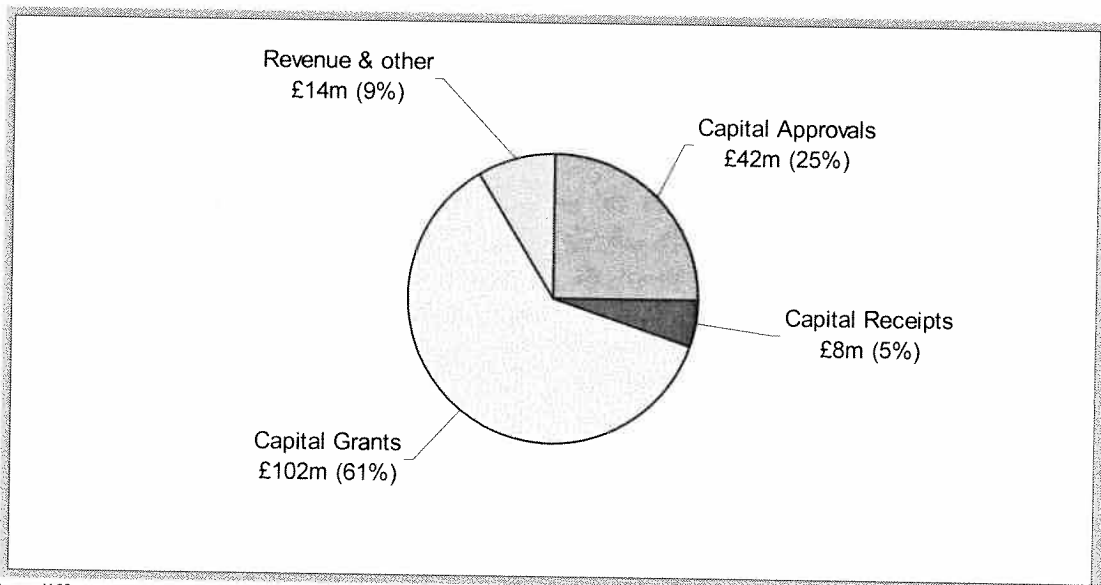
In 2009/10, the Council planned to spend £196.7 million on its assets, as shown in the following table. The actual expenditure was £168.9 million. The total long-term debt of the Council is £600.7m and relates to capital investment which the Council has undertaken in previous years and the current year. 66% of this debt relates to investment in council housing.

	Budget £'000	Outturn £'000	Variance £'000
Children & Young People	95,203	81,045	(14,158)
Adult, Culture & Community	14,439	9,400	(5,039)
Corporate Resources	8,069	5,576	(2,493)
Urban Environment - GF	19,771	14,635	(5,136)
Urban Environment - HRA	59,067	58,136	(931)
Policy, Performance, Partnership & Communications	121	112	(9)
	<b>196,670</b>	<b>168,904</b>	<b>(27,766)</b>

The financial outturn report contains details of the reasons for variances between the capital budgets and final spend.

The graph below details how this capital expenditure was financed.

**Capital Financing – Total £166m**



The difference between the financing and the outturn are accruals – see note 15

## Balance Sheet

The balance sheet shows the financial position of the Council and summarises its assets and liabilities. The net worth of the Council is £266.7 million and is made up of the following items:

Description	£'000
Fixed and Long Term Assets	1,810,794
Net current assets	13,624
Long-term Liabilities	(1,557,735)
<b>Total Net Worth of the Council</b>	<b>266,684</b>

Every year a proportion of the Council's fixed assets, e.g. land and buildings, are revalued. In 2009/10 the Council's operational assets increased in value by £11.3 million after taking account of additions and disposals. This is due to a large downward valuation of the Council's operational properties of £66.2 million (after taking account of additions and disposals) which is due to the current economic position in the country. This decrease was offset partly by an increase of £52.2 million in the value of the council dwellings revalued this year.

The net current assets of the Council are £13.6 million, which when analysed shows the Council has approximately 10% more current assets than current liabilities. The net current assets of the Council include its short term investments (£45.7 million in 2009/10). The balance is arrived at after allowing for an accounting impairment of £11.227 million (an increase of £715k on the 2008/09 impairment of £10.512m) relating to deposits with Icelandic Banks which went into administration in the Autumn of 2008. The cost of the increase in impairment is included on the face of the I&E account against the 'interest and similar charges line'. The Council utilised a capitalisation direction for £11.1m to smooth the impact of the charges to the council tax payer. The actual cash loss is anticipated to be £3.75m. It is currently anticipated that the Council will recover 100% of investments with Glitnir Banks, 95% from Landsbanki and 85% from Heritable Bank. Full details of the impairment and assumptions made against on recovery amounts and timings can be found in note 36 (page 63).

The Council has long-term borrowing outstanding of £600.7 million, however when the asset base of the Council is taken into account it has a debt ratio of 33%, i.e. the total Council debt is 33% of its total fixed assets.

## The Pension Fund

The Pension Fund is part of the Local Government Pension Scheme. This funds the pensions and receives contributions from members of the scheme and employer bodies. In 2009/10, the Fund made payments to pensioners of £30.6 million and received contributions of £41.9 million (£8.6 million from members and £33.3 million from the employers).

The Fund has been valued at £566 million, most of which is invested in the stock market. In 2009/10 the Fund assets increased in value by £156 million. The increase can be attributed to higher than expected returns in investment markets resulting in a positive impact on the fund assets. Unfortunately this is significantly outweighed by the negative impact on the Pension Fund liabilities which have increased from £716m to £1,155m (See note 7).

## Statement of Responsibilities

### The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In Haringey that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### Internal Financial Control

The Council recognises its responsibilities to ensure proper financial management and control of its affairs. The Council approves an annual revenue and capital budget and publishes annual accounts, which are approved by the Council and are subject to external audit.

The Chief Financial Officer has direct management responsibility for the Internal Audit section, which maintains a regular review of the Council's financial systems, investigates any irregularities that arise and ensures the Council maintains a sound system of risk management and internal control. Further information is contained within the Annual Governance Statement.

### 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 in Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing the 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 Code of Practice.

The Chief Financial Officer has also:

- kept proper accounting records which are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Financial Officer has signed and dated the Statement of Accounts for the year ended 31 March 2010.

For the first time in 2009/10 the Chief Financial Officer is required by regulation 10(2) of the Accounts and Audit Regulations to certify that the accounts present a true and fair view, as opposed to presenting fairly the accounts.

In the last few years changes to the form of local authority accounts have meant that the accounts now include a presentation of the financial results and position of an authority that conforms to generally accepted accounting practice, while also being consistent with the requirements of legislation. Consequently the accounts present a true and fair view - this is accepted in the UK as confirming that the accounts meet the highest standards of accounting practice.

## **The Statement of Accounts**

Detailed below are each of the main sections of the Statement of Accounts with an explanation of what these statements show and represent.

### **Annual Governance Statement**

This details the processes in place during 2009/10 for ensuring appropriate management and control. It then reviews the effectiveness and raises any major issues that have arisen in the year. (Page 13)

### **Statement of Accounting Policies**

An explanation of the basis on which the accounts have been prepared and their compliance with the guidance of the relevant regulatory bodies. (Page 21)

### **Income and Expenditure Account**

This statement summarises the income and expenditure of all the Council's services, providing a breakdown by service, in line with the UK Generally Accepted Accounting Standards (UK GAAP). The Account also shows how the Council's services are funded; the four main sources being specific income, council tax, redistributed national non-domestic rates and government grants. (Page 30)

### **Statement of Movement on the General Fund Balance (STMGFB)**

The Income and Expenditure Account shows entries that are in line with UK GAAP but not necessarily in accordance with Government requirements for Local Authority accounts and Council Tax. An example is the requirement for Local Authorities to make a minimum revenue provision for debt repayment. The statutory entries are put through the STMGFB in order to move the balance on the Income and Expenditure Account to the net overall change on the General Fund balances for the year. (Page 31)

### **Statement of Total Recognised Gains and Losses (STRGL)**

This statement records those gains and losses experienced by a local authority that are not reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are not reflected in the Income and Expenditure Account. The STRGL allows a full assessment of the financial result for the period to be considered. (Page 32)

### **Balance Sheet**

This records the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long-term debt, the net current assets and liabilities, and summarised information on the fixed assets held. It excludes the Pension Fund. (Page 33)

### **Cashflow Statement**

This summarises the inflows and outflows of the Council's cash arising from transactions with third parties for capital and revenue transactions. (Page 34)

### **Notes to the Primary Statements**

All the notes to the statements detailed above then follow these primary statements. (Pages 35 to 77). These aim to further explain the key figures in the primary statements and to provide the reader with additional information to allow full interpretation of the accounts.

## **Housing Revenue Account - Income and Expenditure Account**

This shows the separate income and expenditure incurred during the year on the housing landlord functions. It shows the major elements of housing revenue expenditure – maintenance, administration and capital financing costs – and how these are met by rents, housing subsidy and other income. (Page 73)

## **Statement of Movement on the HRA Balance**

As with the Statement of Movement on the General Fund Balance this statement brings in the statutory transactions which move the balance on the HRA Income and Expenditure Account to the net overall change on the Housing Revenue balances for the year. (Page 73).

## **Collection Fund**

The Council is responsible for collecting Council Tax and National Non-Domestic Rates, the latter on behalf of the Government. The proceeds of the Council Tax are distributed to two preceptors: the Council itself and the Greater London Authority. The Fund shows the income due from Council Tax and the application of the amounts raised to the preceptors and the total National Non-Domestic Rates raised and then paid over to the Government. (Page 76)

## **The Group Accounts**

Group Accounts are prepared where a local authority has a controlling interest in another company or organisation. The only group relationship that exists for Haringey Council is that with Homes for Haringey (HfH). HfH is responsible for managing and providing all the housing related services to the Council's tenants such as repairs and maintenance of council housing and collection of rents. The Council's financial statements do not include the financial information of Homes for Haringey. Group financial statements are therefore required in order to reflect the extended service delivery of all the activities under the control of the parent reporting authority. (Page 81)

## **Pension Fund Account and Net Assets Statement**

The Pension Fund Account shows the contributions to the Fund during 2009/10 and the benefits paid from it. The Net Assets Statement sets out the financial position for the Fund as at 31 March 2010. The Fund is separately managed by the Council acting as trustee and its accounts are separate from those of the Council. (Page 92)

## **For Information**

### **Appendix 1 – Alexandra Park and Palace Accounts (AP&P)**

These accounts are presented as a supplement to, and not a part of, the Council's accounts. The Council is the Trustee of the Alexandra Park and Palace Accounts Charitable Trust and these draft accounts are presented for information only. The Trust is not controlled by the Council and is therefore not included in the Council's accounts as a group entity. AP&P's accounts, as a separate organisation to the Council, are subject to a separate independent external audit and the draft accounts are included at Appendix 1 for information only.

**Approval of the Accounts**

The Accounts and Audit Regulations 2003, require the accounts to be approved by the Council.

**Statement of the Chief Financial Officer**

I certify that the financial statements set out in sections 3 – 5 have been prepared in accordance with the accounting policies set out in section 2 and present a true and fair view of the financial position as required.

Julie Parker, CPFA  
Director of Corporate Resources  
28<sup>th</sup> June 2010

**SECTION 2**

**ANNUAL GOVERNANCE STATEMENT AND  
ACCOUNTING POLICIES**

**2009/10**





## Annual Governance Statement and Accounting Policies

### Annual Governance Statement 2009/10

#### 1. Scope of responsibility

- 1.1 Haringey 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. Haringey 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.
- 1.2 In discharging this, Haringey is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The authority has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Haringey Council's local code of corporate governance is published on the Council's website and a copy can be obtained from the Council's Monitoring Officer. This statement explains how Haringey has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

#### 2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and 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.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can provide a reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Haringey's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Haringey for the year ended 31<sup>st</sup> March 2010 and up to the date of the approval of the annual report and accounts.

#### 3. The governance framework

- 3.1 The key elements of the systems and processes that comprise the authority's governance arrangements are:

##### a) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

Haringey has well established and documented aims and objectives in order to improve the quality of life for people living and working within the borough and ensure that high quality services are delivered efficiently and effectively. The Council, together with its partners, has developed the Sustainable Community Strategy 2007-2016 which sets out a joint vision and objectives. The Sustainable Community Strategy was developed after extensive consultation with residents and stakeholders through the 'Have your say Haringey – shape the future' campaign. The Community Strategy is published and is also available on the council's website and a summary of the strategy has been translated into ten languages.

The Council Plan is linked to the Community Strategy and sets out the priorities of the Council and how these will be achieved in practice over the period 2007-10. The Council Plan is published on the Council's website and is monitored and reported using the corporate performance framework. The Council Plan is updated on an annual basis and the 2009/10 Council Plan (year 3) contains details of the previous year's achievements against our agreed targets. The Council's objectives are informed by what residents and service users say and their views are captured in our annual residents' survey.

**b) Reviewing the authority's vision and its implications for the authority's governance arrangements**

The implementation of the Community Strategy is monitored through the delivery of the Local Area Agreement, which contains all the required national and local targets. During 2009/10 the Sustainable Community Strategy was refreshed to take account of agreed developments and changes. In support of the Community Strategy, all the Council's business and financial planning documents reflect its vision and objectives. Delivery of these is through an integrated annual business and financial process, which are subject to full consultation and review by the Council's Overview and Scrutiny Committee, formal adoption by the Cabinet and approval by the Council.

Progress against the business plans is reviewed mid-year as part of the Council's formal pre-business plan review process. The Council's Medium Term Financial Strategy 2009-2012 sets out the three year budget for the Council, which is reviewed and updated on an annual basis to provide a rolling three year planning period. It supports the Council Plan and allocates resources over all the council's activities, including to the council's priorities, and is monitored on a regular basis to ensure that resources are aligned to council objectives.

**c) Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources**

The Council is committed to delivering value for money. This is achieved through a variety of mechanisms including a well established business planning process, and a robust performance management system. Haringey has comprehensive performance management systems, which include Business Plans, Service Improvement Plans and National and Local Performance Indicators. Performance measurement is undertaken at various levels and is subject to review both internally by managers and members and externally by the Council's external auditors.

The Cabinet receive regular reports highlighting key financial and performance management information and allows them to effectively monitor compliance with all key policies and Council objectives. Cabinet agendas, reports and minutes are available on the Council's website. An independent survey of a representative sample of residents and service users is completed on an annual basis and reported to senior officers and members to ensure appropriate action can be taken in specific areas.

**d) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.**

The Council's Constitution sets out the policy and decision making framework of the authority and is held in hard copy and on the council's intranet and external website. The roles and responsibilities of the whole Council, the Cabinet, other committees, all councillors including Cabinet Members, and officers is clearly documented, and it also contains protocols governing the relationships between members and officers and job descriptions of the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Section 151 Officer). The roles and functions of all councillors in relation to governance issues are clearly documented, including their responsibilities for ward duties and the governance of the Council.

The Constitution is reviewed on an ongoing basis and updated to reflect functional and organisational changes to the Council. The Council's scheme of delegation is contained within the Constitution and is reviewed and communicated on a regular basis to all appropriate officers and members. The Council's website also has an 'Our Standards' page which sets out the expectations and standards required of both officers and members.

**e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Haringey has well established codes of conduct for officers and members, which are regularly reviewed and subject to approval by members. The Council requires all members to formally acknowledge receipt of their code of conduct on an annual basis. Members are provided with regular briefings on the code of conduct as part of the established induction and training programme. The council's Member Learning and Development Strategy also incorporates specific sections relating to corporate governance issues.

The Council's officer code of conduct has been reviewed and updated on a regular basis and is published on the Council's intranet site. All new members of staff receive training, including the code of conduct, as part of their induction processes. Regular articles are included in corporate and staff newsletters outlining expected standards of behaviour in specific areas and in 2009/10 a letter was sent from the Chief Executive to all staff reminding them of their responsibilities and expected standards of behaviour.

**f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Constitution Working Group is an established member group which meets on a regular basis to monitor, review and update the Council's Constitution and associated governance arrangements, based on a rolling work programme and taking into account any new legislative and statutory requirements. The Council's Statutory Officers meet on a regular basis and review key areas of governance. The Council's corporate risk management steering group meet on a quarterly basis, chaired by a member of the Chief Executive's Management Board, and is comprised of senior officer representatives from each directorate. In addition to ensuring that the Council complies with the risk management strategy, the steering group takes responsibility for managing the Council's response to specific incidents and events.

Haringey has a corporate Risk Management Strategy which is reviewed and updated on an annual basis and, through a variety of processes and procedures, ensures that risk management is embedded across the organisation and its activities, including being an integral part of the business planning process. The Council has a corporate risk register and all departments and business units have risk registers in place. The corporate risk register is reviewed on a regular basis by the Chief Executive's Management Board and the Audit Committee and updated as a result of feedback received. Regular reports are provided to both the Chief Executive's Management Board and the Audit Committee detailing progress in embedding risk management throughout the Council. During 2009/10, all the Council's risk registers have been managed via the Council's electronic performance management system.

**g) Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)**

In 2009/10, CIPFA produced a statement on the role of the Chief Financial Officer (CFO) in local government. Compliance with this statement needs to be assessed and incorporated into the Council's Annual Governance Statement. The Council's CFO is a member of the Chief Executive's Management Board, as required by the CIPFA statement, and fulfils all the requirements of the statement in ensuring that appropriate financial, management, reporting, monitoring and governance arrangements are in place.

**h) Undertaking the core functions of an audit committee, as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'**

Using CIPFA and the Institute of Public Finance guidance, the Council's Audit Committee has been assessed as meeting all good practice requirements. The Audit Committee received a report on the outcome of the assessment undertaken in 2009/10. The Audit Committee receives reports from internal and external audit and reviews risk management and governance arrangements.

**i) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council's Constitution contains the Financial and Contract Procedure Rules, which specify the governance framework for all its operational functions. Officer Employment Rules and a Monitoring Officer Protocol are also contained within the Constitution. The Constitution also includes the roles of key compliance officers, including the Council's Monitoring Officer and Section 151 Officer, as well as specific functional responsibilities for the Cabinet, committees, other bodies and officers. Regular internal and external audit reviews check compliance with Financial and Contract Procedure Rules across the Council.

Financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. Key elements of the financial management system include integrated budgeting and medium term financial planning systems, regular budget monitoring reports to the Cabinet, systematic review of all key financial control processes, monitoring of key financial and other targets, and formal project management processes.

**j) Whistle-blowing and for receiving and investigating complaints from the public**

Haringey has a well-established and publicised anti-fraud and corruption policy and strategy, including a fraud response plan and Whistle-blowing policy which complies with relevant legislation and is monitored and managed by Internal Audit. The Council also has a free-phone telephone number and email reporting facilities which are contained on the external website. These are monitored and managed by Internal Audit and all referrals are subject to review and investigation where sufficient details are provided. The Audit Committee receives quarterly reports on the use and outcomes of the confidential reporting and Whistle-blowing facilities. Fraud and corruption policies and procedures are contained within the Employee Handbook, the council's intranet and website and regular staff newsletter items are published which explain how and where to report suspected fraud.

The Council also has a corporate complaints policy, and agreed procedures, which are subject to regular review and updates. The Council's policy and procedures are compliant with all relevant statutory requirements and are publicised on the Council's external website and at various public sites across the borough. Reports are provided to members on a regular basis, summarising the numbers and types of complaints, together with the outcome and resolution of these.

**k) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

Haringey Council has implemented a Member Learning and Development Strategy. The Council was the first in London to achieve a Member Development Charter which recognises the work carried out by the Council to provide members with the support, skills and training needed to develop and manage council services and budgets effectively.

The Council delivers a Leadership Programme for all managers, which includes a variety of training courses, workshops and work-related projects. All permanent staff within the Council receive an annual performance review and appraisal, which is linked to the Council's management standards and competency framework, and results in individual work targets and development plans. Every year, the Council provides a programme of learning events for

managers and staff based on the council's vision and values, aims and objectives, and key service delivery requirements.

**l) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.**

The Council publishes a resident's magazine, Haringey People, ten times per year containing information on council activities. Hard copies are delivered to all residential addresses and the magazine is also available via the Council's intranet and external website. Once a year this includes a summarised annual report and set of financial statements.

The Council also runs seven Area Assemblies, which are informal, and discussions take place on issues which are important to the residents of the area. The Assemblies are open to everyone; are held in local community buildings in all parts of the borough; and are attended by council officers and members. Details of meetings are published on the Council's website and Assembly Newsletters are produced on a three-monthly basis and published on the Council's website and in Haringey People.

The Council joined with local public agencies, community groups and businesses to create the Haringey Strategic Partnership (HSP) in April 2002. The shared vision for the future of Haringey and the HSP priorities are set out in the Sustainable Community Strategy which is published and available on the Council's website. All agendas and minutes from HSP Board and Theme Board meetings are also publicly available and are accessible via the Council's website.

**m) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

The Council has implemented a governance framework for its significant partnerships, based on the Audit Commission's definition, in 2009/10 which specifies the minimum governance requirements each partnership must have and how the Council monitors and reviews its involvement with each partnership.

The Council has been working with Alexandra Palace and Park (APP) to ensure that corporate governance arrangements and internal controls were adequate and this was continued during 2009/10. Internal audit completed follow up reviews of governance and control issues in 2009/10 which were reported to appropriate officers and members. The Audit Committee requested that all outstanding issues were addressed by 31 March and APP's independently appointed internal auditors checked the implementation of recommendations as part of their annual audit plan.

#### **4. Review of effectiveness**

- 4.1 Haringey has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the statements of assurance and annual governance self assessments by each director and assistant chief executive, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Risk Management's annual report, and also by comments made by the Council's external auditors and other review agencies and inspectorates.
- 4.2 The Audit Committee approves the annual internal audit plan, receives quarterly reports on internal audit work completed, reviews the corporate risk management strategy and risk register and, during 2009/10, has also reviewed reports from external assessments and actions taken by management to address any recommendations made. Key governance issues, including reports on implementing recommendations in respect of treasury management and the Joint Area Review action plan, were also reported to the Audit Committee during 2009/10. The Audit Committee undertakes a self assessment review of its effectiveness and in 2009/10 was assessed as fulfilling the requirements of the CIPFA

guidance on public sector audit committees. The Chair of the Audit Committee also reports annually to full Council on the activity of the Committee during the year.

- 4.3 Under the Comprehensive Area Assessment (CAA) Haringey achieved a rating of one star (out of four), as a result of weaknesses identified in Safeguarding within the Children and Young People's Service. Following the inspection into safeguarding arrangements by OFSTED in November 2008, follow up visits and a further inspection were completed in 2009/10 to monitor progress against the agreed action plan. In February 2010, OFSTED reported that Haringey had made significant improvements in partnership working, the capacity and capability of its workforce, quality assurance, assessment, management and supervision.
- 4.4 In the CAA Use of Resources assessment, Haringey achieved an overall rating of 3 (out of 4) overall. However, weaknesses in the Council's arrangements to ensure data quality within the Children's Service and Housing Benefits Service were identified which resulted in a rating of 1 (out of 4) for this element of the overall assessment. During 2009/10, a review of data quality arrangements was completed by internal audit which provided a substantial assurance rating. The Council's performance team has also undertaken a programme of data quality reviews across the Council to ensure that improvements in data quality arrangements are implemented and processes are robust.
- 4.5 The Council's Risk Management Strategy, which draws together the various elements of risk management, including risk registers, health and safety, business continuity and emergency planning and project management, is reviewed on an annual basis. The key elements of the strategy are monitored by the Audit Committee on the basis of reports received; and by officers as part of the Risk and Emergency Planning Steering Group's terms of reference. During 2009/10 the Steering Group successfully put in place arrangements to manage the impact and minimise the risks of both the flu pandemic and the severe winter weather. The Council's risk management arrangements were also subject to an internal audit review in 2009/10, which provided a substantial assurance rating.
- 4.6 Directors have submitted a statement of assurance covering 2009/10 which is informed by work carried out by departmental managers, internal audit, external assessments and risk management processes. The statements provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. Key governance issues which have been identified and which remain outstanding have been incorporated into the action plan attached to this statement.
- 4.7 The Cabinet undertakes regular monthly reviews of financial and service performance, based on a range of key performance indicators and financial and budget management information. The Leader and Cabinet also review the delegated decisions and significant actions undertaken by council officers, or urgent actions taken in consultation with Cabinet members, to ensure they comply with the scheme of delegation. Minutes of sub-bodies are also reviewed by Cabinet, including procurement decisions and actions.
- 4.8 The Council's Standards Committee is chaired by an independent person and receives reports from the Monitoring Officer on the referrals received from the Standards Board for England. In addition, complaints alleging breaches of the Members' Code of Conduct are made directly to the Assessment Sub Committee of the Council's Standards Committee. There are also Review Sub Committees to reconsider rejected complaints and Hearing Sub Committees to undertake formal hearings involving the relevant parties in order to determine complaints locally.
- 4.9 The CIPFA statement on the role of the Chief Financial Officer has been incorporated into the Council's overall governance arrangements. During 2009/10, the CFO fulfilled all the requirements set out within the CIPFA statement. No gaps in compliance were identified.
- 4.10 The Head of Audit and Risk Management provided an Annual Audit Report and opinion for 2009/10, which concluded that in most areas across the Council there are sound internal financial control systems and corporate governance arrangements in place and that risk management arrangements are satisfactory and compliant with best practice. The Council's

key financial systems received a 'substantial' assurance rating in 2009/10 and the follow up programme concluded that all high priority recommendations had been appropriately addressed, or were in the process of being implemented.

- 4.11 The Leader of the Council and the Chief Executive have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to implement enhancements and ensure continuous improvement of the system is in place.

## 5. Significant governance issues

- 5.1 In 2008/09, a number of actions were reported in the AGS to deal with outstanding governance issues. Some of these have been incorporated into the body of the AGS as actions have been completed. The summary below highlights what the council has done to address those issues for which work has been ongoing during 2009/10 and where further work will be carried forward into 2010/11:

- Implementation of the Joint Area Review (JAR) action plan continued throughout 2009/10, with reports to officers and members detailing progress against agreed timescales and this will be continued during 2010/11;
- The Housing Improvement Board has been monitoring implementation of the recommendations made by the Audit Commission review and this will be continued in 2010/11;
- Implementation of the recommendations following the independent review of treasury management arrangements and revised CIPFA guidance was completed during 2009/10;
- Governance arrangements in respect of the Council's significant partnerships were strengthened during 2009/10; and
- Recommendations from the inspection of Adult Services were implemented.

- 5.2 The Council proposes over the coming year to take steps to further improve governance arrangements in key areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

Issue	Action	Responsibility	Due date
External assessment – Children & Young People's Service	Ensure that the recommendations in the JAR action plan are fully implemented and that governance and control issues are fully incorporated and embedded into operational working practices.	Director of Children & Young People's Service	February 2011
External assessment – Children & Young People's Service	Ensure that all relevant governance and control issues are fully embedded across the service in preparation for the announced inspection of safeguarding and looked after children.	Director of Children & Young People's Service	September 2010
External assessment – Housing Improvement Board	Ensure that the agreed action plan is fully implemented and that any recommendations arising out of the Audit Commission inspection of the Strategic and Community Housing Services in May 2010 are fully addressed.	Director of Urban Environment	March 2011
Performance Management – data quality	Ensure that the Council's processes to ensure robust data quality are embedded across all departments.	Assistant Chief Executive – Policy, Performance, Partnerships and Communications	Quarterly reviews during 2010/11

**Councillor Claire Kober**  
Leader of the Council

**Kevin Crompton**  
Chief Executive



## Statement of Accounting Policies

The accounting policies set out below apply to the Financial Statements of the Authority and the Pension Fund.

### General Principle

The accounts are prepared in accordance with the Accounting Code of Practice on Local Authority Accounting in Great Britain (ACOP) and the Best Value Accounting Code of Practice (BVACOP), as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These codes have been approved as a Statement of Recommended Practice (SORP). Details of the Pension Fund and accounting policies used can be found in section 5 of these accounts.

The Accounts have been prepared under the historic cost convention except for certain categories of fixed assets and financial instruments in accordance with the SORP.

### Accruals of Income and Expenditure

The Council's accounts are prepared on an accruals basis in that, income and expenditure is accounted for in the year in which it arises, by the creation of material debtors and creditors, including estimates where appropriate.

### Council Tax

The Council Tax income included in the Income and Expenditure Account for the year is the accrued income for the year due to the Council. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

### National Non-Domestic Rates

A debtor or creditor is recognised in the Balance Sheet in respect of the amount of cash collected from NNDR taxpayers (less the amount retained in respect of billing authority's cost of collection allowance in England and Wales) that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date.

### Treatment of Debtors

The Authority undertakes to recover all outstanding debts. However, where doubts exist over the recoverability of these debts a provision is made. Once a debt is deemed irrecoverable it is written off.

### Government Grants and Other Contributions

Government grants and other contributions are accounted for on the accruals basis and in accordance with the matching principle. This means that income must be matched to its corresponding expenditure and will therefore remain on the balance sheet as a liability until the equivalent expenditure is incurred. They are shown in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution is to be received.

Grants and contributions relating to fixed assets<sup>1</sup> are credited to the Government Grants Deferred Account and released to the revenue account in line with depreciation. Where a grant is not associated with a specific asset it is written-down to the income and expenditure account in the year of use.

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<sup>1</sup> Excluding grants given for PFI assets that are treated as revenue grants

## **Cost of Support Services**

The cost of support functions have been allocated to services on a variety of bases, reflecting the level of work provided by these support functions.

## **Lease arrangements**

Finance Leases – Under the Statement of Standard Accounting Practice (SSAP) 21, assets acquired under finance leases are treated as being in the ownership of the lessee. Therefore the outstanding liability of the Council is recorded on the balance sheet as a capital sum outstanding and written down every year, over the life of the lease, with the annual interest element being charged to the Council's revenue account.

Operating Leases - Rentals payable under operating leases are charged to revenue on an accruals basis and on a straight-line basis.

## **Private Finance Initiative**

The Council has a PFI financing arrangement for its secondary schools. The contract terms changed in February 2007 at which point the arrangement with the contractor was considered against Treasury Task Force guidance and the accounting standards in force at the time. This arrangement has been reviewed under IFRIC 12 Service Concession Arrangements. The ownership of these assets are with the Council and therefore they are contained within the balance sheet and valued in accordance with the fixed assets accounting policies.

In addition the total value of the liability that is due to the PFI partner is contained on the balance sheet and is written down each year as payment is made. This liability is split between a long-term liability and short term creditor, for the sum due within the next 12 months. The interest payable each year is charged against the "Interest payable and other similar charges" line on the face of the income and expenditure account. The principal repayment due under the contract is accounted for within the Statutory provision for the repayment of debt (known as Minimum Revenue Provision) and is funded by the PFI grant given each year by the government.

## **Valuation of Stock**

Stocks have been valued at net current replacement value. This is not compliant with SSAP 9 which states stock should be valued at the lower of cost and net realisable value. The divergence from normal accounting standards is due to the minimal levels of stock held and the additional costs involved with full compliance.

## **Capital Receipts**

These arise from the sale of long-term assets. The receipts arising from the sale of General Fund assets are 100% usable by the Authority on capital expenditure. For the sale of HRA assets the Local Government and Housing Act 1989 requires those generated from the sale of council housing to be split between a retained and usable element of 25% and a pooled element that is paid across to the government of 75%, any receipts generated from the sale of other housing land and buildings are split 50%/50%. The usable part is used to finance capital expenditure.

## **Deferred Capital Receipts**

When the Authority disposes of long-term assets such as council dwellings and advances a mortgage to the purchaser, the mortgage is shown in the balance sheet as a long-term debt and an equal amount is shown as a deferred capital receipt. The long-term debt and deferred capital receipt are both written down as the principal is repaid by mortgagees.

### Capital Expenditure

Expenditure is charged to capital where it meets the definition of capital as per the SORP and is greater than £10,000. This includes staffing costs where they are directly attributable to a capital project, e.g. architects costs, and non-enhancing expenditure where it is being directly used to maintain the value of the asset and ensuring it remains fit for purpose. Any non-enhancing capital expenditure is written down to the income and expenditure account in the year it is incurred and this is then reversed out through the Statement of Movement on the General Fund Balance into the capital adjustment account (CAA).

### Fixed Assets

Fixed assets are included in the Balance Sheet on the following basis:

- (a) specialist operational land and properties are valued based on depreciated replacement cost (DRC), and non-specialist land and properties are valued based on DRC, existing use or market value as appropriate;
- (b) council housing is valued at existing use valuation (EUV) and then has a social housing percentage applied to arrive at the valuation;
- (c) non-operational assets in the form of investment properties and surplus assets are valued on the basis of their open market value with other non-operational assets valued at net current replacement value;
- (d) infrastructure assets are included in the balance sheet at historical cost basis net of depreciation;
- (e) community assets such as parks are recorded at a nominal value; and
- (f) intangible assets are valued at cost and amortised over their lifetime, normally 5 years.

All valuations are subject to a full review over a five year rolling programme but assessed each year to ensure any material changes are taken into account.

### Impairment of Fixed Assets

The Authority has a process for identifying impairments that have incurred on fixed assets, and have applied this in accordance with Financial Reporting Standard (FRS) 11. Impairments where there is evidence of obsolescence or physical damage e.g. where fire damage has occurred to an asset resulting in a reduced valuation, are charged to the Income and Expenditure Account and then reversed out via a reconciling item in the Statement of Movement of the General Fund balance. Other impairments are first recognised in the Statement of Total Recognised Gains and Losses until the asset's carrying amount reaches its depreciated historical cost and taken to the Revaluation Reserve; and thereafter in the Income and Expenditure Account.

### Revenue Expenditure Funded from Capital Under Statute (formerly Deferred Charges)

Expenditure treated as capital by virtue of a capitalisation direction or on assets that do not belong to the Authority, for example improvement grants, which still falls within the definition of capital expenditure are referred to as revenue expenditure funded from capital under statute. The treatment of these costs is that:

- (a) expenditure recorded in the balance sheet is written out to the income and expenditure account in the year in which the expenditure is incurred and then reversed through the Statement of Movement in General Fund Balances;
- (b) financing costs for revenue expenditure funded from capital under statute are accounted for corporately after net expenditure has been disclosed; and
- (c) no asset is shown within the Authority's balance sheet.

### Depreciation

The value of assets is written out to revenue, in the form of a depreciation charge, using the straight-line method over the following periods:

Vehicles Plant & Equipment	- 5 years
Infrastructure	- 30 years
Buildings	- 20 to 60 years
Council Dwellings	- 20 to 60 years
Intangibles	- Amortised over 5 years

Depreciation is charged on all assets except non-operational investment assets, community assets and surplus assets held for disposal. For community assets and awaiting disposal assets this is a departure from the SORP as the amounts involved are deemed to be immaterial. Newly acquired assets are not depreciated in the year of acquisition and assets in the course of construction are not depreciated until they are brought into use. Depreciation is calculated on the opening balance of an asset and any revaluation is done as at the 31 March and will only be taken into account for depreciation purposes in the following year.

When assets are revalued the accumulated depreciation to date is written out of the balance sheet to the revaluation reserve.

### **Asset Disposals**

The gain or loss on disposal of a tangible fixed asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. This amount is credited (gain) or charged (loss) to the Income and Expenditure account. Its impact is reversed out as a reconciling item in the Statement of Movement on the General Fund Balance.

Where an asset disposal has occurred the cumulative depreciation is written down in the year of disposal.

### **Minimum Revenue Provision**

In accordance with the requirements of the Local Government and Housing Act 1989 and revised guidance contained within the prudential code, the Authority has set aside a minimum revenue provision for repayment of debt. For capital expenditure incurred before 1 April 2008 and for supported capital expenditure after this date, this is 4% of the Council's capital financing requirement for the General Fund (Option 1 of CLG Guidance). For unsupported capital expenditure after 1 April 2008, MRP is linked to the life of the asset for which borrowing is undertaken (Option 3 of CLG Guidance). In addition the Authority has set aside additional provision to cover debt repayments where it is deemed more prudent to set aside over a shorter period of time.

### **Provisions**

The Authority has made a number of provisions for liabilities that are probable to occur, but the timing or amounts are uncertain. These are detailed in the provisions note and have been applied in accordance with Financial Reporting Standard (FRS) 12. Provisions are recognised when the Authority has a present obligation as a result of a past event which can be reliably estimated and it is probable a financial settlement will be required. Provisions are reviewed at the end of each financial year. Additions are made from the appropriate revenue account and released back to the same revenue account if no longer required.

### **Reserves**

A reserve contains funds that have been set aside for a future earmarked purpose that may arise. Expenditure is charged to revenue or capital and not directly to any reserve. For each reserve established, the purpose, usage and basis of transactions are identified in the notes to the Authority's financial statements. The capital receipts reserve is not available for revenue purposes. Some of the reserves can only be used for specific statutory purposes.

The general fund reserve is not earmarked and is to allow for any future unknown contingencies that may arise. This reserve is set by the Chief Financial Officer at what is

deemed to be a prudent level and in accordance with the reserves policy agreed at Full Council.

### **Pension Costs**

Under Financial Reporting Standard 17 (FRS 17) the Council is required to account for retirement benefits when it is committed to pay them, even if the actual payment will be many years into the future. In line with the requirements of the SORP the Council's actuary uses the AA Corporate Bond rate (6.9% for 2008/09) to calculate future liabilities.

#### ▪ **Classification of Schemes**

The Council participates in two different pension schemes, one for teachers, an unfunded scheme administered by the Department for Children Schools and Families (DCSF) and the Local Government Pension Scheme for other staff. The schemes provide members with a defined benefit pension related to pay and service. For the purposes of FRS17 pension schemes are classified into two categories, defined benefit or defined contribution. The Haringey scheme is classified as defined benefit. The teachers' schemes of the DCSF, although a defined benefit scheme, is treated as defined contribution scheme because it does not allow the allocation of its liabilities and assets consistently and reliably to participant authorities.

#### ▪ **Pension Reserve**

The pension reserve is the financial accounting mechanism to ensure that FRS17 has no impact on council tax. The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the scheme. Where the payments made for the year do not match the change in the Authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This difference is removed by an appropriation to or from the pension's reserve, which equals the net change in the pension's liability recognised in the Income and Expenditure Account.

#### ▪ **Defined Benefit Schemes**

The attributable assets of the scheme are measured at fair value and include current assets and investments. The attributable liabilities are measured on an actuarial basis using the projected unit method. Scheme liabilities are discounted at the AA Corporate Bond Rate. The surplus or deficit in the scheme is the excess or shortfall of the value of the assets in the scheme above or below the present value of the scheme liabilities. The change in the defined benefit asset or liability is shown in the STRGL and analysed into the following components, current service costs, interest cost, expected return on assets and actuarial gains and losses, past service costs and gains and losses on settlements and curtailments.

#### ▪ **Defined Contribution Schemes**

The teachers' pension scheme, whilst being a defined benefit scheme is treated as a defined contribution scheme as explained above. This means that the pension costs reported for any year are equal to the contributions payable for the scheme for the same period. The costs are recognised within net cost of services.

#### ▪ **Pensions**

Further information on pension costs and the pension fund appear in the individual statements within the accounts.

### **Value Added Tax**

VAT is included within the accounts only where it is irrecoverable. Any recoverable amounts due from HMRC are included in the balance sheet as a debtor.

### **Contingent Liability or Asset**

Where the Authority has a potential future liability, or a potential future gain, but cannot say with any certainty whether it will come about or the value of this liability, it is disclosed by way of a note to the accounts.

### **Associated and Subsidiary Companies (FRS2)**

The Authority has a financial relationship with a number of companies. Details are contained in the notes to the Authority's Financial Statements. The SORP requires authorities to produce group accounts where group relationships occur with associated and subsidiary companies. All the companies with which Haringey has a relationship have been assessed against the group account requirements and only Homes for Haringey is deemed to be within the Haringey group. Homes for Haringey Ltd is a wholly owned subsidiary and therefore group accounts have been prepared in accordance with the accounting standards. These have been produced using the acquisition method and all intra-group transactions have been removed.

### **Exceptional items, extraordinary items and prior period adjustments**

Where applicable and relevant, exceptional items and extraordinary items are disclosed in the income and expenditure account with full supporting notes. The majority of prior period adjustments arise from corrections and adjustments and are accounted for in the year they are identified.

Material adjustments applicable to prior years arising from changes in accounting policy or correction of fundamental errors are accounted for by restating comparative figures for the preceding year in the statement of accounts and notes and adjusting the opening balance of reserves for the cumulative effect. More details and full explanations are given in the individual relevant financial statements where these occur.

### **Post balance sheet events**

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements were authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

### **Financial Instruments**

These are categorised as either financial assets or financial liabilities, which the accounting policies for both are stated below.

#### **Financial Assets**

Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available. The Council only holds loans and receivables.

All financial assets are recognised when an entity becomes a party to the contractual provisions of the instrument. These assets are initially recognised at amortised cost on the balance sheet.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade debtors, long term borrowing and cash are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less

provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income and expenditure account.

Provision against trade debtors is made when there is objective evidence that the group/company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

### **Financial liabilities**

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group/company becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income and expenditure account. All other financial liabilities are recorded initially at fair value, net of direct issue costs. Liabilities valued on an amortised costs basis are done so using the effective interest rate (EIR) method.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

**SECTION 3**  
**THE STATEMENT OF ACCOUNTS**  
**2009/10**





**Income and Expenditure Account**

This Statement shows the gross expenditure, income and net expenditure analysed by service and also shows how the Council's services are funded; the four main sources being specific income, council tax, redistributed national non-domestic rates and government grant.

	Notes	2009/10 Gross Expenditure £'000	2009/10 Gross Income £'000	2009/10 Net Expenditure £'000	2008/09 Net Expenditure £'000
<b>Service</b>					
Children's and Education Services					
Education Services		373,944	(284,185)	89,759	24,385
Children's Social Care		72,783	(17,295)	55,488	48,448
Adult Social Care		112,490	(38,618)	73,872	66,155
Housing Services - General Fund		323,117	(312,495)	10,621	2,583
Housing Services - HRA		115,818	(112,201)	3,616	78,620
Cultural, Environmental and Planning Services		100,460	(31,800)	68,662	50,286
Highways, Roads and Transport Services		31,852	(18,070)	13,783	10,410
Central Services		143,465	(114,323)	29,141	39,311
Court Services		1,044	(872)	172	246
<b>Net cost of Services</b>		<b>1,274,972</b>	<b>(929,858)</b>	<b>345,115</b>	<b>320,444</b>
(Gain) / Loss on disposal of fixed assets				(1,280)	206
Levies				8,562	7,363
Net Surplus on Trading Activities	13			(1,092)	(829)
Interest Payable and Similar Charges				42,698	57,892
Contribution of housing capital receipts to Government pool	30			1,443	1,628
Interest and Investment Income				(2,969)	(9,742)
Pensions Interest Cost and Return on Assets	7			23,386	14,210
<b>Net Operating Expenditure</b>				<b>415,863</b>	<b>391,172</b>
Demand on the Collection Fund				(100,738)	(98,806)
(Surplus) / Deficit on Collection Fund				(69)	34
Government grants (not attributable to specific services)				(51,596)	(39,407)
Distribution from National Non-Domestic Rates Pool				(115,794)	(123,028)
<b>(Surplus) / Deficit for Year</b>				<b>147,666</b>	<b>129,965</b>

Included in the Net Cost of Services line are impairments to the valuation of fixed assets caused by market conditions. £30.7 million relates to council dwellings and £89.7 million to other Council assets. Further details can be found in note 14 to the accounts.

**Statement of Movement on the General Fund Balance**

	Notes	2009/10 £'000	2008/09 £'000
<b>Increase / Decrease in General Fund</b>			
(Surplus) / Deficit on Income & Expenditure Account		147,666	129,965
Additional amount required by statute and non-statutory proper practice	1	(146,058)	(130,006)
<b>Total Increase / Decrease in General Fund</b>		<b>1,608</b>	<b>(41)</b>
Planned contribution from General Fund		(3,971)	4,449
General Fund Balance brought forward		(7,540)	(11,948)
General Fund Balance carried forward		<b>(9,903)</b>	<b>(7,540)</b>
<b>Analysis of General Fund Balance Movement</b>			
Amount available to authority		(9,903)	(7,540)
		<b>(9,903)</b>	<b>(7,540)</b>

**Statement of Total Recognised Gains and Losses**

	Notes	2009/10 £'000	2008/09 £'000
<b>Increase / Decrease in General Fund</b>			
(Surplus) / Deficit on Income & Expenditure Account		147,666	129,965
(Surplus) / Deficit arising on revaluation of fixed assets		9,087	56,816
Actuarial (gains) and losses on pension fund assets and liabilities	31	279,488	78,511
Other gains or losses		35	(772)
<b>Total recognised (gains) or losses</b>		<b>436,276</b>	<b>264,520</b>
Cumulative effect on reserves of prior period adjustments		0	

## Balance Sheet

	Notes	31-Mar-10		31-Mar-09	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Housing Revenue Account Assets		1,109,461		1,057,294	
<b>Other Operational Assets:</b>					
Land and Buildings		452,215		518,389	
Vehicles, Plant, Furniture and Equipment		13,332		11,259	
Infrastructure Assets		129,342		112,958	
Community Assets		6,979		86	
Intangible Fixed Assets		1,785		1,792	
<b>Non-Operational Assets</b>					
Investment Properties		53,639		51,297	
Assets under construction		33,107		54,155	
Surplus assets held for disposal		10,496		38,414	
<b>Total Fixed Assets</b>	14		1,810,356		1,845,645
Long-term Debtors	19	438		483	
<b>Total Long-term Assets</b>			1,810,794		1,846,128
<b>Current Assets:</b>					
Stocks and Work in Progress		122		124	
Debtors	20	86,605		68,940	
Payments in Advance		1,396		1,764	
Investments	36	45,742		102,351	
Cash in Hand		11,566		14,283	
<b>Total Current Assets</b>			145,431		187,462
<b>Current Liabilities:</b>					
Short Term Borrowing		(52,005)		(17,800)	
Bank Overdraft		(10,817)		(3,030)	
Creditors	21	(68,985)		(86,334)	
<b>Total Current Liabilities</b>			(131,807)		(107,163)
<b>Net Current Assets</b>			13,624		80,299
<b>Long Term Liabilities:</b>					
Long-term Borrowing	36	(600,721)		(633,247)	
Deferred Capital Receipts		(322)		(375)	
Deferred Credits		(2,625)		(3,865)	
Government Grants Deferred	23	(315,773)		(228,380)	
Provisions	25	(7,503)		(7,990)	
Liability related to defined benefit pension scheme	7	(589,457)		(306,628)	
Other Long Term Liabilities		(41,333)		(42,984)	
<b>Total Long Term Liabilities</b>			(1,557,735)		(1,223,468)
<b>Total Assets Less Liabilities</b>			266,684		702,959
<b>Financed by:</b>					
Revaluation Reserve		255,934		269,370	
Capital Adjustment Account		533,467		666,783	
Capital Receipts Reserve	30	2,589		6,170	
Earmarked Reserves	32	57,493		76,906	
Financial Instruments Adjustment Account	33	(11,796)		(24,429)	
General Fund		9,903		7,540	
Housing Revenue Account		8,550		7,249	
Pensions Reserve	31	(589,457)		(306,628)	
Collection Fund		0		(1)	
<b>Total net worth</b>			266,684		702,959

**Cash Flow Statement**

This summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue reserves.

	Notes	2009/10 £'000	2008/09 £'000
<b>Revenue Activities</b>			
<b>Payments:</b>			
Cash paid to and on behalf of employees		324,763	308,832
Other operating costs		476,201	417,667
Housing Benefit paid out		283,438	254,114
<b>Subtotal</b>		<b>1,084,400</b>	<b>980,613</b>
Precepts paid		26,286	26,378
Payments to the Capital Receipts Pool		1,443	1,628
Non-domestic rates paid to National Pool		48,814	46,886
<b>Total Payments</b>		<b>1,160,943</b>	<b>1,055,505</b>
<b>Receipts:</b>			
Rents (after rebates)		(31,958)	(32,198)
Council Tax receipts		(89,620)	(78,312)
National non-domestic rate receipts from national pool		(50,379)	(49,330)
Government grants	40	(622,293)	(582,578)
Cash received for goods and services		(33,343)	(31,650)
Other revenue cash payments/income		(377,113)	(327,825)
<b>Total Receipts</b>		<b>(1,204,706)</b>	<b>(1,101,893)</b>
<b>Net Cash Inflow from Revenue Activities</b>	41	<b>(43,762)</b>	<b>(46,388)</b>
<b>Servicing of Finance:</b>			
Payments- Interest paid		47,946	32,091
Receipts – Interest received		(1,049)	(6,009)
<b>Net Cash Outflow from Servicing of Finance</b>		<b>46,897</b>	<b>26,082</b>
<b>Capital Activities:</b>			
<b>Payments:</b>			
Purchase of fixed assets		153,028	103,345
Capital grants and advances		15,876	16,843
<b>Total Payments</b>		<b>168,904</b>	<b>120,188</b>
<b>Receipts:</b>			
Sale of fixed assets		(6,282)	(10,865)
Capital grants received		(89,783)	(56,742)
Other capital cash income		(6,688)	(9,060)
<b>Total Receipts</b>		<b>(102,753)</b>	<b>(76,667)</b>
<b>Net Cash Outflow from Capital Activities</b>		<b>66,151</b>	<b>43,521</b>
<b>Net Cash Inflow before Financing</b>		<b>69,287</b>	<b>23,215</b>
<b>Financing:</b>			
<b>Payments:</b>			
Repayments of amounts borrowed		220,203	24
<b>Receipts:</b>			
New loans raised		(222,378)	0
<b>Net Cash Outflow before Financing</b>		<b>(2,175)</b>	<b>24</b>
<b>Net (Increase) / decrease in cash</b>		<b>67,112</b>	<b>23,239</b>

## Notes to the Primary Statements

### 1. Note of reconciling items for the Statement of Movement on the General Fund Balance

	2009/10 £'000	2008/09 £'000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
Amortisation of intangible fixed assets	(597)	(339)
Depreciation and impairment of fixed assets	(161,101)	(165,222)
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	(106)	(40)
Government Grants Deferred amortisation	20,814	21,875
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (deferred charges)	(15,876)	(6,638)
Net gain/(loss) on sale of fixed assets	1,280	(206)
Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	1,533	(4,108)
Net charges made for retirement benefits in accordance with FRS17	(36,660)	(35,294)
	(190,713)	(189,972)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
Minimum revenue provision for capital financing	14,528	9,321
Capital expenditure charged in-year to the General Fund balance	6,652	6,869
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,443)	(1,628)
Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	33,319	34,595
	53,055	49,157
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
Housing Revenue Account Balance	1,301	2,524
Net Transfer to/(from) earmarked reserves	(13,673)	8,998
Planned Transfers to/(from) General Fund	3,971	(4,449)
	(8,401)	10,809
<b>Net additional amount required to be credited to the General Fund balance for the year</b>	(146,058)	(130,006)

The Income and Expenditure Account shows entries that are in line with accounting principles but not necessarily in accordance with Government requirements for Local Authority accounts and Council Tax. An example is the requirement for Local Authorities to make a minimum revenue provision for debt repayment. The statutory entries are put through this statement

which moves the balance on the Income and Expenditure Account to the net overall effect on the General Fund balances for the year.

## 2. Government Grants (not attributable to specific services)

The government grants (not attributable to specific services) shown on the Income and Expenditure Accounts represent the cash received by the Council and includes the following Grants.

	2009/10 £'000	2008/09 £'000
Revenue Support Grant	26,727	17,127
Area Based Grant	24,869	22,280
<b>Total</b>	<b>51,596</b>	<b>39,407</b>

The Area Based Grant (ABG) was a new grant in 2008/09, replacing a number of specific grants, primarily the Local Area Agreement Grant. ABG is a non-ringfenced general grant, no conditions on use are imposed as part of the grant determination ensuring full local control over how funding can be used. The allocation and prioritisation of the ABG is through the Haringey Strategic Partnership (HSP).

The HSP allocates the ABG grant to the agreed priorities of the partnership in line with 7 theme boards that the partnership operates as shown below:

	2009/10 £'000	2008/09 £'000
Children & Young People	11,211	9,910
Well Being	5,143	5,144
Safer Communities	2,223	2,067
Better Places	2,019	1,922
Neighbourhoods & Capacity	1,795	1,793
Enterprise	2,257	1,200
Integrated Housing	221	244
<b>Total ABG</b>	<b>24,869</b>	<b>22,280</b>

## 3. Disclosure of deployment of the Dedicated Schools Grant

The Council's expenditure on pupils aged 0-15 is funded by the Dedicated Schools Grant (DSG), a specific grant provided by the Department for Children, Schools and Families. The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements of centrally retained services provided in direct support of pupils and the Individual Schools Budget (ISB), which is divided into a budget share for each school. The ISB is deemed to be spent when the budget share is provided to a school. Over and underspends on the central element are accounted for separately.

During the year, the ISB was overallocated by £0.332m because of exceptional calls on the contingency for Special Educational Needs. This will be carried forward to 2010-11. Central budgets overspent by £0.86m in-year but this was offset by a surplus of £1.582m brought forward from 2008-09 leaving a surplus balance of £0.722m to be carried forward into 2010-11.

Details of the deployment of DSG receivable for 2009/10 are as follows:



	2009/10 Central Expenditure £'000	2009/10 Individual Schools Budget £'000	2009/10 Total £'000	2008/09 Total £'000
Final DSG for the year	19,466	145,035	164,501	159,997
Brought forward from previous year	1,582		1,582	775
Carry forward to next year agreed in advance			0	0
Agreed budgeted distribution		145,035	145,035	160,772
Actual central expenditure	<b>20,326</b>		<b>20,326</b>	<b>18,246</b>
Actual ISB deployed to schools		145,367	145,367	140,944
Local authority contribution			0	0
Carry forward to next year	<b>722</b>	<b>(332)</b>	<b>390</b>	<b>1,582</b>

#### 4. Publicity

A breakdown of expenditure on publicity is required by Section 5 of the Local Government Act 1986.

	2009/10 £'000	2008/09 £'000
Staff Recruitment	673	782
Communications Unit	479	634
Other Expenditure	1,951	1,887
<b>Total Expenditure</b>	<b>3,103</b>	<b>3,303</b>

#### 5. Audit Fees

The table below details the actual amounts due to the Council's external auditors, Grant Thornton and the Audit Commission in respect of the Council's external auditor's fees for services relating to the financial year shown.

	2009/10 £'000	2008/09 £'000
Statutory Inspection	20	27
Audit Fee	505	482
Grant Claims Audit	100	115
Other Audit Work	0	1
<b>Total</b>	<b>625</b>	<b>625</b>

#### 6. Levies

The table below details the amounts paid to levying bodies.

	2009/10 £'000	2008/09 £'000
London Pensions Fund Authority	345	359
North London Waste Authority	6,543	5,461
Lee Valley	261	260
Environment Agency	171	172
Financial Reporting Council	2	0
ALG Grants Committee	783	791
<b>Total</b>	<b>8,105</b>	<b>7,043</b>

In addition to the above a payment was made to the NLWA for the cost of the disposal of Non-Household Waste in 2009/10 of £1.131m (£1.055m in 2008/09).

## 7. Pension Costs

### Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the Council paid £8,934,410 (2008/09 £8,608,809) to Teachers' Pensions in respect of teachers' pension costs which represent 14.10% of teachers' pensionable pay. The Council is responsible for all pension payments relating to added years it has awarded, together with the related increases, amounting to £65,970 in 2009/10 (2008/09 £80,556) equivalent to 0.10% of pensionable pay.

### Other Employees

The Council's Pension Fund provides members with defined benefits related to pay and service. The Financial Statements of the Pension Fund are set out in Section 5 of this document.

The Council's contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31<sup>st</sup> March 2007. Following this valuation, the Actuary agreed that the Council's contribution would be 22.9% for the three years of the triennial period.

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement 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 Income and Expenditure Account includes the pension fund costs in line with FRS17. The cost of retirement benefits is recognised in the Net Cost of Services when they are actually earned by employees, rather than when the benefits are eventually paid as pensions. The charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on General Fund Balance statement (page 31) in order to ensure there is nil effect on the Council Tax and Council balances for the year. The following transactions have been made in the Council's accounts during the year.

Income & Expenditure (I & E) Account	Pension Scheme	
	Year to 31-Mar-10 £'000	Year to 31-Mar-09 £'000
Net Cost of Services:		
Current service cost	17,343	18,949
Past service costs/curtailments	(4,069)	2,135
Net Operating Expenditure:		
Interest cost	49,111	50,558
Expected return on assets in the scheme	(25,725)	(36,348)
<b>Net Charge to the I &amp; E Account:-</b>	<b>36,660</b>	<b>35,294</b>
Reversal of net charges in accordance with FRS 17	(3,341)	(699)
Actual amount charged against council tax for pensions in the year:		
Employers' contributions payable to scheme	(33,319)	(34,595)

The estimated Employer's Contributions for the year to 31<sup>st</sup> March 2011 will be approximately £28.035m.

The Council's Pension Fund is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities

with investment assets.

As at 31 March 2010, the Council had the following overall assets for pensions

<b>Reconciliation of Fair Value of Scheme Assets</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
<b>Opening Fair Value of Employer Assets</b>	<b>409,413</b>	<b>505,436</b>
Expected Return on Assets	25,725	36,285
Contributions by Scheme Participants	8,606	8,348
Contributions by the Employer	29,198	30,670
Contributions in respect of Unfunded Benefits	4,121	3,925
Actuarial Gains and (Losses)	119,079	(145,554)
Unfunded Benefits Paid	(4,121)	(3,925)
Benefits Paid	(26,471)	(25,772)
<b>Closing Fair Value of Employer Assets</b>	<b>565,550</b>	<b>409,413</b>

The Scheme assets are measured at their fair value. Quoted unitised securities are quoted at their bid price which is taken as their fair value. For unquoted securities, an estimate of fair value has been used. Quoted securities are quoted using their bid price.

The actual return on assets as at 31<sup>st</sup> March 2010 was £144,960,000.

Assets in the fund are valued at their fair value, principally market value for investments and consist of the following categories, by proportion of the total assets held by the Fund:-

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>%</b>	<b>%</b>
Equity investments	69	60
Bonds	22	25
Property	7	7
Cash	2	8
	100	100

As at 31<sup>st</sup> March 2010, the Council had the following liabilities for pensions:-

<b>Reconciliation Of Present Value Of Scheme Liabilities</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
<b>Opening Defined Benefit Obligation</b>	<b>(716,041)</b>	<b>(732,854)</b>
Current Service Cost	(13,222)	(15,024)
Interest Cost	(49,111)	(50,558)
Past Service Costs - Added Years	(52)	(5,996)
Contributions by Scheme Participants	(8,606)	(8,348)
Actuarial Gains and (Losses)	(398,568)	67,042
Unfunded Benefits	4,121	3,925
Benefits Paid	26,471	25,772
<b>Closing Defined Benefit Obligation</b>	<b>(1,155,008)</b>	<b>(716,041)</b>

Scheme liabilities have been measured on an actuarial basis using the projected unit method.

The primary cause of the change from an estimated net liability of £306m as at 31 March 2009 to an estimated net liability of £589m as at 31 March 2010 is due to the fact that the financial assumptions around corporate bond yields and long term inflation at 31 March 2010 are less favourable than they were at 31 March 2009 and the mortality assumptions have been strengthened to reflect improvements in life expectancy.

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The net liability of £589 million has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in an overall balance of £267m. However, statutory arrangements for funding this deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The following assumptions have been used in the calculations as follows:

	2009/10	2008/09
	%	%
Rate of inflation	3.80	3.10
Rate of increase of salaries	5.30	4.60
Rate of increase in pensions	3.80	3.10
Rate for discounting scheme liabilities	5.50	6.90
Expected return on assets	7.00	6.20

**Mortality Rates** - Life expectancies at age 65 are summarised below

	Males	Females
Current Pensioners	22.7 years	25.6 years
Future Pensioners*	24.7 years	27.8 years

\* Future pensioners are assumed to be age 45 at 31<sup>st</sup> March 2010

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values. These assumptions are made based on the professional judgements of the Council's advisors, Hymans Robertson LLP, at the time of valuation, as well as potential changes due to market events these may also differ with other professional actuaries in the market. For schemes in which the age profile of the active membership is rising significantly, under the projected unit method for assessing liabilities, the current service cost will increase as the members of the scheme approach retirement.

**8. Statement of employees' salaries**

The number of employees whose gross pay (excluding employers' pension and national insurance contributions) and benefits were more than £50,000 but less than £150,000 in 2009/10 is detailed below.

Salary range (£)	Staff numbers				Left in Year	
	Officers	Teachers	2009/10 Total	2008/09 Total	2009/10	2008/09
50 - 54,999	93	115	208	187	5	4
55 - 59,999	58	65	123	89	4	3
60 - 64,999	36	48	84	63	7	0
65 - 69,999	19	22	41	27	2	1
70 - 74,999	14	9	23	30	1	1
75 - 79,999	13	7	20	21	1	2
80 - 84,999	7	10	17	14	0	0
85 - 89,999	8	3	11	6	0	0
90 - 94,999	4	2	6	7	0	0
95 - 99,999	3	0	3	5	1	0
100 - 104,999	2	2	4	3	0	1
105 - 109,999	1	0	1	2	0	1
110 - 114,999	2	2	4	2	2	0
115 - 119,999	0	1	1	2	0	0
120 - 124,999	2	2	4	0	2	0
125 - 129,999	1	0	1	1	0	0
130 - 134,999	0	0	0	0	0	0
135 - 139,999	1	0	1	2	0	0
140 - 144,999	0	0	0	1	0	0
145 - 149,999	2	0	2	1	0	1
Total	266	288	554	463	25	14

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 in 2009/10. Senior Officers are members of the Chief Executive's Management Board.

Post	2009/10			2008/09		
	Salary (inc fees & allowances) (£)	Pension contributions (£)	Total including pension contributions (£)	Salary (inc fees & allowances) (£)	Pension contributions (£)	Total including pension contributions (£)
Director of Urban Environment	144,888	32,609	177,497	144,931	32,600	177,531
Director of Corporate Resources	141,597	31,905	173,502	139,842	31,508	171,350
Director of Adult, Culture & Community Services	139,891	31,511	171,401	138,051	31,089	169,141
Chief Finance Officer	120,753	27,077	147,830	117,252	26,270	143,523
Assistant Chief Executive - People & Organisational Development	106,457	23,855	130,312	104,702	23,458	128,160
Head of Legal Services	101,171	22,645	123,816	98,806	22,085	120,891
Assistant Chief Executive - Policy & Performance (F/T until Jul 09 - P/T until Sep 09 - annualised salary £97,880)	37,093	8,236	45,330	97,880	21,845	119,725

The following table sets out payments made by the Council to companies or agencies for the services of interim Senior Officers. It does not represent payments made to the individuals holding the posts.

Post	Note	2009/10		2008/09	
		(£)	(£)	(£)	(£)
Interim Director of Special Projects		158,473		172,743	
Interim Assistant Chief Executive - Policy & Performance (from Oct 09)	a	94,150		-	
Interim Deputy Chief Executive	b	64,717		-	

a – estimate of annualised cost to the Council - £141,225      b – estimate of annualised cost to the Council - £86,289

The following table sets out the remuneration disclosures for Senior Officers whose salary is £150,000 or more per year.

Post	Post Holder	2009/10			2008/09		
		Salary (inc fees & allowances) (£)	Pension contributions (£)	Total including pension contributions (£)	Salary (inc fees & allowances) (£)	Pension contributions (£)	Total including pension contributions (£)
Director of Children & Young People's Services <i>(from Jan 09 - annualised salary 08/09 £200,000)</i>	Mr P A Lewis	230,000	52,670	282,670	50,000	11,450	61,450
Chief Executive - until 28.02.2010 <i>(annualised salary - £182,585)</i>	Dr I O'Donovan	167,370	39,560	206,930	185,829	41,985	227,814
Chief Executive - from 01.03.2010 <i>(annualised salary - £189,440)</i>	Mr K Crompton	15,787	3,568	19,355			

The salary paid to the Director of Children & Young People's Services is supported by the Department for Children, Schools and Families (DCSF) – the DCSF contributed £37,520 in 2009/10 (and £9,380 in 2008/09).

**9. Members allowances**

The members allowances for 2009-10 were £1,397,186 compared to £1,365,263 in 2008-09. These figures are included in the Central Services line of the income and expenditure account.

Haringey Council has a Constitution to ensure that the council is efficient, transparent and accountable, through clearly stating the way it operates and how decisions are made.

It explains the roles and responsibilities of Councillors and staff and explains the processes through which the council pursues its democratic priorities, and fulfils its legal obligations. Part 6 of the Constitution governs the Members' Allowances, laying out the basic allowance, special responsibility allowances, other allowances and how they are paid to Members.

Details of the Members' Allowances are available for viewing on Haringey Council's website, [www.haringey.gov.uk/Council](http://www.haringey.gov.uk/Council) and [Democracy/About the Council/Constitution](http://www.haringey.gov.uk/Democracy/About%20the%20Council/Constitution). The 2009/10 allowances were agreed at Full Council on 30 March 2009, and cover the period from 1 April 2009 onwards. As the Members' Allowances are agreed in the March prior to the Financial Year to which they relate they would normally be subject to an increase from 1 April 2009 in line with the percentage increase agreed in the national settlement for Local Authority officers. However, members did not accept any increase for the year 2009/10.

The Minutes of the Full Council are also available on the website.

**10. Pooled budget: partnership arrangements under section 31 of the Health Act 1999**

The Council has entered into two Partnership agreements under Section 31 of the Health Act 1999. The first being with the NHS Haringey (NHS) and the Barnet, Enfield and Haringey Mental Health Trust (MHT), in respect of the provision of services for people with Learning Disabilities. The second, also with the NHS is for an Integrated Community Equipment Store. Haringey acts as the host authority for both. The following are statements of the income and expenditure for all pooled budgets for the period 1 April 2009 to 31 March 2010. The overspends within the S31 Pool have been split between the partners and the Council share of deficits have been absorbed within the overall Council finances.

These pooled budgets are included within the Adult Social Care line in the income and expenditure account.

<b>2009/10 Statement of Income and Expenditure of the Learning Disabilities Partnership</b>		
	<b>Total 2009/10</b>	<b>Total 2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Funding</b>		
LBH	5,259	5,406
NHS Partners	2,134	1,856
Other Contributions	1,988	2,162
<b>Total Funding</b>	<b>9,382</b>	<b>9,424</b>
<b>Services Provided</b>		
Management and assessment	2,028	1,793
Day Opportunities	3,766	3,929
LBH Residential Homes	2,286	2,375
Supported Living	1,512	1,644
<b>Total Expenditure</b>	<b>9,592</b>	<b>9,741</b>
<b>Net (Underspend)/Overspend</b>	<b>210</b>	<b>317</b>



2009/10 Statement of Income and Expenditure of the Physical Disabilities Partnership		
	TOTAL 2009/10 £'000	TOTAL 2008/09 £'000
Gross Funding		
LBH	196	97
NHS	133	127
<b>Total Funding</b>	<b>329</b>	<b>224</b>
Expenditure - PD OT Stores	331	258
<b>Total Expenditure</b>	<b>331</b>	<b>258</b>
<b>Net (Underspend)/Overspend</b>	<b>2</b>	<b>34</b>

### 11. Private Finance Initiative

In 2000 the Council entered into a PFI contract that encompasses major building work and ongoing facilities management for its eight secondary schools. In February 2007 the agreement was suspended and all of the assets were brought back onto the Council's balance sheet. The remaining contract and liability that the Council has with the contractor is for the repayment of the outstanding liability of debt. This accounting treatment is in accordance with the CIPFA SORP 2009 and IFRIC 12 "Service Concession Arrangements". This contract is the only arrangement that the Council has that falls under the requirements of IFRIC 12.

As stated above the Council still has a liability under the PFI contract to cover the debt incurred when the original PFI works were first undertaken. This debt has also been recognised within the Council's balance sheet. The Council is required to repay this liability over the remaining period of the PFI arrangement which ends in September 2025.

When the suspension agreement was put in place the full rights of the properties returned to the Council including access rights and rights to change the buildings as the Council required. The contractor now has no rights over the buildings.

#### Income and Expenditure Account

The Council receives a £5.669m revenue grant from the Government to assist in financing the PFI scheme. After payments to contractors to cover the repayment and interest costs of the outstanding liability administration costs and funding of lifecycle capital repairs to the schools (£4.9m) a contribution to the PFI lifecycle reserve was made of £790k, bringing the reserve up to £5.758m.

#### Balance sheet

The net value of the PFI schools held on the Council's balance sheet, as fixed assets, as at 31st March 2010 is £117.3m. This figure is calculated as follows:-

	2009/10	2008/09
	£'000	£'000
Gross book value	143,096	148,078
Cumulative depreciation and impairment	(25,810)	(2,634)
<b>Net book value</b>	<b>117,286</b>	<b>145,444</b>

In addition, the Council's liability for the outstanding debt with the PFI contractor as at 31<sup>st</sup> March 2010 is £43.026m. This is split between long-term debt of £41.375 million and short-term debt of £1.651m

The value of liabilities resulting from the PFI scheme is analysed as follows:-

	2009/10	2008/09
	£'000	£'000
Long-term liability b/f 1 <sup>st</sup> April	42,984	40,487
Short-term liability b/f 1 <sup>st</sup> April	1,605	4,102
Long-term liability paid to service provider in year	0	0
Short-term liability paid to service provider in year	(1,563)	0
<b>Long-term liability c/f 31<sup>st</sup> March</b>	<b>41,375</b>	<b>42,984</b>
<b>Short-term liability c/f 31<sup>st</sup> March</b>	<b>1,651</b>	<b>1,605</b>

Future payments to be made in respect of the PFI arrangement are shown in the table below. These future payments do not take into account any future indexation of the cost that may be agreed between the provider and the Council from 1<sup>st</sup> April 2010 onwards.

Future payments to be made	Repayment of liability	Interest	Service charges	Total
	£'000	£'000	£'000	£'000
Payment in 2010/11	1,650.9	2,420.1	150.0	4,221.0
Payments in 2011/12 to 2014/15	7,586.1	8,698.0	600.0	16,884.1
Payments in 2015/16 to 2019/20	12,144.0	8,211.1	749.9	21,105.0
Payments in 2020/21 to 2024/25	15,965.8	4,389.3	749.9	21,105.0
Payments in 2025/26 to 2026/27	5,678.7	427.8	225.0	6,331.5
<b>Total future payments (excluding any future indexation)</b>	<b>43,025.5</b>	<b>24,146.3</b>	<b>2,474.8</b>	<b>69,646.6</b>

## 12. Long Term Contracts – Operating and Finance Leases

### Operating Leases

Vehicles, Plant and Equipment – the Council enters into operating lease agreements to acquire the use of plant, vehicles, equipment and computers. In 2009/10 £203k was charged to revenue for these leases (£240k in 2008/09). The outstanding rental commitments on these leases are £200k (£287k in 2008/09). The ownership of the assets purchased under these agreements does not pass to the Council and they are excluded from fixed asset valuations. Included in these figures are leased vehicles used by Haringey Enterprise, in the provision of Environmental services, the costs totalling £11k are recharged to Haringey Enterprise.

Council as Lessor - The Council owns a number of commercial properties which it leases out to third parties. In 2009/10 £4.281m was received in rent for these properties (£4.089m in 2008/09). The value of these assets on the balance sheet is £53.639m.

### Finance Leases

The council has a major finance lease for 48 Station Road, Wood Green, an administrative building. The lease was originally for 20 years until December 2023 and the outstanding commitment as at 31<sup>st</sup> March 2010 is £4.813m (£5.163m in 2008/09) and the value of the asset in the Council's balance sheet is £2.132 million.

There are no outstanding commitments in respect of other finance leases as at 31 March 2010 (£138k 2008/09).

## 13. Trading activities

The trading activities of the Council are detailed below:

Trading Activity	Expenditure	Income	(Surplus) /Deficit 2009/10	(Surplus) /Deficit 2008/09
	£'000	£'000	£'000	£'000
Industrial Estates	4,634	5,367	(733)	(603)
Markets	273	145	128	(1)
School & Welfare Catering	5,632	5,571	61	277
Legal Services	7,979	8,085	(106)	24
<b>Total</b>	<b>18,518</b>	<b>19,168</b>	<b>(650)</b>	<b>(303)</b>

## 14. Fixed Assets

The value of fixed assets shown on the balance sheet represents the value of assets held by the Council.

2009/10	Intangible assets	council dwellings	Other land & buildings (HRA & GF)	Vehicle, Plant & Equipment	Infrastructure	Community assets	Investment properties (HRA & GF)	Assets under construction (HRA & GF)	Assets awaiting disposal (HRA & GF)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>										
At 1 April 2009	3,041	1,054,378	551,767	28,977	148,876	103	50,003	54,155	42,262	1,933,562
Additions	405	57,491	52,156	4,385	9,960	4,071	228	39,119	1,089	168,904
Impairment	0	(30,743)	(89,745)	0	0	0	(2,752)	(26,038)	(8,023)	(157,301)
Disposals	0	(1,953)	0	0	0	0	0	0	(4,778)	(6,731)
Reclassifications	261	5,260	24,360	1,930	10,460	2,091	(2,518)	(42,299)	455	(0)
Revaluations	0	22,109	(60,294)	0	0	784	7,191	4,219	(21,925)	(47,917)
At 31 March 2010	3,707	1,106,542	478,243	35,293	169,296	7,049	52,152	29,157	9,079	<b>1,890,517</b>
<b>Depreciation</b>										
At 1 April 2009	(1,249)	2,916	(33,378)	(17,718)	(35,918)	(17)	1,294	0	(3,848)	(87,918)
Charge for 2009/10	(597)	(12,407)	(10,155)	(3,753)	(4,034)	0	0	0	0	(30,946)
Disposals	0	(8)	0	0	0	0	0	0	1,707	1,699
Reclassifications	(76)	11	(3,220)	(490)	(1)	(53)	26	3,951	(148)	0
Revaluations	0	12,407	20,724	0	0	0	167	0	3,707	37,005
At 31 March 2010	(1,922)	2,919	(26,028)	(21,961)	(39,953)	(70)	1,487	3,951	1,418	<b>(80,160)</b>
Balance Sheet amount at 31 March 2010	1,785	1,109,461	452,215	13,332	129,342	6,979	53,639	33,107	10,497	<b>1,810,356</b>
Balance Sheet amount at 1 April 2009	1,792	1,057,294	518,389	11,259	112,958	86	51,297	54,155	38,414	1,845,644
<b>Nature of asset holding</b>										
Ow ned	1,785	1,109,461	450,083	13,332	129,342	6,979	53,639	33,107	10,497	1,808,224
Finance Lease	0	0	2,132	0	0	0	0	0	0	2,132
	1,785	1,109,461	452,215	13,332	129,342	6,979	53,639	33,107	10,497	1,810,356

Amounts treated as revenue expenditure in accordance with the SORP but which is classified as capital expenditure by statute	Additions	Write-offs
	Improvement Grants	2,176
Expenditure on non-Haringey assets	13,700	(13,700)
<b>Total</b>	<b>15,876</b>	<b>(15,876)</b>

The properties that comprise the Council's portfolio are valued on a rolling basis by the Council's property valuation team who are members of the Royal Institute of Chartered Surveyors under the guidance of the Head of Corporate Property Services, Dinesh Kotecha. The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of the Royal Institute of Chartered Surveyors. Housing Revenue Account dwellings are valued at their existing use based on 'Beacon' valuation principles and then

have a social housing adjustment made thus reducing the balance sheet value to 37% of the beacon value, as directed by the Department of Communities and Local Government (DCLG).

The additions shown comprise all capital expenditure. When an asset is revalued downwards and the asset has no prior-year revaluation gains or the capital expenditure is considered to not add value to the asset, the downward valuation/expenditure is charged to the income and expenditure account as an impairment in the same year and then reversed out through the Statement of Movement on General Fund Balances. The assets are assessed each year for any impairment in line with the SORP and accounting standards. In 2009/10 there were £157m of impairments primarily due to market revaluations.

In 2009/10 the revaluation exercise resulted in an increase in value of council dwellings of £52.2m, caused by the prevailing market conditions. Other council operational properties have had a net decrease of £66.1m due to revaluation.

## 15. Capital Expenditure

The Council's capital expenditure, on a cash basis, must be financed each year. The financing of the 2009/10 expenditure is set out in the following table. The HRA capital expenditure of £59.154m is solely spent on improving HRA dwellings.

Directorate	Additions to Fixed Assets	Net Capital Creditors	Capital expenditure to be financed	Total Credit Approvals	Capital Receipts	Government Grants	Revenue and other contributions	Total Capital expenditure financed
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Support, Policy and Performance	5,688	(198)	5,490	0	3,009	156	2,324	5,489
Childrens & Young People Services	81,045	(4,103)	76,942	43	0	76,338	561	76,942
Adult, Cultural & Community services	9,400	110	9,510	2,121	3,019	3,551	820	9,511
Urban Environment	14,635	181	14,816	370	1,725	9,738	2,983	14,816
<b>Subtotal General Fund</b>	<b>110,768</b>	<b>(4,010)</b>	<b>106,758</b>	<b>2,534</b>	<b>7,753</b>	<b>89,783</b>	<b>6,688</b>	<b>106,758</b>
Housing Revenue Account	58,136	1,018	59,154	39,283	640	12,407	6,824	59,154
<b>TOTAL 2009/10</b>	<b>168,904</b>	<b>(2,992)</b>	<b>165,912</b>	<b>41,817</b>	<b>8,393</b>	<b>102,190</b>	<b>13,512</b>	<b>165,912</b>
TOTAL 2008/09	121,659	(1,471)	120,188	42,658	11,728	56,742	9,060	120,188

## 16. Major contractual commitments

Significant capital commitments entered into by the Council at 31 March 2010 are shown below. The expenditure will be incurred in future years.

	2009/10 £'000	2008/09 £'000
Environmental Services	0	202
Housing Services	15,473	12,524
Adults, Culture & Community	610	1,762
Children and Young People's Service	43,690	43,236
<b>Total</b>	<b>59,773</b>	<b>57,724</b>

The 2009/10 commitments for Children & Young People Services relates to the Building Schools for the Future (£43.7 million). The Housing Services relates mainly to the Decent

Homes Programme (£13 million). The Adults, Culture & Community commitment relates to various projects including Coombes Croft Library (£0.4m).

### 17. Statement of Physical Assets

Asset	2009/10 No.	2008/09 No.	Asset	2009/10 No.	2008/09 No.
Council Dwellings	16,259	16,323	Roads (km)	349	349
Garages	2,319	2,325	Magistrates' Court	0	0
Administrative Buildings	24	26	Coroner's Court	1	1
Under 5's centres	8	4	Childrens' Homes & Hostels	3	3
Community Primary Schools	41	41	Homes for Older People	4	4
Secondary Schools	8	7	Homes for People with Learning Disabilities	3	3
Sixth form centre	1	1	Day Nurseries and Family Centres	1	1
HALS/Youth Buildings	5	5	Day Centres for Older People	4	4
Nursery schools	3	3	Day Centres for People with Mental Health Problems and Disability	5	5
Play centres	7	8	Cemeteries & Crematoria	3	3
Pupil referral units	3	3	Allotments (Plots)	1,647	1,647
Libraries	9	9	Depots	4	4
Community Buildings	42	43	Parks and Open Spaces	167	167
Sports and Leisure Centres	4	4	Museums	1	1

Voluntary Aided and Foundation Schools are excluded from the table above as the Council does not own them. Heartlands High School, still under construction at 31st Mar 2010, is due to open in Sep 2010. Tower Gardens play centre closed in 09-10.

### 18. Housing Stock

The Council was responsible for managing 16,259 properties as at 31 March 2010, excluding travellers' sites. The Council's housing stock decreased during the year as a result of the sale of properties under the provisions of Right to Buy legislation.

Type of dwelling	2009/10 Number	2008/09 Number
Low rise flats	1,706	1,707
Medium rise flats	6,456	6,459
High rise flats	2,661	2,665
Houses	5,313	5,333
Hostels (HDE)	122	158
Shared Ownership	1	1
<b>Total</b>	<b>16,259</b>	<b>16,323</b>

### 19. Long Term Debtors

Long-term debts are those falling due after a period of at least one year. An analysis of these debts as at 31 March 2010 is shown below.

	2009/10 £'000	2008/09 £'000
Housing mortgages	322	370
Housing associations	11	12
Loans to Employees	105	101
<b>Total</b>	<b>438</b>	<b>483</b>

**20. Debtors**

There has been a change in the SORP in relation to the treatment of Council Tax and NNDR. Previously the Council showed the total arrears in their accounts for Council Tax and NNDR, even though a proportion of the Council Tax debt related to the GLA and the NNDR debt was the Government's debt. The change in the SORP has resulted in the Council only showing the debt and receipts in advance that relate to the Council, with the GLA and Government showing the debt that relates to them in their own books. This has also resulted in a prior year adjustment being made to all the relevant figures.

**(a) Public Sector Debtors**

The following table provides an analysis of money owed to the Council by public sector bodies as at 31 March 2010 and which at that date was yet to be received.

	2009/10 £'000	2008/09 £'000
Government Depts.	21,321	14,955
HM Revenue and Customs	10,444	9,225
NHS	10,555	3,158
Education - Recoupment	3,069	2,650
Other Local Authorities	703	1,536
Other Public Bodies	4,788	4,870
<b>Total Debtors</b>	<b>50,880</b>	<b>36,394</b>

**(b) Non-Public Sector Debtors**

The following table provides analysis of money owed to the Council by non-public sector bodies and individuals as at 31 March 2010 and which at that date was yet to be received. The Council has made provision for those debts which it estimates it may not recover. These provisions are shown at the bottom of the table.

	2009/10 £'000	2008/09 £'000
Housing Rent payers	9,469	8,274
Council Tax payers	27,427	23,636
Business Rate payers	198	76
Parking Notices	16,225	10,311
Homelessness	8,029	7,141
Leasehold	7,240	5,100
Housing Benefit Overpayments	11,812	9,372
Sundry Debtors	7,774	9,624
<b>Total Non-Public Sector Debtors</b>	<b>88,175</b>	<b>73,534</b>
<b>Provisions for Bad Debts:</b>		
Housing Rents	(7,882)	(6,291)
Council Tax	(13,109)	(10,491)
Parking Notices	(14,538)	(7,930)
Homelessness	(6,070)	(6,070)
Leasehold	(1,136)	(1,025)
Housing Benefit Overpayments	(6,554)	(5,918)
Sundry Debtors	(3,161)	(3,263)
<b>Total Provisions</b>	<b>(52,450)</b>	<b>(40,988)</b>
<b>Net debtors</b>	<b>35,725</b>	<b>32,546</b>

The total outstanding debtors, net of bad debt provision are £86.605m (£68.940m in 2008/09).

**(c) Risk analysis of Debtors**

**Public Sector Debt** – as the above debt is with other public sector organisations and is deemed to have a low level of risk in regard to non-payment of this debt no bad debt provision is made against this debt.

**Non-Public Sector Debt**

The table in section b above shows the total value of bad debt provision that has been set aside for each debt type of the council. This is assessed on an annual basis against each type of debt and appropriate risk evaluations against non collection are made on each debt. Detailed below are the major debt types with a breakdown, over periods, of the debt and how the bad debt provision has been arrived at.

- I. **Council Tax** - Detailed below is a breakdown of the outstanding council tax over the years to which it relates. A percentage bad debt provision is then applied to each year, with a 100% provision applicable for any year prior to 2004/05.

Financial Year	Debt outstanding 2009/10 (£'000)
2000/01 and earlier	1,597
2001/02	413
2002/03	527
2003/04	1,218
2004/05	1,658
2005/06	2,507
2006/07	3,183
2007/08	4,320
2008/09	4,651
2009/10	4,726
<b>Total</b>	<b>24,800</b>

The total in the debtors note of £27.427m includes court costs debt of £2.627m.

- II. **Housing Rents** - Detailed below is a breakdown of the outstanding housing rents according to the level of rents outstanding. A percentage bad debt provision is then applied to each band of debt outstanding up to a maximum of 90% for debt over £1,000 and for former tenants.

Band of debt outstanding	Dwellings	Hostels	Total Debt outstanding (£'000)
< £100	171	2	173
< £250	269	3	272
< £500	389	9	398
< £750	358	8	367
< £1,000	336	9	345
> £1,000	3,984	92	4,076
Former Tenants	3,337	501	3,838
<b>Total</b>	<b>8,844</b>	<b>625</b>	<b>9,469</b>



- III. **Parking notices** - £16.225m of unprovided parking notices remained outstanding as at the end of the year. A settlement discount is offered if the penalty is paid within 14 days. A notice to owners is issued after 28 days.
- IV. **Homelessness** - £8.029m of unprovided homelessness debtors remained outstanding as at the end of the year.
- V. **Leasehold** - £7.240m of leasehold debts are unprovided. Leasehold balances are due on certain dates throughout the month and bear no credit terms. £7.240m is therefore considered to be past due.
- VI. **Housing Benefit Overpayments** - £11.812m of housing benefits unprovided remain overpaid as at 31 March 2010. All are considered past due.
- VII. **Sundry Debtors** - £7.774m of sundry debtors remain unprovided. Balances include school debtors, commercial rents and general sundry debt. Terms offered are 30 days and £6.870m of the outstanding debt is past this due date.

## 21. Creditors

The following table provides an analysis of money owed by the Council as at 31 March 2010.

	2009/10 £'000	2008/09 £'000
Government Departments	2,856	13,005
NHS	478	1,265
Other Public Sector	176	44
HMRC - Tax and NI	7,017	6,713
Education - Recoupment	2,889	2,340
Pension Funds	1,889	10,751
Sundry Creditors	39,780	38,481
Receipts in advance (including Planning Gains)	13,900	13,735
<b>Total</b>	<b>68,985</b>	<b>86,334</b>

**22. Planning Gains**

In large scale planning agreements, a condition may be set calling upon the applicant to pay a sum of monies towards future capital developments. These monies are held as receipts in advance and the figures below represent amounts unspent at 31 March 2010.

Service	2009/10 £'000	2008/09 £'000
St James Group	1,076	1,164
Planning Cost Recovery	547	660
725 - 733 Lordship Lane	322	0
Lynx Express Parcel Depot	314	471
Education Pool	311	2,153
381 - 481 Seven Sisters Road	298	0
691 - 693 High Road	207	0
Middlesex University	182	44
Housing	180	600
Hornsey Waterworks	110	242
Other	2,144	563
<b>Total</b>	<b>5,691</b>	<b>5,897</b>

**23. Government Grants Deferred**

Where the acquisition of a fixed asset is financed either wholly or in part by government grant, the amount of the grant is credited to a government grants deferred account and written off over the useful life of the asset, to match depreciation charges on the asset. The value of government grants deferred held in the balance sheet at 31 March 2010 was £316m (31 March 2009 £228m).

**24. Deferred Credits**

This relates to the receipt of monies received that is required to be charged to the revenue account over a number of years. £2.625m relates to the finance lease held on 48 Station Road. The previous balances of £1.161m, related to an adjustment made by the Government in the early 90's in respect to home improvement grants and in respect of the commutation of outstanding debt, has been written back to revenue in 09/10 and transferred to the Financial Instruments Adjustment Account. The balance will be written back to revenue over the life time of the old loans.

**25. Provisions**

Provisions are amounts set aside to meet future material liabilities of uncertain timing or amount.

	Insurance	Single Status	Redundancy	Other provisions	Total
31 March 2009	6,342	663	313	671	7,989
New provision	301	0	250	0	551
Utilised provision	0	(663)	(113)	(261)	(1,037)
<b>31 March 2010</b>	<b>6,643</b>	<b>0</b>	<b>450</b>	<b>410</b>	<b>7,503</b>

The Insurance provision is required because some of the Council's insurance policies are met by deposit premiums under which insurers ask for additional sums some years after the

original claim. Furthermore balances are accrued each year to meet future known claims where the Council self-insures. Depending on the claims these payments may be made over a period of a number of years.

The Single Status relates to the backdated re-grading of roles following the single status agreement reached in March 2008.

The Council has a number of other provisions for known liabilities.

## **26. Contingent Liabilities**

In 2007 Haringey council joined London Authorities Mutual Ltd, a mutual company set up in partnership with other London boroughs for the purpose of providing insurance and risk management services. The company stopped trading on 9 June 2009 following the court judgment against LAML. The Council has a liability, in the form of a guarantee, with LAML of £700k of which half had been paid and half is accounted for within the Council's insurance reserve. The orderly wind down of the company has been in progress during 2009/10 and the assets left after the closure of the company will be redistributed to member authorities. It is expected that not all of the capital invested by the Council will be available for redistribution. This is as a result of the legal and other costs incurred as part of the liquidation processes to wind down the company. There is of a further case being taken by RMP against the individual members of LAML for loss of profit and associated costs. The Council is currently considering its response to this.

In 2008/09 and 2009/10 five staff were dismissed from the Council's employment in connection with an inspection undertaken by Ofsted and Directions issued by the Secretary of State for Children & Families. As a consequence, the Council is involved in two judicial review cases, five employment tribunal cases and one as yet unserved High Court case. No provision has been made in the Council's accounts for compensation or damages arising from any successful claim.

The Council is also involved in one libel case with significant legal costs implications. There are also three other potentially major litigation cases involving property and planning matters which could have significant cost implications and where no provision has been made in the accounts for the outcome.

In March 2009 a claim was submitted by Firoka (Alexandra Palace) Ltd and Firoka (Kings Cross) Ltd against the Council as trustee of Alexandra Park and Palace Charitable Trust for loss of income and damages as a result of the failure of the Charitable Trust to issue a licence to Firoka. The value of this claim is £6.234 million. The substance of this claim is disputed by the Council and the Trust. No provision has been made in either the Council's or the Trust's accounts for the claim.

## **27. Contingent Assets**

In March 2009 the Council submitted a claim to HM Revenue and Customs (HMRC) for £1.1m plus interest for repayment of VAT originally paid across by the Council. This follows the principles established in the Fleming/Conde Nast [2008] UK HL 2 decision in the House of Lords, which allow claims to be paid which would have previously been time-barred. HMRC agreed revised claims to the value of £700k plus interest. During 2009/10, £679k of the agreed claim and £586k of interest was paid. The agreed remainder is due in 2010/11.

**28. Analysis of Net Assets Employed**

The table below details the net assets (both revenue and capital) employed by the Council:

	2009/10 £'000	2008/09 £'000
General Fund	89,870	252,491
Housing Revenue Account	176,813	450,468
<b>Total Net Assets</b>	<b>266,684</b>	<b>702,959</b>

**29. Reserves**

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Reserves are reviewed as part of the budget process together with the council's agreed reserves policy in accordance with S.23 of the Local Government Act 2003.

	Balance 1 April 2009 £'000	Net Movement in Year £'000	Balance 31 March 2010 £'000
Revaluation Reserve	269,370	(13,436)	255,934
Capital Adjustment Account	666,783	(133,316)	533,467
Capital Receipts	6,170	(3,581)	2,589
Pensions Reserve	(306,628)	(282,829)	(589,457)
Housing Revenue Account	7,249	1,301	8,550
General Fund	7,540	2,363	9,903
Collection Fund	(1)	1	0
Financial Instruments Adjustment Account	(24,429)	12,633	(11,796)
Other Reserves	76,906	(19,413)	57,493
<b>Total</b>	<b>702,959</b>	<b>(436,276)</b>	<b>266,684</b>

The **Revaluation Reserve** represents changes in the valuation of fixed assets between the time when they are purchased and the latest valuation. Fixed assets are revalued on a rolling basis. The movement in the account represents the movement in valuations, depreciation and any additions during the course of the year.

The **Capital Receipts Reserve** shows the receipt and application of capital receipts, that the Council receives when it sells fixed assets. Note 30 details the movement in this reserve during the year.

The **Housing Revenue Account Reserve** is the accumulated surplus on the Housing Revenue Account. This is available to fund contingencies and other matters relating to council housing. The overall surplus on the HRA has come into this reserve.

The **General Fund Reserve** is the general balances and is required to fund unexpected contingencies and events.

The **Pensions Reserve** is detailed in note 31 below.

The **Collection Fund Reserve** represents the accumulated surplus or deficit on the Collection Fund.

The **Financial Instruments Adjustment Account** represents the balances that have been charged to the Income and Expenditure account due to the new financial instrument accounting standards where regulation allows for the impact of these charges to the Council Tax payer to be spread over future years.

**Other Reserves** represent specific earmarked reserves for future use. These are detailed in note 32 below.

**30. Capital Receipts**

The capital receipts are income from the sale of long-term assets and repayments of capital advances. Legislation requires that a proportion of these receipts are paid across to central government. The remaining amounts can then be used to finance capital expenditure.

	2009/10 £'000	2008/09 £'000
<b>Balance at 1 April</b>	<b>6,170</b>	<b>8,661</b>
Sale of Assets:		
Council Dwellings	1,925	2,131
HRA Land and Buildings	3,585	8,157
Other HRA Assets	0	0
General Fund Assets	746	577
<b>Total Receipts</b>	<b>6,256</b>	<b>10,865</b>
Use of Receipts:		
Receipts paid to Government	(1,443)	(1,628)
Financing Capital Expenditure	(8,393)	(11,728)
<b>Balance at 31 March</b>	<b>2,590</b>	<b>6,170</b>

**31. The Pension Fund Reserve**

This represents the Council's proportion of the net assets and liabilities in the pension scheme. The Pensions reserve liability has increased by £282.83m during 2009/10, as follows:

	2009/10 £'000	2008/09 £'000
Deficit at start of Year	(306,628)	(227,418)
Current Service Costs	(13,222)	(15,024)
Employer Contributions	29,198	30,670
Contributions re: Unfunded benefits	4,121	3,925
Past Service costs	(6)	(5,493)
Impact of Settlements and Curtailments	(46)	(567)
Net Return on Assets	(23,386)	(14,210)
Actuarial gains/(losses)	(279,488)	(78,511)
<b>Deficit at end of Year</b>	<b>(589,457)</b>	<b>(306,628)</b>

<b>Scheme History - Pension Fund Reserve</b>	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000
<b>Fair Value of Scheme Assets</b>					
Fair Value of Employer Assets	565,550	409,413	505,436	542,221	541,642
Present Value of Defined Benefit Obligation	(1,155,008)	(716,041)	(732,854)	(820,408)	(873,246)
<b>Surplus/(Deficit)</b>	<b>(589,458)</b>	<b>(306,628)</b>	<b>(227,418)</b>	<b>(278,187)</b>	<b>(331,604)</b>

**Cumulative effect on the Statement of Recognised Gains and Losses (STRGL)**

The table below analyses the movement on the STRGL both in year and cumulatively.

	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000
Actuarial Gains and (Losses)	(279,488)	(76,596)	46,651	34,374	(13,371)
<b>Cumulative Actuarial gains and (Losses)</b>	<b>(349,169)</b>	<b>(69,681)</b>	<b>6,915</b>	<b>(39,736)</b>	<b>(74,110)</b>

**32. Earmarked Reserves**

These are reserves created for a specific purpose and are detailed below:

	2008/09	Movement in	2009/10
	£'000	year	£'000
		£'000	
Schools (Revenue)	6,615	(2,208)	4,407
General Fund Services (Revenue)	2,317	(1,387)	930
Insurance	8,865	(222)	8,643
PFI – Education	4,967	791	5,758
Property and IT Infrastructure	2,503	(868)	1,634
Risk	10,160	0	10,160
Financing	14,072	(6,362)	7,710
Debt Repayment/Capital Financing	20,850	(3,416)	17,434
Major Repairs Reserve (HRA)	6,557	(5,740)	817
<b>Total</b>	<b>76,906</b>	<b>(19,413)</b>	<b>57,493</b>

The Schools Reserve (Revenue) - the Secretary of State for Education requires all Local Authorities to have within their Scheme for Financing Schools a provision whereby surplus balances that are deemed excessive can be withdrawn from the school in question and applied elsewhere within the Dedicated Schools Budget. The Secretary of State's definition of excessive is 5% of a secondary school's budget share or 8% of a primary or special school's, with a de minimis value of £10,000. In determining what is considered a surplus balance, authorities are expected to offset the following:

- Prior year commitments.
- Unspent standards fund from the previous financial year.
- Funds assigned by the governing body for specific purposes. The purposes must be permitted by the Council and can only be held for a stipulated period.

These requirements have been fully taken account of in Haringey's Scheme for Financing Schools and applied since 1 April 2008.

The General Fund Services (Revenue) Reserve - Council policy is that service under and over-spends are retained by the relevant service. This reserve earmarks these funds and reflects budget carry forwards approved by the Cabinet.

The Insurance Reserve - the Council self-insures a number of risks including liability, property and theft policy. Insurance claims are erratic in their timings and so the Council maintains a reserve in order to smooth the charge to the Council's revenue account in the same way as a premium to an external insurance provider would so smooth.

The PFI Lifecycle Reserve - used to fund future years capital investment in schools. At the end of 2009/10 there was a surplus of PFI funds which are transferred to the reserve (see note 11).

The Infrastructure Reserve - the Council has built into base budgets limited provision for the planned maintenance and renewals of certain assets. Planned maintenance and renewals are by their nature irregular payments. This reserve spreads the charge to revenue. The movement in 2009/10 represents the amount that has been used to finance this capital spend.

The Risk Reserve - the Council faces certain liabilities which are not sufficiently certain to allow a provision to be made under current accounting practice but for which it has been considered prudent to make provision. This reserve represents that provision.

The Financing Reserve - the Council has a three-year financial strategy. Within this strategy is a focused approach towards avoiding certain effects of the annual nature of the local government funding regime. This reserve underpins the strategy. The reserve contains a number of earmarked sums for specific projects and net sums totalling £6.362m were released in 2009/10 for these, including £2m toward the CYPs JAR action plan, £2.2m for temporary accommodation and £870k for emergency highway repairs.

The Major Repairs Reserve (Housing) – the balance on this account represents the amount unspent of the Council's Major Repairs Allocation (MRA) and will be used to meet capital expenditure in future years. In 2008/09 there was a significant balance carried forward on this reserve with the intention it was used to fund capital expenditure in 2009/10.

The Debt Repayment/Capital Financing Reserve – represents money that the Council has set aside to repay outstanding debt in the future and fund the Council's capital programme. £4m has been released in 2009/10 to pay for capital expenditure.

### 33. Financial Instruments Adjustments Account

The change in accounting regulations regarding financial instruments has brought about the creation of a new reserve, the Financial Instruments Adjustment Account. This contains the following transactions:-

	2009/10 £'000	2008/09 £'000
<b>Balance of FIAA brought forward</b>	24,429	20,321
<b>Transactions related to debt held at 31/03/2007</b>		
Discounts on previous debt restructuring	0	0
Premiums on previous debt restructuring	0	0
Effective interest rate (EIR) adjustment to opening balance on LOBO borrowing	0	0
<b>In year transactions</b>		
Discounts on in-year debt restructuring	0	0
Discounts on previous debt restructuring	(623)	316
Premiums on previous debt restructuring	(3,757)	(4,421)
Effective interest rate (EIR) adjustment on LOBO borrowing	(25)	(16)
Application of regulation for Icelandic Investments	(8,229)	8,229
<b>Balance of FIAA carried forward</b>	<b>11,796</b>	<b>24,429</b>

The values relating to debt restructuring result in a movement within the balance sheet from long-term debtors and long-term liabilities. These premiums or discounts occur when debt is prematurely repaid and represent amounts paid to the borrower to recompense them for loss of future interest or paid to the Council if the borrower benefits from this arrangement. Under the standards which govern financial instruments, the majority of new discounts and premiums are written off to the income and expenditure account. However legislation allows for this to be written-off over the lifetime of either the replaced loan, or the new loan, whichever is longer (in the case of discounts received the write-down period is over the length of the old loan or 10 years, whichever is shorter). These adjustments are made through the Statement of Movement on General Fund Balances (STMGFB) and the Financial Instrument Adjustment Account.

As with premiums the accounting standards state that where LOBO's are held the EIR on these debts is calculated and charged to the I&E account, not the actual interest incurred. This additional charge to the I&E account is then reversed out of the accounts through the STMGFB to ensure that there is no impact on council tax charged by this accounting adjustment.

### 34. Types of Financial Instruments

The Council holds the following types of financial instruments:

- Financial liabilities held at amortised cost: trade and other payables (see creditors note 21), long term liabilities (see Long Term Contracts note 12) and borrowings; and
- Financial assets classed as loans and receivables: trade and other receivables (see debtors note 20), bank deposits and investments.

The bank deposits, investments and borrowings disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31st March 2010 £'000	31st March 2009 £'000	31st March 2010 £'000	31st March 2009 £'000
<b>Borrowings</b>				
Financial liabilities at amortised cost	600,721	632,754	52,005	21,324
Other borrowing (Finance lease)	2,538	2,703	87	0
<b>Total borrowings</b>	<b>603,259</b>	<b>635,457</b>	<b>52,092</b>	<b>21,324</b>
<b>Investments</b>				
Loans and receivables	0	0	57,309	117,049
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>57,309</b>	<b>117,049</b>

The investments shown in the above table all relate to short-term on-call deposits, none of which are for greater than 364 days.

### 35. Gains And Losses On Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total 2009/10 £'000	Total 2008/09 £'000
Interest expense	(41,982)	0	(41,982)	(44,758)
Impairment losses	0	(716)	(716)	(10,512)
<b>Interest payable and similar charges</b>	<b>(41,982)</b>	<b>(716)</b>	<b>(42,698)</b>	<b>(55,270)</b>
Interest income	0	2,969	2,969	8,246
Gains on derecognition	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>2,969</b>	<b>2,969</b>	<b>8,246</b>
<b>Net gain/(loss) for the year</b>	<b>(41,982)</b>	<b>2,253</b>	<b>(39,729)</b>	<b>(47,024)</b>

Adjustments via the financial instruments adjustments account of impairments of Icelandic investments and LOBOs	25	0	25	8,213
<b>Net gain/(loss) for the year</b>	<b>(41,957)</b>	<b>2,253</b>	<b>(39,704)</b>	<b>(38,811)</b>

#### Soft loans

A further type of financial instrument are soft loans which are loans the Council has given to individuals or organisations at zero or lower than the market rate interest. No adjustment has been made in the accounts for these as they are very small in value.

The table below shows the type and values of soft loans that Haringey Council has as at 31<sup>st</sup> March 2010:



Loan	Value 09/10 (£'000)	Value 08/09 (£'000)
Employee Loans	104	101
Bernie Grant Centre capital funding	340	340
<b>Total</b>	<b>444</b>	<b>441</b>

### 36. Fair Value Of Assets And Liabilities Carried At Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below. The fair value represents what the total amount of repayment on our debt should be if the Council had to repay it in 2010/11.

#### Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March 2010, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing (if an early redemption rate were used a fair value of £610m would be calculated);
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender;
- We have used interpolation techniques between available rates where the exact maturity period was not available;
- No early repayment or impairment is recognised;
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

#### Fair Value of Liabilities Carried At Amortised Cost

	31st March 2010		31st March 2009	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB - maturity	502,273	573,660	520,556	623,988
PWLB - EIP	5	6	16	17
PWLB - variable	20,001	20,001	0	0
LOBOs	130,442	145,608	130,470	149,789
Market loans	5	5	5	5
<b>Financial liabilities</b>	<b>652,726</b>	<b>739,280</b>	<b>651,047</b>	<b>773,799</b>

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Please refer also to note 11 about the PFI liability and note 24 about the Council's other finance leases.

#### Fair Value Of Assets Carried At Amortised Cost

	31st March 2010		31st March 2009	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash	11,566	11,566	14,283	14,283
Deposits with banks and building societies	45,742	45,742	102,351	102,351
<b>Financial assets</b>	<b>57,308</b>	<b>57,308</b>	<b>116,634</b>	<b>116,634</b>

The Council's investments reduced significantly during the year, as the Council used cash balances in lieu of external borrowing to fund part of the capital programme during 2009/10. By doing so the Council lowered overall treasury risk

#### Nature and Extent of Risks arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted the revised CIPFA Code of Treasury Management Practice published in November 2009 and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

#### Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with the Debt Management Office, other local authorities, AAA rated money market funds and a limited number of high quality UK banks and building societies. Credit quality is determined on the Council's behalf by the Council's treasury advisers through the analysis of credit ratings, sovereign support and ratings, credit default swap rates and other financial information. The Council has a policy of limiting investments with institutions to a maximum of £20m each. All Council investments have been made in line with these policies.

The following statement summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties. The exception to this is deposits with Icelandic Banks which went into default during 2008/09. Specific details on these deposits are shown below in the table.

**Outstanding Investments as at 31 March 2010**

	Credit rating criteria met when investments placed?		Credit rating criteria met on 31 <sup>st</sup> March 2010?		Maturity period from 31 <sup>st</sup> March 2010	
	YES		YES		1-3 months	Total
	Short Term	Long Term	Short Term	Long Term	£000	£000
Santander UK plc	A-1+	AA-	A-1+	AA-	0	17,005
Nationwide Building Society	A-1	A+	A-1	A+	6,100	6,100
<b>Total</b>					<b>6,100</b>	<b>23,105</b>

<b>Icelandic Bank Investments in Default</b>	£000
Heritable Bank	19,800
Landsbanki Islands	15,157
Glitnir	2,000
<b>Total</b>	<b>36,957</b>

	£000
<b>Overall Total outstanding investments at 31<sup>st</sup> March 2010</b>	<b>60,062</b>

**Icelandic Banks**

These disclosures regarding the Icelandic bank investments and the percentages applied are in line with the updated guidance that was provided by CIPFA to all local authorities in May 2010. This guidance was produced after consultation with the Audit Commission and the Local Government Association.

Early in October 2008, the Icelandic banks Landsbanki and Glitnir collapsed and the UK subsidiary of the bank Heritable went into administration. The Council had £36.957m deposited across these institutions, with varying maturity dates and interest rates as follows:

Institution	Invested Amount £	Maturity Date	Interest Rate
<b>Glitnir Bank hf</b>	2,000,000	08/12/2008	6.450%
	<b>2,000,000</b>		
	3,000,000	16/10/2008	5.440%
	3,000,000	17/10/2008	5.910%
	2,500,000	21/10/2008	5.480%
	3,200,000	14/11/2008	6.000%
<b>Heritable bank Ltd</b>	6,000,000	30/03/2009	6.060%
	2,100,000	14/11/2008	6.100%
	<b>19,800,000</b>		
	2,257,000	07/10/2008	5.700%
	5,300,000	20/10/2008	5.600%
<b>Landsbanki Islands</b>	1,100,000	13/02/2009	6.310%
	3,500,000	23/02/2009	5.700%
	3,000,000	27/02/2009	6.100%
	<b>15,157,000</b>		
<b>Grand total</b>	<b>36,957,000</b>		

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regard to recovery of the sums deposited varies between each institution. Based on the latest information available and the guidance received from CIPFA, the Council considers that it is appropriate to consider an impairment adjustment for the deposits and has taken the action outlined below. Since the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers and has changed since 2008/09, adjustments have been made in the 2009/10 accounts and it is likely that further adjustments will be made to the accounts in future years.

### Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. Since then three distributions have been paid to creditors by the administrators totalling 34.98% of claims. The latest creditor progress report issued by the administrators Ernst and Young in January 2010 outlined that the base case return to creditors was projected to be 79 to 85p in the £ by the end of 2012. The Council has followed the guidance issued by CIPFA, which states that recovery at the top of the range is the most likely outcome and recognised an impairment based on it recovering 84.98p in the £.

Heritable Bank has already made actual repayments to the Council of £6.96m. It is anticipated that the remaining distributions will be evenly spread between June 2010 and September 2012. Therefore in calculating the impairment the Council has made the following assumptions re timing of future distributions:

June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008 and totals £19.889 million.

### Iceland domiciled banks

Landsbanki Islands hf and Glitnir Bank are Icelandic entities. In early October 2008 the domestic assets and liabilities of the banks were transferred to two new banks (new Landsbanki and new Glitnir) with the management of the affairs of Old Landsbanki and Old Glitnir each being placed in the hands of resolution committees. Old Landsbanki and Old Glitnir's affairs are being administered under Icelandic law via their respective resolution committees.

The 2008/09 accounts were prepared on the basis that local authority deposits had priority status and would therefore be repaid ahead of any creditors that did not have priority status. However the Glitnir Winding-Up Board has since expressed the view that local authority deposits do not have priority status. This view contrasts with the view expressed by the Landsbanki Winding-Up Board that local authority deposits do have priority status. Decisions about the priority status of local authority deposits will be made by the Icelandic courts. There is no evidence to suggest that Glitnir and Landsbanki accepted deposits on different terms and therefore it is expected that the courts will come to the same conclusion in both cases. A settled position on this is not expected to be known before the second quarter of 2011. The Council's legal advice remains that achieving priority status with both banks remains the most likely outcome, however there is clearly a risk associated with this advice.

In the 2008/09 accounts, interest at the Icelandic penalty rate of 22% was applied up to 22<sup>nd</sup> April 2009 based on legal advice that this could be included in the claim. However recent developments have shown this is unlikely to be achieved and therefore it has not been included in the 2009/10 accounts.

There remains a foreign exchange risk to the amount returned to the Council. Deposits with the Icelandic domiciled banks were converted to Icelandic Krona (ISK) on 22 April 2009 at 190.62 ISK per £. Repayments will be based on the value of the deposit in ISK. However as most of the banks' assets are in currencies other than ISK, it is believed that the risk of a higher or lower repayment due to currency fluctuations is balanced.

### **Landsbanki**

In 2008/09 the latest available information about recovery was that 83% could be achieved, and the Council followed the guidance issued by CIPFA and recognised an impairment based on it recovering 83p in the £.

The latest creditors' report was issued in March 2010 and it confirmed that a settlement has been reached between Landsbanki and the successor bank in Iceland about the way in which the successor will compensate Landsbanki for the assets taken over.

The latest estimates show that if priority status is confirmed, repayment will total 94.86%, and in light of the legal advice received by the Council, it has decided to reflect this recovery in the 2009/10 accounts. The recovery is expected to take place over the period October 2011 to October 2018 and the best estimate of the timing of the recovery is shown below:

October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 2018	19.47%

However there is a risk that priority status is not achieved and in this case, the expected repayment would be 38.19% spread over the same time period.

Recoveries are expressed as a percentage of the Council's claim in the administration, which totals £15.592 million.

### **Glitnir Bank**

In 2008/09 the latest information indicated that recovery of 100% could be achieved, and the Council followed the guidance issued by CIPFA and recognised full recovery of deposits with Glitnir. The impairment therefore only reflected the loss of interest to the Council until the funds were repaid.

Based on the latest information it remains the case that if local authority deposits retain priority status, 100% of claims will be repaid. It is estimated that the earliest date by which payment could be made is the end of June 2011. Given the legal advice available to the Council, it has decided to reflect a 100% recovery in June 2011 in the 2009/10 accounts.

However there is a risk that local authority deposits do not achieve priority status, and in this case the expected recovery would be approximately 29%. Due to the nature of the investments held by the bank, it is anticipated that recovery of the 29% would be spread between October 2011 and October 2015.

Recoveries are expressed as a percentage of the Council's claim in the administration, which totals £2.129 million.

### **Summary**

The amount of the Icelandic related investments that will not be repaid to the Council under the current predictions is £3.8 million. However, accounting regulations require the Council to account for the fact that these funds have not and will not be available for the Council's use until the future dates identified. The impairment required in the accounts has been reviewed and an additional impairment of £716k for 2009/10 has been calculated and included in the

income and expenditure account. The total impairment provided for in the accounts is £11.228m.

It should be noted that the interest in both 2008/09 and 2009/10 is based on the investments remaining with the Iceland banks through to 31<sup>st</sup> March 2010, at the rate at which the original investments were made, which range between 5.440% and 6.450%. The actual loss of interest, if the deposits were returned at maturity dates, was £877k. The additional loss identified is again as required under accounting requirements which it is deemed would take account of the loss from being unable to invest the capital sums further. It should be stressed, however, that in reality this would not have happened given that interest rates have reduced significantly (down to 0.5% or lower) and it would have been impossible for the Council to have achieved the previous levels of return.

In 2009/10 the Council received a capitalisation direction up to a maximum of £11.1m from the Government. Therefore the Council has capitalised £11.1m of the impairment with the remaining value £128k being written down to revenue. This approach allows the Council to spread the charges for actual cash loss over a maximum of twenty years.

**Debtors**

See the debtor note (20 page 51) which gives a breakdown of bad debt provisions and appropriate commentary.

**Liquidity Risk**

The Council has access to a facility to borrow from the money markets and the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year and 40% within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

<b>Loans outstanding</b>	<b>31-Mar-10 £000s</b>	<b>31-Mar-09 £000s</b>
Public Works Loans Board	522,279	520,572
Market debt	130,442	130,470
Other	5	5
<b>Total</b>	<b>652,726</b>	<b>651,047</b>
Less than 1 year	54,203	18,293
Between 1 and 2 years	47,703	52,203
Between 2 and 5 years	114,684	132,659
Between 5 and 10 years	112,571	107,987
Between 10 and 20 years	59,958	76,271
Between 20 and 30 years	25,402	25,402
Between 30 and 40 years	10,731	10,740
Between 40 and 50 years	150,418	150,442
More than 50 years	77,056	77,050
<b>Total</b>	<b>652,726</b>	<b>651,047</b>

An assessment of the Council's LOBO (Lenders Option, Borrowers Option) has determined that it is expected that all the loans will reach maturity at the final agreed maturity date and they are shown in the table on the basis of this assessment.

### Market Risk

The Council is only exposed to one of the possible market risks, which is interest rate risks. The Council does not invest in equity shares and therefore is not subject to any price risk. The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

### Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The majority of the borrowing incurred is fixed rate and therefore not open to market fluctuations. The total split between fixed and variable borrowing is £500.6m (77%) fixed and £150.4m (23%) variable, with the average variable interest rate being 4.19%. The Treasury Management strategy has an upper limit of 40% of the portfolio to be held in variable instruments in order to mitigate interest rate risk.

The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account;
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account;
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect for those assets held at fair value in the Balance Sheet, which would also be reflected in the Statement of Total Recognised Gains and Losses; and
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates and where financial circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that informs the setting of the annual budget and is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

If interest rates had been 1% higher during 2009/10 with all other variables held constant, the financial effect would have been:

	2009/10 £'000	2008/09 £'000
Increase in interest earned on variable rate investments	(448)	0
Increase in interest payable on variable rate borrowings	616	1,250
<b>Impact on Income and Expenditure Account</b>	<b>168</b>	<b>1,250</b>
<b>Share of overall impact debited to the HRA</b>	<b>111</b>	<b>800</b>

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

### 37. Investments – Related businesses and companies

#### Homes for Haringey

Homes for Haringey is a Council controlled company. The company was created on 1<sup>st</sup> April 2006 and manages the Council's housing stock and carries out the day to day repairs on properties, for which fees totalling £41.3m were paid to the company. The Council has 5 Councillors on the Board of Homes for Haringey. The company forms part of the London Borough of Haringey Group and the Group's accounts are shown in section 4 of these accounts.

	as at 31 March 2010 £'000	as at 31 March 2009 £'000
Net assets / (liabilities)	(39,614)	(7,038)
Net income / (expenditure) for the year	(885)	(89)

The figures as at 31 March 2010 are taken from the draft accounts.

The Council is involved with the following associated companies whose assets and liabilities are not included in the Council's accounts:

#### London Grid for Learning Trust

The Trust was incorporated on 25 April 2001 as a company limited by guarantee, comprising all 33 London councils. Haringey Council holds 3% of the voting rights.

	as at 31 March 2010 £'000	as at 31 March 2009 £'000
Net assets	2,083	2,319
Net income for the year	166	278

The figures as at 31 March 2010 are taken from the draft accounts for London Grid for Learning Trust.

#### Bernie Grant Centre Partnership

The Bernie Grant Centre Partnership (BGCP) was set up to build a performing arts centre and enterprise units in Tottenham in memory of former MP Bernie Grant. BGCP was established in



September 2002 as a company limited by guarantee and began operating on 1 April 2003. The company is also a registered charity. Haringey Council has 14% of the voting rights.

	as at 31 March 2010 £'000	as at 31 March 2009 £'000
Net assets	13,995	14,113
Net income for the year	(118)	(143)

The figures as at 31 March 2010 are taken from the draft accounts for the Bernie Grant Centre.

The Council no longer holds any voting rights for Urban Futures as at 31/03/2010.

### 38. Trust funds

The Council acts as trustee for a number of funds, which may be used for specific limited purposes as set out in the respective trust deeds. These accounts do not form part of the Council's Income & Expenditure account or balance sheet. Details of the sums administered are shown below. All of these trust funds are for educational purposes and the figures below represent a number of smaller funds.

	2009/10 £	2008/09 £
Income from Investments	(393)	(448)
Expenditure for Authorised Purposes	0	0
<b>(Surplus)/Deficit</b>	<b>(393)</b>	<b>(448)</b>
<b>Balances:</b>		
Balance 1 April	(152,307)	(151,859)
(Surplus)/Deficit	(393)	(448)
<b>Fund Balance Carried Forward</b>	<b>(152,700)</b>	<b>(152,307)</b>
<b>Represented by:</b>		
Investments	(23,564)	(23,564)
Cash in hand	(129,136)	(128,743)
<b>Total</b>	<b>(152,700)</b>	<b>(152,307)</b>

### Alexandra Park and Palace

Under the Alexandra Park and Palace Act 1985 the Council is the sole trustee for the Alexandra Park and Palace Charitable Trust, details of which are set out below. Seven Councillors are on the board of AP&P. The purpose of the trust is to manage the site of the Palace and Park and to run the day to day operations. These funds do not represent assets of the Council and are not included within the Council's balance sheet.

	2009/10 £'000	2008/09 £'000
Income	(5,987)	(5,749)
Expenditure	7,930	7,792
Assets	2,547	2,738
Liabilities	(42,978)	(41,047)

As a result of being the sole trustee of AP&P the Council has a close relationship with the trust, providing a number of support functions to the day to day operation. The principal support it gives is in the form of deficit funding, which the Council as is required to do under the Alexandra Park and Palace Act 1985. In 2009/10 the extent of this deficit provision was £2.325m (£2.031m 2008/09). In addition the Council gave the Trust a £300k capital grant in order to fund urgent dilapidation works to the building of Alexandra Palace plus equipment purchase.

The figure in the Council's accounts in respect of funding the Alexandra Palace deficit is based on the draft AP&P accounts and are still subject to formal audit in accordance with the

Charity Commission regulations.

### 39. Related party transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Each incidence is assessed as to whether it is material to the accounts and reported accordingly. 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 ability to limit another party's ability to bargain freely with the Council.

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, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in note 40.

Members of the Council have direct control over the Council's financial and operating 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 in and are members of a variety of other public bodies and community groups. The Council has well established mechanisms and procedures for preventing undue influence. Part of this mechanism is the disclosure of interests in the Register of Members' Interest which is open to public inspection at River Park House, 225 High Road, Wood Green, London.

There are no material transactions to declare.

Other Public Sector Organisations The Council has a number of significant transactions with other local authorities and local health authorities. In particular the Council places pupils into schools in other Councils across London and the rest of the country. The spend for this is included in the Education line within the Income and Expenditure account. Any amounts owing to or owed from other Education Authorities are shown within the debtor and creditor notes (page 51) under the line Education – Recoupment.

The Council has two significant partnerships within the Health sector, with NHS Haringey (formerly Haringey Teaching Primary Care Trust) and the Barnet, Enfield and Haringey Mental Health Trust. The specific details of both these partnerships are shown in note 10. All other transactions between this Council and health organisations are included within the Adult Social Care line in the Income and Expenditure account.

Voluntary Sector Organisations The Council provides grants to voluntary sector organisations within the borough, and may as part of the grant, attach conditions as to how the money can be spent and the activities it is provided for. Significant grants awarded in 09/10 included £0.6m to the Haringey Citizens Advice Bureau; £0.163m to the Selby Centre; £0.137m to the Haringey Irish Centre; £0.132m to Age Concern Councils and £0.13m to HAVCO.

#### Officers

The Director of Resources, Julie Parker, is a Director of Alexandra Palace Trading Ltd. She is not remunerated for this role.

The former Chief Executive, Dr Ita O'Donovan, was a member of the board of the Bernie Grant Centre Partnership Ltd. She resigned from the board on 28<sup>th</sup> February 2010, the same date she left the Council.

The Pension Fund's accounts are set out in Section 5 of these statements. The Council owed the Pension Fund £0.997 million as at 31/3/10. The Council paid the Fund £62k in interest and also charged the Fund £610k for administering the Fund.

Companies – the Council has interests in a number of companies. These are disclosed in note 37 This includes details of the relationship with Homes for Haringey; the arms length

management organisation owned by the Council with responsibility for the management of the Council's housing stock.

#### 40. Analysis of Government Grants

The government grants shown on the Cash Flow Statement represent the cash received by the Council. They may differ from the actual amounts included within the gross income figures in the Council's Income and Expenditure account, which is prepared on an accruals basis.

	2009/10 £'000	2008/09 £'000
Revenue Support Grant	26,727	22,970
Housing Benefit Subsidy	288,676	261,747
Housing Subsidy	17,773	17,891
Home Office	3,806	4,040
Department for Education & Skills	225,319	217,959
Department of Health	1,744	1,351
Govt Office for London	150	150
Neighbourhood Renewal Fund	0	57
Private Finance Initiative	5,669	5,669
ABG (CLG)	24,869	22,279
CLG - other	20,589	22,575
Other	6,971	5,890
<b>Total Government Grant</b>	<b>622,293</b>	<b>582,578</b>

#### 41. Reconciliation of net surplus/deficit on the Income and Expenditure Account to the Revenue Activities net Cash Flow

	2009/10 £'000	2008/09 £'000
<b>Revenue Activities:</b>		
Deficit/(surplus) per Income and Expenditure Account	147,666	(41)
Deficit/(surplus) per HRA	(5,335)	(2,524)
Deficit/(surplus) per Collection Fund	(18)	9
<b>Subtotal</b>	<b>142,313</b>	<b>(2,556)</b>
Interest	(46,897)	(26,081)
<b>Non-Cash Transactions:</b>		
Contributions to provisions	(487)	(1,005)
Contributions to reserves	(18,945)	(16,001)
Contributions to capital	(6,652)	(6,869)
<b>Items on an accruals basis:</b>		
(Decrease)/increase in LT Debtor	(45)	(87)
(Decrease)/increase in stock and work in progress	(2)	0
(Decrease)/increase in debtors	17,665	(5,454)
Decrease/(increase) in creditors	17,350	13,298
Decrease/(increase) in deferred credits	1,240	250
<b>Net Cash Inflow from Revenue Activities</b>	<b>(43,762)</b>	<b>(44,505)</b>

#### 42. Analysis of Balances of Cash and Cash Equivalents

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties. This movement in cash is reflected in the increase/decrease in cash and cash equivalents between the 2008/09 and 2009/10 Balance Sheets, as shown in the table below:

	2009/10 £'000	2008/09 £'000	Movement £'000
Bank (overdrawn)/in hand	(10,817)	(3,030)	(7,787)
Cash In Hand	11,566	14,283	(2,717)
Investments	45,742	102,351	(56,609)
<b>Total Cash And Cash Equivalents</b>	<b>46,491</b>	<b>113,604</b>	<b>(67,113)</b>

#### 43. Analysis of Changes in Financing

	31 March 2010 £'000	31 March 2009 £'000	Movement £'000
Temporary Borrowing	(52,005)	(17,800)	(34,205)
Long Term Borrowing	(600,721)	(633,247)	32,526
<b>Total Financing</b>	<b>(652,726)</b>	<b>(651,047)</b>	<b>(1,679)</b>

**Housing Revenue Account - Income and Expenditure Account**

This shows the major elements of housing revenue expenditure and income.

	Notes	2009/10 £'000	2008/09 £'000
<b>Income:</b>			
Rent from Dwellings		68,917	66,851
Rent from Other Properties		2,556	2,391
<b>Rent</b>	45	<b>71,473</b>	<b>69,242</b>
Charges for Services and Facilities		20,887	20,300
Supporting People Grant		2,070	2,128
Housing Revenue Account Subsidy receivable	46	17,773	17,370
<b>Grant</b>		<b>40,730</b>	<b>39,798</b>
<b>Total income</b>		<b>112,203</b>	<b>109,040</b>
<b>Expenditure:</b>			
Repairs and Maintenance		20,926	19,578
Supervision and Management		38,481	38,250
Rent and Other Charges		2,141	2,205
Depreciation and Impairment of Assets		52,212	126,370
Debt Management Costs		257	234
Increase in bad debt provision		1,801	1,023
<b>Total expenditure</b>		<b>115,818</b>	<b>187,660</b>
<b>Net cost of HRA services per Authority Income and Expenditure Account</b>		<b>3,615</b>	<b>78,620</b>
HRA services share of Corporate and Democratic core		958	994
HRA share of other amounts included in the whole authority Net Cost of services but not allocated to specific services		(40)	23
<b>Net cost of HRA services</b>		<b>4,533</b>	<b>79,637</b>
<b>Financing</b>			
Interest payable and similar charges		29,878	28,709
Interest and investment income		(170)	(343)
Pensions Interest Cost and Return on Assets		229	152
<b>Total financing</b>		<b>29,937</b>	<b>28,518</b>
<b>(Surplus)/ deficit for year</b>		<b>34,470</b>	<b>108,155</b>

**Statement of Movement on the Housing Revenue Account Balance**

	Notes	2009/10 £'000	2008/09 £'000
(Surplus)/ deficit for year		34,470	108,155
Net Additional Items required by statute and non-statutory practices:	44	(35,771)	(110,679)
<b>Increase or decrease in the Housing Revenue Account Balance</b>		<b>(1,301)</b>	<b>(2,524)</b>
<b>HRA balance brought forward</b>		<b>(7,249)</b>	<b>(4,724)</b>
<b>HRA balance carried forward</b>		<b>(8,550)</b>	<b>(7,248)</b>

**Notes to the Housing Revenue Account**

Additional information concerning Housing Revenue Account assets can also be found in the notes to the primary statements including Housing Stock (note 18), capital expenditure (note 15), HRA fixed assets (note 14) and bad debt provision (note 20).

**44. Note to the Statement of Movement on the HRA Balance**

	2009/10 £'000	2008/09 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (if any)	(35,739)	(110,675)
Net charges made for retirement benefits in accordance with FRS17	(32)	(7)
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
Transfer to / (from) Reserves	0	3
Interest charge on HRA assets		
<b>Net additional amount required by statute to be debited or credited to the HRA balance for the year</b>	<b>(35,771)</b>	<b>(110,679)</b>

**45. Gross Rent Income and Rent Arrears**

This is the rent due for the year before rebates but after allowances for empty properties. The average weekly rent in 2009/10 was £82.53 compared to £79.71 in 2008/09 – a 3.5% increase.

As at 31 March 2010, the total arrears of rent for Council dwellings was £9.5m compared to £8.3m as at 31 March 2009. Against these amounts, provision has been made for bad debts. This amounted to £8.2m as at 31 March 2010 (£6.6m as at 31 March 2009).

**46. Housing Subsidy**

Housing subsidy is grant received from central government which is used to fund expenditure on Council owned dwellings. Further analysis of this income is shown below.

	2009/10 £'000	2008/09 £'000
Management & Maintenance Allowance	35,372	35,679
Major Repairs Allowance	12,407	11,855
Charges for Capital	37,137	36,660
Other Items of Reckonable Expenditure	0	229
Guideline Rent	(67,113)	(67,078)
Interest on Receipts	(27)	(36)
<b>Housing Subsidy Payable</b>	<b>17,774</b>	<b>17,309</b>
Subsidy adjustment	(1)	61
<b>Housing Subsidy Receivable per Income and Expenditure Statement</b>	<b>17,773</b>	<b>17,370</b>
Transfer from Reserve		
<b>Net Housing Subsidy Receivable for Year</b>	<b>17,773</b>	<b>17,370</b>

**47. Value of HRA Assets**

<b>Balance Sheet Valuation of HRA Assets</b>		
	<b>01 April 2010</b>	<b>01 April 2009</b>
	<b>£'000</b>	<b>£'000</b>
Operational Assets	1,135,687	1,060,621
Non Operational Assets	18,793	24,644
<b>Total</b>	<b>1,154,480</b>	<b>1,085,265</b>

	<b>01 April 2010</b>	<b>01 April 2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Vacant Possession Value</b>		
HRA Dwellings	2,998,543	2,827,817

The vacant possession value is an estimate of the open market value of all HRA dwellings. The balance sheet value is calculated on the basis of rent receivable on existing tenancies. This is less than the rent that would be obtainable on the open market and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost of providing council housing at less than open market value.

**48. Major Repairs Reserve**

The Major Repairs Reserve records the unspent balance of HRA subsidy paid to the Council in the form of the Major Repairs Allowance.

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(6,558)</b>	<b>(8,098)</b>
Transferred to Reserve	(12,407)	(11,961)
Transfer from Reserve to HRA	0	106
Applied to finance capital expenditure on Council Dwellings	18,148	13,395
<b>Balance at 31 March</b>	<b>(817)</b>	<b>(6,558)</b>

**49. FRS 17**

In compliance with the statutory framework for local government, the movement in the FRS17 pensions liability relating to the HRA is processed through the HRA and the net amount is appropriated to the Pensions Reserve. This means that the bottom-line charge against rents is employers' contributions payable in the year. The amount applicable to the HRA is an apportionment of all pension contributions in the year, based on the number of employees within social services who are involved with supported housing work. The full disclosure of the pension related transactions is detailed in Note 7 to the primary statements.

**Collection Fund**

The Council is responsible for collecting council tax and national non-domestic rates, the latter on behalf of the government. The proceeds of the council tax are distributed to two preceptors: the Council itself and the Greater London Authority. The Fund shows the income due from council tax and national non-domestic rates and the application of the proceeds.

	Notes	2009/10 £'000	2008/09 £'000
<b>Income due:</b>			
<b>Council Tax</b>			
Council Tax-payers		95,335	93,542
In respect of Council Tax Benefits		35,079	34,826
<b>Total Council Tax – related income</b>		<b>130,414</b>	<b>128,368</b>
Income due from Business Rate-payers:	51	49,531	47,360
<b>Contributions:</b>			
-Towards Collection Fund deficit/(surplus)	52	(69)	34
<b>Total Income</b>		<b>179,876</b>	<b>175,762</b>
<b>Expenditure:</b>			
Council Tax used to support expenditure on services:			
- Haringey Council		100,738	98,806
Greater London Authority		26,286	26,378
<b>Total Precepts</b>		<b>127,024</b>	<b>125,184</b>
<b>Business Rates:</b>			
- Payments to National Pool		49,047	46,885
- Cost of Collection		484	475
<b>Payments to National Pool &amp; cost of collection allowance</b>		<b>49,531</b>	<b>47,360</b>
Provision for Bad and Doubtful Debts (Council Tax)		3,303	3,227
<b>Total Expenditure</b>		<b>179,858</b>	<b>175,771</b>
<b>Surplus/(Deficit) for year</b>	52	<b>18</b>	<b>(9)</b>
<b>Balance brought forward 1 April surplus/ (deficit)</b>		<b>(1)</b>	<b>8</b>
<b>Balance carried forward 31 March surplus/(deficit)</b>		<b>17</b>	<b>(1)</b>



**Notes to Collection Fund****50. Calculation of the Council Tax Base**

The Council Tax is calculated per equivalent Band D property. In order to determine the number of equivalent Band D properties, all properties are categorised into one of eight bandings depending upon the valuation of the property. An adjustment is then made for properties that are subject to discounts such as single person or non-residency. The resulting number of properties per valuation banding is then adjusted to calculate the number of equivalent Band D properties, using a defined ratio. Finally the tax base is adjusted to reflect an anticipated collection rate of 96%.

<b>Band</b>	<b>A*</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>Total</b>
Number of dwellings	4	5,904	17,210	31,793	25,477	10,682	5,400	4,599	631	101,700
Discounts	1	960	2,735	4,354	2,814	1,061	477	162	62	12,626
Dwellings after discounts	3	4,932	14,442	27,378	22,613	9,599	4,911	4,427	566	88,871
Ratio to band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
<b>Band D equivalent</b>	<b>2</b>	<b>3,288</b>	<b>11,233</b>	<b>24,336</b>	<b>22,613</b>	<b>11,732</b>	<b>7,093</b>	<b>7,378</b>	<b>1,134</b>	<b>88,808</b>
Loss on collection (4%)										3,552
<b>Council Tax Base</b>										<b>85,256</b>

\* - entitled to disabled relief deduction

**51. Income from Business Rates**

The Council collects National Non-Domestic Rates (NNDR) or Business Rates for its area. These are calculated on the basis of rateable values multiplied by one of the following Business Rates set by central government: 41.4p (Standard) and 40.7p (Small businesses) (for 2008/09 - 46.2p & 45.8p respectively). After adjusting for relief and other deductions, this is paid into a central pool, which is managed by central government.

The actual rateable value of business properties in the borough as at 31 March 2010 is £133,080,153 (31 March 2009, £129,640,942).

**52. Deficit / Surplus**

In 2009/10 the Collection Fund made a surplus of £87k of which £69k is held by the Council. The remaining £18k, the surplus balance on the collection fund, is due to the other preceptor, the Greater London Authority.



**SECTION 4**  
**THE GROUP ACCOUNTS**  
**2009/10**



The following group accounts show the combined financial statements for the London Borough of Haringey group, comprising the Council itself and Homes for Haringey.

### Group Income and Expenditure Account

	Notes	2009/10 Gross Expenditure £'000	2009/10 Gross Income £'000	2009/10 Net Expenditure £'000	2008/09 Net Expenditure £'000
<b>Service</b>					
Children's and Education Services					
Education Services		373,944	(284,185)	89,759	24,385
Children's Social Care		72,783	(17,295)	55,488	48,448
Adult Social Care		112,490	(38,618)	73,872	66,155
Housing Services - General Fund		323,117	(312,495)	10,621	2,584
Housing Services - HRA		116,703	(112,201)	4,502	78,708
Cultural, Environmental and Planning Services		100,460	(31,800)	68,662	50,285
Highways, Roads and Transport Services		31,852	(18,070)	13,783	10,409
Central Services		143,465	(114,323)	29,141	39,312
Court Services		1,044	(872)	172	245
<b>Net cost of Services</b>		<b>1,275,857</b>	<b>(929,858)</b>	<b>346,000</b>	<b>320,531</b>
(Gain) / Loss on disposal of fixed assets				(1,280)	206
Levies				8,562	7,363
Net Surplus on Trading Activities				(1,092)	(828)
Interest Payable and Similar Charges				42,698	57,892
Contribution of housing capital receipts to Government pool				1,443	1,628
Interest and Investment Income				(2,969)	(9,742)
Pensions Interest Cost and Return on Assets				23,386	14,210
<b>Net Operating Expenditure</b>				<b>416,748</b>	<b>391,260</b>
Demand on the Collection Fund				(100,738)	(98,806)
(Surplus) / Deficit on Collection Fund				(69)	34
Government grants (not attributable to specific services)				(51,596)	(39,406)
Distribution from National Non-Domestic Rates Pool				(115,794)	(123,028)
<b>(Surplus) / Deficit for Year</b>				<b>148,551</b>	<b>130,054</b>

**Reconciliation of the Single Entity Surplus or Deficit to the Group Surplus or Deficit**

	Notes	2009/10 £'000	2008/09 £'000
(Surplus) / Deficit on single entity Income & Expenditure for the year		147,666	129,965
<b>Add</b> (Surplus)/Deficit from other entities: Subsidiaries		885	89
<b>Group Account Surplus/Deficit for the year</b>		<b>148,551</b>	<b>130,054</b>

**Group Statement of Total Recognised Gains and Losses**

	Notes	2009/10 £'000	2008/09 £'000
Net (Surplus) / Deficit for the year		148,551	130,054
(Surplus) / Deficit arising on revaluation of fixed assets		9,087	56,816
Actuarial (gains) and losses on pension fund assets and liabilities		318,488	89,892
Other (gains) or losses		35	(772)
<b>Total recognised (gains) or losses</b>		<b>476,161</b>	<b>275,990</b>

Cumulative effect on reserves of prior period adjustments		0
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## Group Balance Sheet

	Notes	31-Mar-10		31-Mar-09	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Housing Revenue Account Assets		1,109,461		1,057,294	
<b>Other Operational Assets:</b>					
Land and Buildings		452,215		518,389	
Vehicles, Plant, Furniture and Equipment		13,332		11,259	
Infrastructure Assets		129,342		112,958	
Community Assets		6,979		86	
Intangible Fixed Assets		1,785		1,792	
<b>Non-Operational Assets</b>		97,242		143,866	
<b>Total Fixed Assets</b>			1,810,356		1,845,645
Long-term Debtors		438		483	
<b>Total Long-term Assets</b>			1,810,794		1,846,128
<b>Current Assets:</b>					
Stocks and Work in Progress		735		679	
Debtors		86,692		71,464	
Payments in Advance		1,396		1,526	
Investments		45,742		99,731	
Cash and Bank		12,671		15,230	
<b>Total Current Assets</b>			147,236		188,630
<b>Current Liabilities:</b>					
Temporary Borrowing		(52,005)		(17,800)	
Bank Overdraft		(10,817)		0	
Creditors		(71,405)		(90,470)	
<b>Total Current Liabilities</b>			(134,226)		(108,270)
<b>Net Current Assets</b>			13,010		80,360
<b>Long Term Liabilities:</b>					
Long-term Borrowing		(600,721)		(633,247)	
Deferred Capital Receipts		(322)		(374)	
Deferred Credits		(2,625)		(3,864)	
Government Grants Deferred		(315,773)		(228,380)	
Provisions		(7,503)		(7,990)	
Liability related to defined benefit pension scheme		(628,457)		(313,728)	
Other Long Term Liabilities		(41,333)		(42,984)	
<b>Total Long Term Liabilities</b>			(1,596,735)		(1,230,567)
<b>Total Assets Less Liabilities</b>			227,070		695,921
<b>Financed by:</b>					
Revaluation Reserve		255,934		269,370	
Capital Adjustment Account		533,467		666,783	
Capital Receipts Reserve		2,589		6,170	
Earmarked Reserves		57,493		76,906	
Financial Instruments Adjustment Account		(11,796)		(24,429)	
Profit and Loss - group entities		(39,614)		(7,038)	
General Fund		9,903		7,540	
Housing Revenue Account		8,550		7,249	
Pensions Reserve		(589,457)		(306,628)	
Collection Fund		0		(1)	
<b>Total net worth</b>			227,070		695,921

## Group Cash Flow Statement

	Notes	2009/10 £'000	2008/09 £'000
<b>Net Cash Inflow from Revenue Activities</b>		(46,634)	(42,149)
<b>Servicing of Finance:</b>			
Payments- Interest paid		45,326	32,091
Interest element of finance lease rental payments			
Receipts – Interest received		(1,049)	(6,009)
<b>Net Cash Outflow from Servicing of Finance</b>		44,277	26,082
<b>Capital Activities:</b>			
<b>Payments:</b>			
Purchase of fixed assets		168,904	103,345
Purchase of long-term investments			
Capital grants and advances		0	16,843
<b>Total Payments</b>		168,904	120,188
<b>Receipts:</b>			
Sale of fixed assets		(6,282)	(10,865)
Capital grants received		(89,783)	(56,742)
Other capital cash income		(6,688)	(9,060)
<b>Total Receipts</b>		(102,753)	(76,667)
<b>Net Cash Outflow from Capital Activities</b>		66,151	43,521
<b>Net Cash Inflow before Financing</b>		63,794	27,454
<b>Financing:</b>			
<b>Payments:</b>			
Repayments of amounts borrowed		220,203	24
<b>Receipts:</b>			
New loans raised		(222,378)	
New short term loans		0	
<b>Net Cash Outflow before Financing</b>		(2,175)	24
<b>Net (Increase) / decrease in cash</b>		61,619	27,478

## Notes to the Group Accounts

## Basis of Consolidation

The group accounts of the London Borough of Haringey have been produced using the acquisition method.

## Company Limited by Guarantee

Homes for Haringey (HfH) was incorporated on 1<sup>st</sup> April 2006 and is a wholly owned subsidiary of the Council and is limited by guarantee. The guarantors give an undertaking to contribute a nominal amount, towards the winding up of the company, in the event of a shortfall upon cessation of business. It cannot distribute its profits to its members, and is therefore eligible to apply for charitable status if necessary.

## Accounting Policies



The accounting policies of both the London Borough of Haringey and Homes for Haringey and are in line with those stated in section 2 of these accounts with the exception of the valuation of stock whereby Homes for Haringey adhere to SSAP 9.

## **Homes for Haringey Accounts**

The Homes for Haringey included as part of the group are audited accounts and were audited by their own independent auditor. Their accounts can be obtained from: Director of Finance, Homes for Haringey Ltd, 6<sup>th</sup> Floor, River Park House, Wood Green, London N22 8HQ.

## **Accompanying Notes**

No additional notes to the group accounts are included here as there are no material differences with those contained within section 3 of the Council's accounts, with the exception of officer remuneration. An additional disclosure on this is shown below.

Senior officers of Homes for Haringey who received a salary of between £50,000 and £149,999 are listed below by post held:

Post	2009/10				
	Salary (inc fees & allowances)	Benefits in Kind	Total excluding pension contributions	Pension contributions	Total including pension contributions
Chief Executive	118,967.04	5,000.00	123,967.04	18,320.88	142,287.92
Director of Resources	90,997.04		90,997.04	13,662.66	104,659.70
Director of Housing Management	87,544.04		87,544.04	13,131.84	100,675.88
Director of Asset Management	84,013.04		84,013.04	12,586.16	96,599.20
Director of Repairs Service	82,361.04		82,361.04	12,332.62	94,693.66

Post	2008/09				
	Salary (inc fees & allowances)	Total excluding pension contributions	Pension contributions	Total including pension contributions	
Chief Executive	107,684.03	107,684.03	16,583.34	124,267.37	
Director of Resources	87,506.04	87,506.04	13,124.04	100,630.08	
Director of Housing Management	84,005.04	84,005.04	12,584.88	96,589.92	
Director of Asset Management	75,526.34	75,526.34	11,279.12	86,805.46	
Director of Repairs Service	80,531.05	80,531.05	12,063.72	92,594.77	



**SECTION 5**  
**PENSION FUND**  
**2009/10**



**Scheme Advisors**

Scheme Registration Number	00329316RX
Administering Authority	London Borough of Haringey
Secretary to the Committee	Head of Local Democracy and Member Services
Scheme Administrator	Chief Financial Officer
Actuary	Hymans Robertson
Investment Managers	Alliance Bernstein (until June 2009) Capital International Fidelity ING Legal & General Pantheon
Custodian	Northern Trust
Investment Consultants	Hewitt Associates Limited
Independent Advisor to the Pensions Committee	Howard Jones
Bankers	Royal Bank of Scotland
Legal advisors	Head of Legal Services
AVC providers	Clerical and Medical Equitable Life Assurance Society Prudential Assurance
Internal Auditors	Deloitte & Touche
External Auditors	Grant Thornton UK LLP

## Pension Fund Financial Statements

### Introduction

The financial statements have been prepared and audited in accordance with regulations made under the Audit Commission Act 1998. The Council publishes a separate Pension Fund Annual Report and Accounts and more detail about the Pension Fund can be found in this document.

### Nature of the scheme

The Scheme is a defined benefit Scheme and was established on 1 April 1965 to provide retirement pensions and lump sum allowances, survivor dependant's and death gratuities to all eligible employees of Haringey Council. Certain other organisations also participate in the Scheme and details of these are set out below. The Fund's income is derived from employees, contributions from employing authorities and income from investments.

### Management of the Scheme

The overall responsibility for administering the Scheme is vested in the Pensions Committee, the members of which are set out below. The Committee met on six occasions during the year. The day-to-day running of the Scheme has been delegated to the Chief Financial Officer.

Pensions Committee consists of seven elected Councillors with full voting rights and three representatives. Councillors are selected by their respective political Groups, and their appointment is confirmed at the next meeting of the Full Council. They are not appointed for a fixed term but the membership is reviewed regularly by the political Groups. Three representatives are appointed by their peer groups and generally serve for a period of one year. The members who served on the Pensions Committee during 2009/10 financial year were as follows:

Cllr Catherine Harris	Chair appointed 18 May 2009
Cllr Gmmh Rahman Khan	Chair to 18 May 2009
Cllr Sheik G L Thompson	Vice chair to 22 February 2010
Cllr Charles Adje	to 18 May 2009
Cllr Dhiren Basu	to 18 May 2009
Cllr David Beacham	throughout 2009/10
Cllr Ed Butcher	to 18 May 2009
Cllr Matt Cooke	appointed 20 July 2009
Cllr Bob Harris	appointed 18 May 2009 to 20 July 2009
Cllr Emma Jones	appointed 22 February 2010
Cllr Toni Mallett	appointed 18 May 2009
Cllr Monica Whyte	appointed 22 February 2010
Cllr Richard Wilson	throughout 2009/10
Cllr David Winskill	appointed 18 May 2009
David Fishman	Pensioner representative to 23 July 2009
David Corran	Pensioner representative - appointed 23 July 2009
Roger Melling	Employee representative
Earl Ramharacksingh	Admitted and Scheduled Bodies representative

## Investments and Statement of Investment Principles

Pensions Committee is responsible for setting investment strategy with the aid of independent advice from the Pension Fund's advisors (a list is provided at the beginning of this section). Day to day investment decisions are delegated to fund managers.

The strategy is set out in detail in the Statement of Investment Principles, the latest version of which was approved by Pensions Committee on 21<sup>st</sup> June 2010. The SIP is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with Myners principles. The SIP is published in the Pension Fund Annual Report and on the Council's web site.

All investments are externally managed, with the exception of a small allocation of cash pending investment, which is held in-house. The Pension Fund has appointed external fund managers to undertake day to day management of the Fund's investments. Each fund manager is appointed with a mandate covering a defined asset class or classes with a target set that relates to a benchmark covering the asset class or classes they are managing.

The only change to fund managers during 2009/10 occurred in June 2009 when funds were removed from Alliance Bernstein and placed with Legal & General on a passive basis following concerns about the underperformance demonstrated by Alliance Bernstein.

## Fund administration and membership

At 31 March 2010, there were 6,787 (2009: 6,820) employees contributing to the Fund and 5,892 (2009: 5,771) pensioners and dependents receiving benefits. There were also 6,586 (2009: 6,122) deferred pensioners.

Staff in the following organisations contribute to the fund and benefit accordingly.

Organisation name	Type of employer
Haringey Council	Administering Authority
Homes for Haringey	Scheduled Body
College of North East London (CONEL)	Scheduled Body
Greig City Academy	Scheduled Body
Fortismere School	Scheduled Body
John Loughborough School	Scheduled Body
Alexandra Palace Trading Co Ltd	Community Admission Body
Haringey Age Concern	Community Admission Body
Haringey Citizens Advice Bureau	Community Admission Body
Enterprise Futures London Ltd	Transferee Admission Body
Europa	Transferee Admission Body
Ontime Parking Solutions	Transferee Admission Body
RM Education Ltd	Transferee Admission Body
TLC Ltd	Transferee Admission Body
Urban Futures London Ltd	Transferee Admission Body



**Actuarial position**

The Pension Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Scheme's assets to meet its long term obligations.

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 March 2007 in a report dated 20 March 2008.

The 2007 valuation was carried out in accordance with the Fund's Funding Strategy Statement and Guidelines GN9: Retirement Benefits Schemes – Actuarial reports published by the Institute of Actuaries. The valuation method used was the projected unit method. The resulting contribution rates reflected the cost of providing year-by-year accrual of benefits for the active members and the level of funding for each employer's past service liabilities.

The market value of the Fund at the time of the last triennial valuation as at 31 March 2007 was £620m. Against this sum liabilities were identified of £798m equivalent to a funding deficit of £178m. The movement in the actuarial deficit is analysed below:

**Reason for change**

	£m
Interest on deficit	(37)
Investment returns higher than expected	99
Change in demographic assumptions	(24)
Experience items	37
Change in financial assumptions	(71)
Total	<u>4</u>
(Deficit) brought forward	<u>(182)</u>
(Deficit) carried forward	<u><u>(178)</u></u>

The level of funding on an ongoing funding basis has increased from 69 per cent to 77.7 per cent between the triennial actuarial valuations as at 31<sup>st</sup> March 2004 and as at 31<sup>st</sup> March 2007. The main reasons for the increase in the funding level were an improvement in investment earnings and value, and planned stepped increases in employer's contributions since the previous valuation in 2004.

The funding objective of the Scheme is to be fully funded. As this objective had not been achieved at the last valuation date it was agreed with the actuary that the past service deficit would be recovered over a period not exceeding 20 years. This maximum recovery period is considered prudent for a statutory body with tax raising powers. It was agreed that Best Value Admission Bodies' deficits should however be recovered over the remaining period of the employer's contract and the deficits of other bodies be recovered over the expected future working lifetime of the scheme members.

Following the valuation as at 31 March 2007, the actuary agreed that the Council's contribution rate could remain at the 2007/08 rate of 22.9 per cent of pensionable salaries for the following three financial years. The 2009/10 contribution rate is split between 8.8 per cent for the past service adjustment to fund the deficit over 20 years and the future service rate of 14.1 per cent.

The actuary undertook an interim actuarial valuation as at 31<sup>st</sup> March 2009. This found that the funding level had reduced to 53 per cent. This deterioration in the funding level was largely because investment performance was lower than expectations due to the global economic slowdown. The actuary did not propose to revise the minimum level of employer contribution rates as a result of this funding update even though the position had worsened significantly and in fact there is no power in the LGPS regulations to increase employer's contributions between triennial valuations due to market conditions (other than for admitted bodies whose admission agreement is to terminate imminently).

The need for any changes to the contribution rate will be fully assessed as part of the triennial valuation as at 31 March 2010. Results will be available by early 2011.

The main assumptions used in the 2007 valuation were:

<b>Investments</b>	<b>Annual nominal rate of return %</b>
Equities	6.5
Bonds	4.9
	<b>Annual change %</b>
Pay increases	4.7
Retail Price Increases (pension increases)	3.2

### **Related party transactions**

In 2009/10 the Pension Fund paid £0.610m to the Council for administration (£0.630m in 2008/09). As at 31 March 2010 £0.997m was due from the Council to the fund (£10.125m in 2008/09). During 2009/10 ten councillors serving on Pensions Committee were also members of the Pension Fund. There were no other material related party transactions.

### **Currency Hedging**

The Council permits its Pension Fund managers to use forward contracts as a currency hedging tool between sterling and the base currency. Cross hedging is not permitted. When the managers use these instruments it is generally because a strong view is held on the likely movement of a specific currency. The principle objective of using the instrument is to lower the risk profile of the portfolio.

**Accounting Policies and Principles**Basis of preparation

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2007 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009, and having regard to the Statement of Recommended Practice: Financial Reports of Pension Schemes (revised May 2007).

The principal accounting policies of the Scheme are set out below. The policies have remained unchanged from the previous year except where indicated.

Contributions

Employer and employee contributions are included on an accruals basis relating to wages and salaries payable for the financial year.

Benefits

Benefits are shown on an accruals basis relating to the date on which they became payable.

Transfers in and out

Transfers in and out are accounted for on a cash basis whenever the transfer value is paid or received.

Administrative expenses

Administrative expenses are shown on an accruals basis. A proportion of relevant Council officers' time, including related on-costs, has been charged to the Fund on the basis of actual time spent on scheme administration and investment related matters.

Investment Income

Dividends are shown on an accruals basis by reference to the ex-dividend date. Withholding tax is accrued on the same basis as the income to which it relates.

Interest on fixed interest investments, index linked securities, cash and short term deposits is accounted for on an accruals basis.

Derivative contracts

Income from derivatives contracts is recognised as follows:

- Futures contracts - All realised and unrealised gains and losses are included within change in market value. All interest receivable is accrued on a daily basis;
- Forward foreign exchange contracts - All realised and unrealised gains and losses are included within change in market value. All interest receivable is accrued on a daily basis.

Investment Management Expenses

Fund managers fees are based on the market values of the portfolios under management. Where managers invest in in-house investment vehicles e.g. unit trusts where management fees are covered in the price of the units, the market value of such holdings are deducted from the portfolio value before calculating chargeable fees. All the Investment Management expenses are shown on an accruals basis.

## Investments – market values

Investments are stated at fair value on the final working day of the financial year as follows:

- Listed securities are stated at bid value.
- Unquoted securities are stated at the estimate of fair value provided by the investment manager.
- Units in managed funds and pooled investment vehicles are stated at bid value.

Derivatives are valued at fair value as follows:

- Futures contracts are valued at the relevant exchange prices at the accounting date.
- Forward foreign exchange contracts are valued by establishing the gain or loss that would arise on closing out the contract at the accounting date by entering into an equal and opposite contract on that date.

The value of Private equity holdings is assessed by the Private Equity Fund Manager on a fair value basis as determined at 31<sup>st</sup> December 2009.

The valuation of foreign equities is calculated by using the overseas bid price current at the relevant date and the exchange rate for the appropriate currency at the time to express the value as a sterling equivalent.

## Additional voluntary contributions (“AVCs”)

Members of the Scheme are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed within transfers-in.

Further details about the AVC arrangements are disclosed in note 14 to the financial statements.

**Pension Fund Account**

The Pension Fund shows the contributions to the Fund and the benefits paid from it during the 2009/10 year end.

<b>Pension Fund Account</b>	<b>Notes</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
<b>Dealings with members, employers and others directly involved in the scheme</b>			
Contributions receivable	1	(45,866)	(44,239)
Transfers In	2	(7,003)	(2,562)
Other Income		0	0
Benefits payable	3	29,405	28,846
Payments to and on account of leavers	4	6,328	6,612
Other payments		0	0
Administrative Expenses	5	725	673
<b>Net additions from dealings with members</b>		<b>(16,411)</b>	<b>(10,670)</b>
Returns on Investments:			
Investment Income	6	(12,148)	(18,339)
Change in market value of investments	9	(151,010)	143,328 *
Taxation	7	152	197
Investment management expenses	8	3,058	3,074 *
<b>Net returns on investments</b>		<b>(159,948)</b>	<b>128,260</b>
<b>Net decrease/(increase) in the fund during the year</b>		<b>(176,359)</b>	<b>117,590</b>
<b>Add: Opening net assets of the scheme</b>		<b>(487,513)</b>	<b>(605,103)</b>
<b>Closing net assets of the scheme</b>		<b>(663,872)</b>	<b>(487,513)</b>

\* restated

**Net Assets Statement**

The Net Assets Statement sets out the assets and liabilities for the Fund as at 31 March 2010. The Fund is separately managed by the Council acting in its role as Administering Authority and its accounts are separate from the Council's.

<b>Net Assets Statement</b>	<b>Notes</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Investment assets	9	662,702	482,291
Fixed assets		0	0
Borrowings		0	0
Net current assets and liabilities	12	1,170	5,222
<b>Total Assets</b>		<b>663,872</b>	<b>487,513</b>

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Pension Fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

**Notes to Pension Fund Account****1. Contributions Receivable**

	2009/10 £'000	2008/09 £'000
Employers' normal contributions	23,024	22,164 *
Employers' deficit funding contributions	11,481	10,917 *
Employers' other contributions	759	900
	<b>35,264</b>	<b>33,981</b>
<b>From members</b>		
- normal	10,602	10,258
	<b>10,602</b>	<b>10,258</b>
<b>Total</b>	<b>45,866</b>	<b>44,239</b>

\* restated

Employers' deficit funding contributions include lump sum payments and the deficit element of the employers' contribution rate. In addition, payments resulting from cessation valuations are also included. The figures for 2008/09 have been re-stated to follow this definition.

Employers' other contributions relate to capital cost payments and cover the cost to the Fund of members awarded early retirement before age 60 or otherwise after age 60 but before their normal protected retirement date.

**1a. Analysis of Contributions Receivable**

	2009/10 £'000	2008/09 £'000
<b>Contributions receivable</b>		
Administering authority	38,315	37,717
Scheduled bodies	6,170	5,375
Admitted bodies	1,381	1,147
<b>Total</b>	<b>45,866</b>	<b>44,239</b>

**2. Transfers In**

	2009/10 £'000	2008/09 £'000
Group transfers from other schemes	0	0
Individual transfers in from other schemes	7,003	2,562
<b>Total</b>	<b>7,003</b>	<b>2,562</b>

**3. Benefits Payable**

	2009/10 £'000	2008/09 £'000
Pensions	24,484	23,603
Commutation of pensions & lump sum retirement benefits	4,243	4,195
Purchased annuities	0	0
Lump sum death benefits	678	1,048
<b>Total</b>	<b>29,405</b>	<b>28,846</b>

Benefits payable are further analysed in the following note.

**3a. Analysis of Benefits Payable**

	2009/10 £'000	2008/09 £'000
<b>Benefits payable</b>		
Administering authority	27,152	26,410
Scheduled bodies	1,345	1,470
Admitted bodies	908	966
<b>Total</b>	<b>29,405</b>	<b>28,846</b>

**4. Payments to and on account of leavers**

	2009/10 £'000	2008/09 £'000
Refunds of contributions	4	9
State scheme premiums	0	0
Purchased annuities	0	0
Individual transfers out to other schemes	6,324	4,164
Group transfers out to other schemes	0	2,439
<b>Total</b>	<b>6,328</b>	<b>6,612</b>

Group transfers in 2008/09 relate to the transfer of Magistrates Court staff to the London Pensions Fund Authority (LPFA) scheme.

**5. Administrative Expenses**

	2009/10 £'000	2008/09 £'000
Council Administration charges	610	630
Legal and other fees	115	43
<b>Total</b>	<b>725</b>	<b>673</b>

**6. Investment Income**

	2009/10 £'000	2008/09 £'000
Interest from fixed interest securities	758	535
Dividends from equities	4,534	9,141
Income from index-linked securities	298	143
Income from pooled investment vehicles	6,249	6,743
Interest on cash deposits	309	1,777
<b>Total Investment Income</b>	<b>12,148</b>	<b>18,339</b>

**7. Taxation**

	2009/10 £'000	2008/09 £'000
Irrecoverable withholding tax on investment income	152	197
<b>Total</b>	<b>152</b>	<b>197</b>



## 8. Investment management expenses

	2009/10 £'000	2008/09 £'000
Fund managers fees	2,828	2,798 *
Custodian fees	113	139
Independent advisor fees	17	15
Investment consultant fees	53	85
Other	47	37
<b>Total</b>	<b>3,058</b>	<b>3,074</b>

\* restated

## 9. Investment Assets

	Value as at 1 April 2009 £'000	Purchases at Cost & Derivative payments £'000	Sales Proceeds and derivative receipts £'000	Net security movements £'000	Changes in market value £'000	Value as at 31 March 2010 £'000
Fixed Interest securities	18,665	37,202	(38,691)	0	(841)	16,335
Equities	171,166	76,390	(72,166)	(97,877)	44,554	122,067
Index-linked securities	14,273	25,522	(23,720)	0	1,433	17,508
Pooled Investment vehicles	243,513	136,852	(114,805)	99,298	104,338	469,196
Derivative Contracts	0	0	(22)	0	60	38
	447,617	275,966	(249,404)	1,421	149,544	625,144
Cash Deposits	31,852	11,430	(7,116)	0	33	36,199
Other Investment Balances	2,822	2,939	(4,413)	0	11	1,359
<b>Net Investment Assets</b>	<b>482,291</b>	<b>290,335</b>	<b>(260,933)</b>	<b>1,421</b>	<b>149,588</b>	<b>662,702</b>

The changes in market value during the year comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £322k (2008/09: £469k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

The Fund's investment assets are further analysed between quoted and unquoted, UK and overseas.

## 9a. Analysis of Investments held

<b><u>FIXED INTEREST SECURITIES</u></b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
UK Public Sector quoted	16,335	18,612
UK Corporate quoted	-	53
	<u>16,335</u>	<u>18,665</u>
	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>EQUITIES</u></b>		
UK quoted	36,338	87,800
UK unquoted	-	-
Overseas quoted	85,663	83,180
Overseas unquoted	66	186
	<u>122,067</u>	<u>171,166</u>
	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>INDEX LINKED SECURITIES</u></b>		
UK Public sector-quoted	16,774	13,018
UK Other -quoted	734	1,123
Overseas Other- quoted	-	132
	<u>17,508</u>	<u>14,273</u>
	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>POOLED INVESTMENT VEHICLES</u></b>		
Unit Trusts:		
- property - UK	37,849	24,674
- other - UK	32,202	26,422
- other - Overseas	19,375	11,083
Unitised Insurance Policies		
- UK	108,674	-
- Overseas	27,988	-
Other managed funds		
- property - Overseas	7,665	7,779
- other - UK	113,523	99,386
- other - Overseas	121,920	74,168
	<u>469,196</u>	<u>243,513</u>

**9b. Derivative contracts**

<b>Derivative Contracts</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Forward Foreign exchange	38	(4)
Futures	0	4
	38	0

A summary of the forward foreign exchange contracts is set out below:

<b>Currency</b>	<b>Bought</b>	<b>Sold</b>	<b>Net Asset</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
British Pound Sterling	1,098	(476)	622
Euro	441	0	441
Japanese Yen	30	(1,031)	(1,001)
South African Rand	0	(24)	(24)
	1,569	(1,531)	38

Derivative receipts and payments represent the realised gains and losses on futures contracts. The scheme's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

The Pension Fund managers are permitted to use certain derivatives in managing their portfolios, including warrants, futures, convertible securities and swaps. As at 31 March 2010 no Futures contracts were held (the economic value of Futures contracts held at 31 March 2009 was £155k and the outstanding margin settlement was £4k). The Pension Fund did not hold any options as at 31 March 2010 or 31 March 2009.

**9c. Cash deposits**

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Sterling	36,196	30,790
Foreign currency	3	1,062
<b>Total</b>	<b>36,199</b>	<b>31,852</b>

**9d. Other Investment Balances**

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Outstanding dividend entitlements	851	1586
Interest received and receivable	250	1007
Outstanding sales proceeds	1,448	3,889
Unsettled investment purchases	(1,190)	(3,660)
<b>Total</b>	<b>1,359</b>	<b>2,822</b>

## 10. Fund Management

Fund Manager	Funds Managed as at 31/03/10 £ million	% Fund Managed	Funds Managed as at 31/03/09 £ million	%Fund Managed
Alliance Bernstein	0.0	0.0	90.4	18.7
Capital International	210.1	31.7	158.6	32.9
Fidelity	222.0	33.5	162.6	33.7
Legal & General	136.5	20.6	0.0	0.0
ING	45.7	6.9	35.7	7.4
Pantheon	13.3	2.0	11.5	2.4
Haringey	35.1	5.3	23.5	4.9
Total	662.7	100.0	482.3	100.0

## 11. Top Ten shares held

As at 31st March 2010					As at 31st March 2009				
Company	Rank	Market Value of shares £'000	% Equities	% Net Assets	Company	Rank	Market Value of shares £'000	% Equities	% Net Assets
BP	1	2,763	2.3	0.4	Shell	1	8,733	3.1	1.8
Lloyds	2	2,694	2.2	0.4	BP	2	8,654	3.1	1.8
Shell	3	2,566	2.1	0.4	Vodafone	3	7,206	2.7	1.5
Vodafone	4	2,476	2.0	0.4	Glaxosmithkline	4	5,680	2.0	1.2
SMC Corp	5	1,797	1.5	0.3	HSBC	5	4,676	1.7	1.0
Barclays	6	1,761	1.4	0.3	Astrazeneca	6	3,959	1.4	0.8
Roche	7	1,583	1.3	0.2	BHP Billiton	7	2,625	0.9	0.5
HSBC	8	1,544	1.3	0.2	Roche Holdings	8	2,482	0.9	0.5
E-on	9	1,514	1.2	0.2	Tesco	9	2,371	0.9	0.5
NTT Docomo	10	1,405	1.2	0.2	Aviva	10	2,307	0.8	0.5

The SORP also requires that investments in one or more holdings (excluding UK Government Securities) that exceed 5 per cent of the total value of the net assets of the scheme to also be stated; namely

	£'000	%
Legal & General UK Equity Index	108,674	16.4
Fidelity UK Institutional Long Corporate Bond Fund	38,716	5.8
Fidelity UK Institutional UK Equities	36,042	5.4
Fidelity Institutional Exempt America	35,311	5.3
Fidelity Institutional Europe Ex UK	33,938	5.1

**12. Net current assets and liabilities**

	2009/10 £'000	2008/09 £'000
<b><u>Current Assets</u></b>		
Contributions due from :		
Administering Authority in respect of the Council	177	91
Admitted Bodies in respect of employers	51	55
Scheduled Bodies in respect of employers	107	71
Contributions due from :		
Administering Authority in respect of members	24	25
Admitted Bodies in respect of members	16	25
Scheduled Bodies in respect of members	35	15
Cash balances	818	5,489
Reimbursement of Advisor Fees	0	8
Other - Reimbursement of Fund management expenses (Fidelity)	203	137
Other - Prepayments	207	0
	1,638	5,916
<b><u>Current Liabilities</u></b>		
	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Unpaid benefits in respect of:		
Unpaid benefits in respect of: Administering Authority	27	289
Fund manager and advisor fees	419	405
Other	22	0
	468	694
<b>Net current assets</b>	<b>1,170</b>	<b>5,222</b>

**13. Contingent Liabilities and Post Balance Sheet Events**

There are no material contingent liabilities or Post Balance Sheet events.

**14. Additional voluntary contributions (AVC's)**

Separately invested AVCs are held with the Equitable Life Assurance Society, Prudential Assurance, and Clerical Medical in a combination of With Profits, Unit Linked or Building Society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.

Movements by provider are summarised overleaf:

**Equitable Life Assurance Society**

	<b>2009/10</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Value as at 6 April	424,130	474,753
Contributions received	7,276	9,046
Retirement benefits and charges	(30,382)	(40,550)
Change in market value	42,857	(19,119)
	<u><b>443,881</b></u>	<u><b>424,130</b></u>
Value at 5 April		
Equitable with-profits	227,308	230,420
Equitable Building Society Pension Fund	92,949	90,328
Equitable unit-linked	<u>123,624</u>	<u>103,382</u>
Total	<u><b>443,881</b></u>	<u><b>424,130</b></u>
Number of active members	<u>40</u>	<u>43</u>
Number of members with preserved benefits	<u>27</u>	<u>28</u>

**Prudential Assurance**

	<b>2009/10</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
Value as at 1 April	741,571	743,097
Contributions received	194,885	177,475
Retirement benefits and charges	(93,504)	(133,330)
Change in market value	82,690	(45,671)
	<u><b>925,642</b></u>	<u><b>741,571</b></u>
Value at 31 March		
Prudential with-profits cash accumulation	565,166	490,936
Prudential Deposit Fund	8,713	14,749
Prudential unit-linked	<u>351,763</u>	<u>235,886</u>
Total	<u><b>925,642</b></u>	<u><b>741,571</b></u>
Number of active members	<u>102</u>	<u>97</u>
Number of members with preserved benefits	<u>20</u>	<u>16</u>

**Clerical and Medical**

	<b>2009/10</b>	<b>2008/09</b>
	£	£
Value as at 1 April	29,660	29,866
Contributions received	6,442	5,948
Change in market value	9,318	(6,154)
	<hr/>	<hr/>
Value at 31 March	<b>45,420</b>	<b>29,660</b>
	<hr/>	<hr/>
Clerical Medical with-profits	3,589	3,459
Clerical Medical unit -linked	41,831	26,201
	<hr/>	<hr/>
Total	<b>45,420</b>	<b>29,660</b>
	<hr/>	<hr/>
Number of active members	<u>3</u>	<u>2</u>
Number of members with preserved benefits	<u>2</u>	<u>2</u>





**Appendix 1 - For Information Only**

**ALEXANDRA PARK AND PALACE 2009/10**

**ALEXANDRA PARK AND PALACE CHARITABLE TRUST**

DRAFT

## Consolidated Statement of Financial Activities for the year ended 31 March 2010

		Unrestricted Funds	Restricted Funds	Total 2010	Total 2009
	Note	£	£	£	£
<b>Incoming resources:</b>					
Incoming resources from generated funds					
Voluntary income	3	351	332,252	332,602	-27,940
Activities for generating funds	4	5,323,348		5,323,348	5,494,857
Incoming resources from charitable activities	5	238,281		238,281	221,113
Investment income	6	3,013		3,013	59,958
Other incoming resources		535		535	741
<b>Total incoming resources</b>		<b>5,565,527</b>	<b>332,252</b>	<b>5,897,779</b>	<b>5,748,729</b>
<b>Resources expended:</b>					
Cost of generating funds					
Fundraising Trading cost of goods sold and other costs		4,757,433		4,757,433	4,960,933
Charitable activities		2,956,176	38,538	2,994,714	2,730,259
Governance costs		177,775		177,775	101,005
<b>Total Resources expended</b>	7, 10	<b>7,891,384</b>	<b>38,538</b>	<b>7,929,922</b>	<b>7,792,197</b>
<b>Net outgoing resources before other recognised losses</b>		<b>(2,325,857)</b>	<b>293,714</b>	<b>(2,032,143)</b>	<b>(2,043,468)</b>
<b>Actuarial (loss)/gain on pension scheme</b>		<b>(669,000)</b>	<b>-</b>	<b>(669,000)</b>	<b>(275,000)</b>
<b>Net movement in funds</b>		<b>(2,994,857)</b>	<b>293,714</b>	<b>(2,701,143)</b>	<b>(2,318,468)</b>
Opening deficit fund balance 1 April		(38,718,929)	11,069	(38,707,860)	(36,389,392)
<b>Closing deficit fund balance</b>	22	<b>(41,713,786)</b>	<b>304,783</b>	<b>(41,409,003)</b>	<b>(38,707,860)</b>

The notes on pages 16 to 34 form an integral part of these financial statements. All of the above amounts are derived from continuing activities.

**Trust Statement of Financial Activities for the year ended 31 March 2010**

	Unrestricted Funds	Restricted Funds	Total 2010	Total 2009
Note	£	£	£	£
<b>Incoming resources:</b>				
Incoming resources from generated funds				
Voluntary income	351	332,252	332,603	(27,940)
Activities for generating funds	550,000	-	550,000	617,934
Incoming resources from charitable activities				
	238,281	-	238,281	221,113
Other incoming resources	535	-	535	741
<b>Total incoming resources</b>	<b>789,167</b>	<b>332,252</b>	<b>1,121,419</b>	<b>811,848</b>
<b>Resources expended:</b>				
Charitable activities	2,956,176	38,538	2,994,714	2,730,259
Governance costs	158,775	-	158,775	92,405
<b>Total Resources expended</b>	<b>3,114,951</b>	<b>38,538</b>	<b>3,153,489</b>	<b>2,822,664</b>
<b>Net outgoing resources</b>	<b>(2,325,784)</b>	<b>293,714</b>	<b>(2,032,070)</b>	<b>(2,010,816)</b>
Opening deficit fund balance 1 April	(38,204,394)	11,069	(38,193,325)	(36,182,509)
<b>Closing deficit fund balance as at 31 March</b>	<b>(40,530,178)</b>	<b>304,783</b>	<b>(40,225,395)</b>	<b>(38,193,325)</b>

The notes on pages 16 to 34 form an integral part of these financial statements. All of the above amounts are derived from continuing activities. There were no other recognised gains or losses in either year except for those dealt with above.

## Consolidated and Trust Balance Sheets as at 31 March 2010

	Note	Group 2010 £	Group 2009 £	Trust 2010 £	Trust 2009 £
<b>Fixed assets</b>					
Tangible assets	13	622,990	429,827	618,229	425,571
Investments	14	-	-	2	2
		<b>622,990</b>	<b>429,827</b>	<b>618,231</b>	<b>425,573</b>
<b>Current assets</b>					
Stocks	15	100,327	71,666	-	-
Debtors	16	879,839	982,072	1,101,165	938,203
Cash at bank and in hand		943,643	1,254,555	67,040	182,119
		<b>1,923,809</b>	<b>2,308,293</b>	<b>1,168,205</b>	<b>1,120,322</b>
<b>Creditors</b>					
Amount falling due within one year	17	(1,655,030)	(1,929,331)	(689,058)	(621,571)
<b>Net current assets</b>		<b>268,779</b>	<b>378,962</b>	<b>479,147</b>	<b>498,751</b>
Total assets less current liabilities		<b>891,769</b>	<b>808,789</b>	<b>1,097,378</b>	<b>924,324</b>
Provisions for liabilities	19	(41,322,772)	(39,117,649)	(41,322,772)	(39,117,649)
<b>Net Liabilities excluding pension scheme liability</b>		<b>(40,431,003)</b>	<b>(38,308,860)</b>	<b>(40,225,394)</b>	<b>(38,193,325)</b>
Defined benefit pension scheme liability	25	(978,000)	(399,000)	-	-
<b>Net Liabilities including pension scheme liability</b>		<b>(41,409,003)</b>	<b>(38,707,860)</b>	<b>(40,225,394)</b>	<b>(38,193,325)</b>
<b>Accumulated Funds</b>					
Unrestricted deficit funds		(40,735,786)	(38,319,929)	(40,530,178)	(38,204,394)
Pension reserve		(978,000)	(399,000)	-	-
	20	<b>(41,713,786)</b>	<b>(38,718,929)</b>	<b>(40,530,178)</b>	<b>(38,204,394)</b>
Restricted Funds	21	304,783	11,069	304,783	11,069
<b>Total Funds</b>		<b>(41,409,003)</b>	<b>(38,707,860)</b>	<b>(40,225,395)</b>	<b>(38,193,325)</b>

Approved by the Board of Trustees on

and signed on its behalf by:

**Councillor Patrick Egan**

The notes on pages 8 to 23 form an integral part of these financial statements.

**Consolidated Cash Flow Statement for the year ended 31 March 2010**

	<b>Group 2010</b>	Group 2009
	£	£
Net cash outflow from operating activities	(897)	(549,958)
<b>Returns on investments</b>		
Interest received	3,013	59,958
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(313,028)	(48,020)
<b>Decrease increase in cash</b>	<b>(310,912)</b>	<b>(538,020)</b>
Cash at 1 April	1,254,555	1,792,575
<b>Cash at 31 March</b>	<b>943,643</b>	<b>1,254,555</b>

**Note to the consolidated cash flow statement**

	<b>Group 2010</b>	Group 2009
	£	£
<b>Reconciliation of net outgoing resources to net cash outflow from operating activities</b>		
Net outgoing resources before other recognised losses	(2,032,143)	(2,043,468)
Depreciation	119,865	108,665
Charges (less than)/in excess of pension contributions	(90,000)	32,000
Interest receivable	(3,013)	(59,958)
Increase in stocks	(28,661)	(2,222)
Decrease/(Increase) in debtors	102,233	(162,982)
Decrease in creditors	(274,301)	(175,724)
Increase in provisions	2,205,123	1,753,731
<b>Net cash outflow from operating activities</b>	<b>(897)</b>	<b>(549,958)</b>

**Notes to the Financial Statements for the year ended 31 March 2010****1. Basis of accounting**

The financial statements have been prepared under the historical cost convention and have been prepared in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2005), and applicable accounting standards.

**2. Accounting policies****(a) Basis of consolidation**

The consolidated financial statements comprise those of the Trust and its wholly-owned subsidiary, Alexandra Palace Trading Limited. The results of the subsidiary are consolidated on a line by line basis.

**(b) Fund accounting and permanent endowment**

Under the terms of the Alexandra Park and Palace Act 1985, the freehold and fixed assets of the Trust cannot be permanently disposed of. Under the terms of the Charities Act 1993 and the SORP 2005, these are inalienable assets and may be considered a permanent endowment although capable of being leased.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Trust for a particular purpose. The aim and use of each restricted fund is set out in the notes to the financial statements.

The unrestricted fund represents the accumulated surpluses and deficits of the Group. The funds generated by the Trust are available for use at the discretion of the trustees in furtherance of the general objectives of the Trust.

**(c) Incoming resources**

All incoming resources are included in the Statement of Financial Activities when the trust is legally entitled to the income, it is virtually certain that the incoming resource will be received and the amount can be quantified with reasonable accuracy. The financial statements therefore reflect income due to the Group but not received by the end of the year. Funds received for the purchase of fixed assets are accounted for as restricted income.

The treatment of the assets provided depends upon the restriction imposed by the grant and as the fixed assets' acquisition discharges the restriction then the assets will be held in the unrestricted funds. A corresponding transfer of the associated restricted income will be made to the unrestricted fund in the year of purchase.

Deferred income within creditors is made up of payments that have been received for events that will take place in future years. By far the bulk of this sum relates to the charity's trading company, Alexandra Palace Trading Limited.

**(d) Resources expended and the allocation of expenditure**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to this category. Where costs cannot be attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resources. Allocated costs have been allocated on the average of floor area basis and head count basis.

Governance costs are the costs associated with the governance arrangements of the charity which relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity. Included within this category are costs associated with the strategic as opposed to day to day management of the charity's activities.

Support costs are those costs incurred in support of the expenditure on the objects of the Trust.

## 2. Accounting policies (continued)

### (d) Resources expended and the allocation of expenditure (continued)

These support costs are allocated across the categories of charitable expenditure, governance costs and the cost of generating funds.

### (e) Investments

Fixed asset investments are shown at cost less provision for impairment in value in the Trust's accounts.

### (f) Valuation of fixed assets

The Act that established the Trust and set down the framework within which it should operate places restrictions on asset disposal. It has been accepted that the Parliamentary Scheme was necessary before any redevelopment can take place. In the past no value has been put on the Park and Palace as this is deemed to be an inalienable asset as the Act of Parliament places restrictions on its disposal. With regard to assets brought forward at the beginning of the year this policy has continued as reliable cost information is not available and conventional valuation approaches lack sufficient reliability and significant costs would be involved which may be onerous compared with the additional benefit derived by users of the accounts. For new assets the Trust has adopted a policy of capitalising improvements to the buildings and other assets purchased.

Tangible fixed assets are shown at cost, less accumulated depreciation to date. Depreciation is provided on all tangible fixed assets and is calculated at rates designed to write off the cost of fixed assets over their expected useful lives. The rates applied are as follows:

Improvements to the park:	-on a straight line basis over 10 years.
Plant & machinery:	-on a straight line basis over 10 years.
Office equipment, furniture and fittings:	-on a 25% reducing balance basis.

### (g) Valuation of stock

Stock consists of purchased goods for resale. Stock is valued at the lower of cost and net realisable value.

### (h) Bank account

The Alexandra Park and Palace bank account is included in the arrangements for the Council's pooled account. This amount is included in the balance sheet both as an asset and as an amount due to Haringey Council.

### (i) Provisions for liabilities

These accounts reflect the decision of the Attorney General that Haringey Council is entitled to indemnification for the revenue deficits for 1991/92 to 2009/2010. Haringey Council may also be entitled to indemnification for the years 1988/89 to 1990/91, and this amount has also been provided for in the accounts.

Both of these amounts include interest charged for the outstanding revenue deficits at the Council's Loan Pool Rate, up to 2004/05. No interest was charged between 2005/2006 and 2009/2010 as the Council has now written off that the debt in its accounts. However, as disclosed in the London Borough of Haringey accounts, the Council has not discharged this debt on the basis that it will still collect should the trust be in a position in the future to fully or partially repay. On this basis the trustees have continued to carry the liability in the Trust's accounts.



**2. Accounting policies (continued)**

**(j) Related party transactions**

Because of the close and unique relationship between Haringey Council and Alexandra Park and Palace, there are a significant number of transactions between the two parties. The extent of this relationship is detailed in Note 18 to the financial statements.

**(k) Leased assets**

All leases are operating leases and the annual rentals are charged to the Statement of Financial Activities over the period in which the cost is incurred.

**(l) Pension contributions**

The Group operates a defined benefit pension scheme on behalf of certain employees of Alexandra Palace Trading Limited. The scheme is administered by Haringey Council, although the pension funds relating to the APTL employees are held in a separately managed pool within the overall Haringey scheme. The deficit on the scheme is included within the balance sheet at 31 March 2010.

The difference between the fair value of the assets held in the defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension scheme asset or liability as appropriate.

Changes in the defined benefit pension scheme assets or liabilities arising from other factors than cash contributions by the Group are charged to the Statement of Financial Activities in accordance with FRS17.

The Group also operates a defined benefit pension scheme on behalf of certain employees of Alexandra Park and Palace Charitable Trust, also administered by Haringey. However, the pension funds relating to the APPCT employees are not included in a separate pool and as such, it is not practical for a full FRS 17 valuation for the Trust staff to be disaggregated from the London Borough of Haringey pension fund. Furthermore, a separate valuation would not be relevant as the Trust staff are treated as Council employees for the pension fund purposes. For this reason, the scheme has been treated as a defined contribution scheme for the purpose of the financial statements.

The Group also operates a defined contribution pension scheme on behalf of certain employees. For defined contribution schemes the amount charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**3. Voluntary income**

Voluntary income represents unrestricted and restricted donations to the Trust and includes a £311k restricted capital grant from London Borough of Haringey to purchase essential capital items to support the operations of the Trading company.

## 4. Activities for generating funds

	2010	2009
	£	£
<b>Group</b>		
Income from events	3,843,574	3,909,616
Income from the ice rink	1,033,327	1,121,342
Income from Phoenix public house	446,447	463,899
	<b>5,323,348</b>	<b>5,494,857</b>
<b>Trust only</b>		
Gift aid payment from subsidiary	400,000	468,234
Licence fee	150,000	149,700
	<b>550,000</b>	<b>617,934</b>

## 5. Incoming resources from charitable activities

	2010	2009
	£	£
<b>Group and Trust</b>		
Community events	68,803	41,895
Leases and concessions	169,478	179,218
	<b>238,281</b>	<b>221,113</b>

Community events income includes £26,995 (2009:£21,529) from public donations at the annual fireworks event.

## 6. Investment income

	2010	2009
	£	£
<b>Group</b>		
Bank interest	3,013	59,958
	<b>3,013</b>	<b>59,958</b>

## 7. Analysis of total resources expended

Group	Direct costs	Support costs	2010 Total	2009 Total
	£	£	£	£
<b>Costs of generating funds</b>				
Expenditure of trading subsidiary	4,757,433	-	4,757,433	4,960,933
<b>Charitable expenditure</b>				
Community events	148,346	5,598	153,944	128,964
Leases and concessions	2,180	10,038	12,218	12,860
Park and Palace running costs	1,758,595	196,078	1,954,673	1,814,495
Security of building/park	646,429	227,450	873,879	773,940
	<b>2,555,550</b>	<b>439,164</b>	<b>2,994,714</b>	<b>2,730,259</b>
<b>Governance costs</b>				
Wages and salaries		37,838	37,838	14,624
Professional fees	65,937	40,000	105,937	49,881
Audit fee	34,000		34,000	36,500
	<b>99,937</b>	<b>77,838</b>	<b>177,775</b>	<b>101,005</b>
<b>Total for Group</b>	<b>7,412,920</b>	<b>517,002</b>	<b>7,929,922</b>	<b>7,792,197</b>
<b>Trust Only</b>				
	Direct costs	Support costs	2010 Total	2009 Total
	£	£	£	£
<b>Charitable expenditure</b>				
Community events	148,346	5,598	153,944	128,964
Leases and concessions	2,180	10,038	12,218	12,860
Park and Palace running costs	1,758,595	196,078	1,954,673	1,814,495
Security of building/park	646,429	227,450	873,879	773,940
	<b>2,555,550</b>	<b>439,164</b>	<b>2,994,714</b>	<b>2,730,259</b>
<b>Governance Costs</b>				
Wages and salaries		37,838	37,838	14,624
Professional fees	65,937	40,000	105,937	59,531
Audit fee	15,000		15,000	18,250
	<b>80,937</b>	<b>77,838</b>	<b>158,775</b>	<b>92,405</b>
<b>Total for Trust</b>	<b>2,636,487</b>	<b>517,002</b>	<b>3,153,489</b>	<b>2,822,664</b>

## 8. Support costs

	2010	2009
	£	£
<b>Group and Trust</b>		
Wages and salaries	252,257	169,288
Overheads	264,745	413,868
	<b>517,002</b>	<b>583,156</b>

## 9. Deficit on current year activities

Auditors' remuneration: audit fee	29,500	36,500
Auditors' remuneration: taxation		3,250
Operating lease rentals - land and buildings		42,092
Operating lease rentals - plant & machinery		-
Depreciation	119,865	108,665

The trustees received no remuneration from the charity (2009: £Nil) and were not reimbursed for any of their expenses by the charity during the year (2009: £Nil).

10. Analysis of costs by activity  
GROUP

Costs directly allocated to activities	Basis of allocation	Cost of generating funds	Security of building and park	Community Events	Leases and Concessions	Park & Palace running costs	Governance	Total 2010	Total 2009
		£	£	£	£	£	£	£	£
Expenditure of trading subsidiary	Direct	4,757,433						4,757,433	4,960,933
Salaries	Direct		641,339			773,306		1,414,645	1,193,961
Professional fees	Direct		5,090		2,180	26,841	10,807	44,918	52,155
Audit fees	Direct						34,000	34,000	36,500
Direct costs	Direct			148,346		958,448	55,130	1,161,924	965,492
<b>Total direct costs</b>		<b>4,757,433</b>	<b>646,429</b>	<b>148,346</b>	<b>2,180</b>	<b>1,758,595</b>	<b>99,937</b>	<b>7,412,920</b>	<b>7,209,041</b>
<b>Support costs allocated to activities</b>									
General office and finance support staff	Staff time & area average		123,788	2,060	5,605	113,170	37,838	282,461	163,808
Apportioned overhead cost	Staff time & area average		31,429	528	1,423	28,733	40,000	102,113	119,187
Apportioned support and overhead cost	Staff time & area average		72,233	3,010	3,010	54,175	0	132,428	300,161
<b>Total support costs</b>		<b>0</b>	<b>227,450</b>	<b>5,598</b>	<b>10,038</b>	<b>196,078</b>	<b>77,838</b>	<b>517,002</b>	<b>583,156</b>
<b>Total for Group</b>		<b>4,757,433</b>	<b>873,879</b>	<b>153,944</b>	<b>12,218</b>	<b>1,954,673</b>	<b>177,775</b>	<b>7,929,922</b>	<b>7,792,197</b>

Cost allocation includes an element of judgement and the charity has had to consider the cost benefit of detailed calculations and record keeping. To ensure full cost recovery on projects the charity adopts a policy of allocating costs to the respective cost headings through the year. This allocation includes support costs where they are directly attributable. Therefore the support costs shown are a best estimate of the costs that have been so allocated.

Costs directly allocated to activities	Basis of allocation	Security of building and park		Community Events		Leases and Concessions		Park & Palace running costs		Governance		Total 2010		Total 2009	
		£	£	£	£	£	£	£	£	£	£	£	£	£	£
Salaries	Direct	641,339				773,306						1,414,645			1,193,961
Professional fees	Direct	5,090		2,180		26,841		10,807				44,918			61,805
Audit fees	Direct							15,000				15,000			18,250
Direct costs	Direct			148,346		958,448		55,130				1,161,924			965,492
<b>Total direct costs</b>		<b>646,429</b>		<b>2,180</b>		<b>1,758,595</b>		<b>80,937</b>				<b>2,636,487</b>			<b>2,239,508</b>
<b>Support costs allocated to activities</b>															
General office and finance support staff	Staff time & area average	123,788		2,060		5,605		113,170				37,838			163,808
Apportioned overhead cost	Staff time & area average	31,429		528		1,423		28,733				40,000			119,187
Apportioned support and overhead cost	Staff time & area average	72,233		3,010		3,010		54,175				0			300,161
<b>Total support costs</b>		<b>227,450</b>		<b>5,598</b>		<b>10,038</b>		<b>196,078</b>				<b>77,838</b>			<b>583,156</b>
<b>Total for Trust</b>		<b>873,879</b>		<b>153,944</b>		<b>12,218</b>		<b>1,954,673</b>				<b>158,775</b>			<b>2,822,664</b>

Cost allocation includes an element of judgement and the charity has had to consider the cost benefit of detailed calculations and record keeping. To ensure full cost recovery on projects the charity adopts a policy of allocating costs to the respective cost headings through the year. This allocation includes support costs where they are directly attributable. Therefore the support costs shown are a best estimate of the costs that have been so allocated.

## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

### 11. Staff costs

	<b>Group 2010</b>	Group 2009	<b>Trust 2010</b>	Trust 2009
	£	£	£	£
Wages and salaries	1,588,619	1,270,711	234,897	178,116
Social security costs	134,045	108,324	18,349	14,640
Pension costs	132,393	106,866	39,806	35,042
Agency staff costs	674,987	776,095	134,185	5,225
	<b>2,530,044</b>	<b>2,261,996</b>	<b>427,237</b>	<b>233,024</b>

There were no employees whose emoluments as defined for taxation purposes amounted to over £60,000 in 2009 or 2010.

The average number of employees, analysed by function, including both permanent employees and casual staff calculated on a full-time equivalent basis (number of permanent employees only illustrated by the bracketed figures) was:

	<b>Group 2010</b>	Group 2009	<b>Trust 2010</b>	Trust 2009
	Number	Number	Number	Number
Ice rink		17 (5)		-
Repairs and maintenance including park		2 (2)		2 (2)
Community events		-		-
Cost of generating funds		23 (17)		-
Support costs		1 (1)		1 (1)
Management and administration		8 (8)		2 (2)
		<b>51 (33)</b>		<b>5 (5)</b>

Of the 17 staff working in the ice rink in 2010, 2 permanent employees and 6 casual staff were employed by the Trust but seconded to the trading company.

### 12. Taxation

Alexandra Park and Palace Charitable Trust is a registered charity. As such its sources of income and gains, received under Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992, are exempt from taxation to the extent that they are applied exclusively to its charitable objectives. The trading subsidiary donates the bulk of its taxable profits to the Trust under Gift Aid. No tax charge has arisen in the year.

## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

## 13. Tangible fixed assets

	Improvements to park	Plant & Machinery	Office Equipment, furniture and fittings	Total
	£	£	£	£
<b>Trust only:</b>				
Cost: At 1 April 2009	197,346	485,303	407,164	1,089,813
Additions	33,505	194,692	83,346	311,542
<b>At 31 March 2010</b>	<b>230,851</b>	<b>679,995</b>	<b>490,510</b>	<b>1,401,355</b>
<b>Depreciation:</b> At 1 April 2009	98,673	291,366	274,203	664,242
Charge for the year	19,735	57,479	41,672	118,885
<b>At 31 March 2010</b>	<b>118,407</b>	<b>348,844</b>	<b>315,875</b>	<b>783,126</b>
<b>Net Book Value</b>				
At 31 March 2010	<b>112,443</b>	<b>331,151</b>	<b>174,635</b>	<b>618,229</b>
At 31 March 2009	<b>98,673</b>	<b>193,937</b>	<b>132,961</b>	<b>425,571</b>

	Improvements to park	Plant & Machinery	Office Equipment, furniture and fittings	Total
	£	£	£	£
<b>Group</b>				
Cost: At 1 April 2009	197,346	485,303	441,248	1,123,897
Additions	33,505	194,692	84,831	313,028
<b>At 31 March 2010</b>	<b>230,851</b>	<b>679,995</b>	<b>526,079</b>	<b>1,436,925</b>
<b>Depreciation:</b> At 1 April 2009	98,673	291,366	304,031	694,070
Charge for the year	19,735	57,479	42,651	119,865
<b>At 31 March 2010</b>	<b>118,408</b>	<b>348,845</b>	<b>346,682</b>	<b>813,935</b>
<b>Net book value</b>				
At 31 March 2010	<b>112,443</b>	<b>331,150</b>	<b>179,397</b>	<b>622,990</b>
At 31 March 2009	<b>98,673</b>	<b>193,937</b>	<b>137,217</b>	<b>429,827</b>

## 14. Fixed asset investments

<b>Trust only:</b>	<b>2010</b>	<b>2009</b>
	£	£
Shares in trading subsidiary at 1 April and 31 March	2	2



## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

### 14. Fixed asset investments (continued)

The Trust owns the entire share capital of its trading subsidiary Alexandra Palace Trading Limited, a company registered in England. Alexandra Palace Trading Limited raises funds for Alexandra Park & Palace Charitable Trust through the hiring of halls and catering for exhibitions, banquets, conferences, weddings and other events and the running of the Phoenix Public House and the ice rink.

Alexandra Palace Trading Limited paid £400,000 gift aid to Alexandra Park & Palace Charitable Trust. The net income attributable to the group is consolidated on a line by line basis in the consolidated statement of financial activities. A summary of the results is shown below:

	2010	2009
	£	£
Turnover	5,323,348	5,494,857
Interest income	3,013	59,958
	<b>5,326,361</b>	<b>5,554,815</b>
Cost of sales	(4,120,364)	(4,447,363)
Cost of operating expenses	(806,069)	(671,870)
	<b>(4,926,433)</b>	<b>(5,119,233)</b>
Net income to the group	399,928	435,582
Gift Aid to the Trust	(400,000)	(468,234)
Retained loss	<b>(72)</b>	<b>(32,652)</b>
Retained deficit brought forward	(514,534)	(206,882)
Actuarial loss on pension fund	(669,000)	(275,000)
Retained deficit carried forward	<b>(1,183,606)</b>	<b>(514,534)</b>

## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

### 15. Stock

	Group 2010 £	Group 2009 £	Trust 2010 £	Trust 2009 £
Food and beverages	100,327	71,666	-	-
	<b>100,327</b>	<b>71,666</b>	<b>-</b>	<b>-</b>

### 16. Debtors

	Group 2010 £	Group 2009 £	Trust 2010 £	Trust 2009 £
Trade debtors	535,901	799,964	64,248	17,085
Other amounts due from subsidiary undertaking	-	-	340,451	362,756
Gift aid due from subsidiary undertaking	-	-	400,000	468,234
Other debtors	15,315	5,816	158	4,198
Prepayments and accrued income	328,625	176,292	296,309	85,930
	<b>879,841</b>	<b>982,072</b>	<b>1,101,165</b>	<b>938,203</b>

### 17. Creditors: amount falling due within one year

	Group 2010 £	Group 2009 £	Trust 2010 £	Trust 2009 £
Trade creditors	794,997	663,056	557,232	452,483
Other taxes and social security cost	124,452	292,049	-	-
Other creditors	-	5,686	-	2,750
Accruals	195,443	332,648	82,837	138,041
Deferred income	540,139	635,892	48,989	28,297
Haringey Council: Bank Account	-	-	-	-
	<b>1,655,030</b>	<b>1,929,331</b>	<b>689,058</b>	<b>621,571</b>

Deferred income is payments received for events that will take place in future years. The Trust's bank account is part of Haringey Council's pooled account, and the amount is shown both as an asset and a liability to the Trust as the bank account is owed in its entirety to the Council.

## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

### 18. Deferred income

	Group 2010 £	Group 2009 £	Trust 2010 £	Trust 2009 £
<b>Reconciliation of movement:</b>				
Balance brought forward	635,892	1,013,339	28,297	22,587
Amount released to SOFA during the year	(635,892)	(1,013,339)	(28,297)	(22,587)
Amount deferred during the year	540,139	635,892	48,989	28,297
Balance carried forward	<u>540,139</u>	<u>635,892</u>	<u>48,989</u>	<u>28,297</u>

### 19. Provisions for liabilities

	Group 2010 £	Group 2009 £	Trust 2010 £	Trust 2009 £
Haringey Council: Indemnification	41,322,722	39,117,649	41,322,722	39,117,649
<b>Reconciliation of movement:</b>				
Balance brought forward	39,117,649	37,363,918	39,117,649	37,363,918
Amount charged to SOFA	430,490	385,911	430,490	385,911
Transfer to bank less VAT debtor	1,774,633	1,367,820	1,774,633	1,367,820
Balance carried forward	<u>41,322,772</u>	<u>39,117,649</u>	<u>41,322,772</u>	<u>39,117,649</u>

#### **The relationship between the Trust and the London Borough of Haringey:**

The Council of the London Borough of Haringey is Trustee of the Trust. The Council delegates the entire function of trustee to the Alexandra Park and Palace Board. The Council elects individual members to sit on the Alexandra Park and Palace Board to act as the charity trustees. The charity trustees are those persons having the general control and management of the administration of the Trust. All employees of the Trust are employees of Haringey Council as trustee and are included in the Council's pension arrangements.

Due to the nature of the relationship between the Trust and Haringey Council there are a number of significant related party transactions. These amounts are consolidated into the Trust's financial statements. However, due to the unique nature and structure of the relationship it is thought appropriate to disclose these items: general rates of £ (2009: £46,200); entertainment licences of £ (2009: £47850); public liability insurance £ (2009: £37210); APTL directors' liability insurance of £ (2009: £18605) provision of park patrol service £ (2009: £35,322); legal expense £ (2009: £5,018); printing and other sundry items of £ (2009: £7,989).

Alexandra Park and Palace Charitable Trust is a going concern due to the ongoing support of the corporate Trustee, London Borough of Haringey. It is the Council's current policy to continue providing this support until such time as it is no longer required. The deficits incurred each year form part of the provision due to Haringey Council and are shown as a creditor on the balance sheet.

## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

### 19. Provisions for liabilities (continued)

The analysis of the current year's figure is as follows:

	<b>Accumulated Balances</b>	<b>Interest</b>	<b>Total</b>
	£'000	£'000	£'000
Indemnification 1991/92 to 1994/95 (1)	5,005	9,881	14,886
Indemnification 1995/96 to 2009/10(2)	18,187	4,854	23,041
Provision: 1988/89 to 1990/91 (3)	755	2,641	3,396
	<u>23,947</u>	<u>17,376</u>	<u>41,323</u>

1. This is the amount which the Attorney General has agreed that Haringey Council is entitled to, in respect of expenditure incurred from operational deficits in the financial years 1991/92 to 1994/95.
2. This is the amount relating to the operational deficits for 1995/96 to 2009/10 which the Attorney General has agreed in principle that Haringey Council is entitled to. The final value has yet to be formally agreed. (The operational deficit is calculated as the deficit for the year before interest and the increase in working capital in the year).
3. Haringey Council may also be entitled to indemnification for the operational deficits from 1988/89 to 1990/91, so this amount has also been provided for.

### 20. Accumulated unrestricted funds

	<b>Group 2010</b>	<b>Group 2009</b>	<b>Trust 2010</b>	<b>Trust 2009</b>
	£	£	£	£
<b>Trust deficit funds:</b>				
Balance brought forward	38,718,929	36,428,766	38,204,394	36,221,883
Deficit in year	2,325,857	2,015,163	2,325,784	1,982,511
Actuarial loss/(gain) on defined benefit pension scheme	669,000	275,000	-	-
Balance carried forward	<u>41,713,786</u>	<u>38,718,929</u>	<u>40,530,178</u>	<u>38,204,394</u>

The above amounts represent the deficit equity of the Trust. The Group figure includes £1,183,606 (2009:£514,534) of the trading subsidiary retained losses carried forward.

## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

### 21. Restricted funds

	<b>Balance</b> <b>1 April 2009</b>	<b>Incoming</b> <b>Resources</b>	<b>Expenditure</b> <b>&amp; transfers</b>	<b>Balance</b> <b>31 Mar 2010</b>
	£	£	£	£
Environment Agency Grant	1,168	13,283	(13,293)	1,158
Conservation Area Grant	0	4,750	(4,750)	0
Organ Appeal Fund	6,616	2,677	(3,139)	6,154
Theatre Fund	232	0	0	232
English Heritage	3,053	0	0	3,053
Restricted Capital Fund	0	311,542	(17,356)	294,186
	<u>11,069</u>	<u>332,252</u>	<u>(38,538)</u>	<u>304,783</u>

The restricted fund balance at 31 March 2010 are represented by cash at bank of £10,597 and fixed assets with a net book value of £294,186

The Organ Appeal Fund relates to monies raised for restoration of the organ

The Theatre Fund and English Heritage Fund are monies raised to restore the stage machinery

The Environment Agency and Conservation Area grants are for works to the boating lake

The Restricted capital fund is a grant from London Borough of Haringey for targeted purchases to support the Trading Company.

<b>22. Total funds</b>	<b>Group</b> <b>2010</b>	<b>Group</b> <b>2009</b>	<b>Trust</b> <b>2010</b>	<b>Trust</b> <b>2009</b>
	£	£	£	£
Balance brought forward	38,707,860	36,389,392	38,193,325	36,182,509
Deficit in year	2,032,143	2,043,468	2,032,070	2,010,816
Actuarial loss	669,000	275,000	-	-
Balance carried forward	<u>41,409,003</u>	<u>38,707,860</u>	<u>40,225,395</u>	<u>38,193,325</u>

### 23. Audit fees

The Charity Commission requires the Board to appoint an independent Registered Auditor to carry out a full statutory audit of the financial statements. The audit fee for the year was £29,500 (2009: £36,500).

The Local Authority external auditor, as part of the external audit of the Council's accounts, reviews the financial statements for Alexandra Park and Palace Charitable Trust. The Council meets the fee of this external auditor.

### 24 Commitments under operating leases

	<b>2010</b>	<b>2009</b>
	£	£
<b>Land and buildings</b>		
Payments due within one year on leases expiring:		
Within 1 year	35,896	35,896
Within 2-5 years	-	-
	<u>35,896</u>	<u>35,896</u>

## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

### 25. Pension scheme Trust:

#### (a) Defined benefit scheme

The Trust operates a defined benefit pension scheme for the benefit of its employees. The assets of the Scheme are in a fund independent from the Trust and are administered by Haringey Council under the provisions of the Local Government Superannuation Act of 12 June 2000. The pension fund assets and liabilities relating to the employees of the Trust are included within the overall Haringey fund and as such, it is not practical or relevant to produce a full FRS17 valuation at the balance sheet date. For this reason, the scheme is treated as a defined contribution scheme for the purposes of the Trust financial statements. This treatment is consistent with previous years.

The Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's investments and contributions to meet its liability. The last triennial valuation took place as at 31 March 2007. The last triennial actuarial valuation was carried out in accordance with Guidelines GN9: Retirement Benefit Schemes - Actuarial reports published by the Institute of Actuaries and the Faculty of Actuaries. The valuation was carried out using the Projected Unit Method.

Economic and statistical assumptions were used. The assumptions which have the most significant effect on the results of the valuation are:

		<b>Nominal % per annum</b>
Rate of investment – equities	7.70%	per annum compound
Rate of investment – bonds	5.70%	per annum compound
Rate of investment – property	5.70%	per annum compound
Rate of investment – cash	4.80%	per annum compound
Rate of pensionable salary increases (excl. increments)	5.10%	per annum compound
Rate of price inflation/pensions increases	3.60%	per annum compound
Discount rate	6.90%	per annum compound

The Trust's contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31<sup>st</sup> March 2007. Following this valuation, the Actuary agreed that the Trust's contribution would be 22.9% for the three years of the triennial period.

#### **Trading company:**

#### (b) Defined benefit scheme

The trading company operates a defined benefit pension scheme for the benefit of scheme members who transferred to the trading company, from Alexandra Park and Palace Charitable Trust, on 1 November 1999. There are 6 (2009: 7) scheme members still in the employment of the trading company as at 31 March 2010. The assets of the Scheme are in a fund independent from the trading company and are administered by Haringey Council under the provisions of the Local Government Superannuation Act. The Scheme is accounted for in accordance with FRS 17.

## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

### 25. Pension scheme (continued)

The Fund is independently valued on a regular basis by a firm of actuaries. The purpose is to assess the adequacy of the Fund's investments and contributions. The last actuarial valuation was carried out using the Projected Unit Method.

Economic and statistical assumptions were used. The principal actuarial assumptions used were:

#### Nominal % per annum

Rate of investment - equities	-	7.7 % per annum compound
Rate of investment - bonds	-	5.7 % per annum compound
Rate of investment – property	-	5.7 % per annum compound
Rate of pensionable salary increases (excluding increments)	-	5.1 % per annum compound
Rate of price inflation/pensions increases	-	3.6 % per annum compound
Discount rate	-	6.9 % per annum compound

The market value of the Fund at the time of the last valuation was £619 million for the whole of the scheme of which £1,737,000 was the share for Alexandra Palace Trading Limited. Alexandra Palace Trading Limited employer's contribution is 18.7% of salary. The pension contribution for the year was £35,223 (2009: £34,991).

The actuarial valuation described above has been updated at 31 March 2010 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value using the current bid price.

The major assumptions used for the actuarial valuation were:

	2010	2009
Price increases	3.80	3.10
Rate of pensionable salary increases (excluding increments)	5.30	4.60
Rate of price inflation/pensions increases	3.80	3.10
Discount rate	5.50	6.90
Expected rate of return on assets	7.00	6.20

The expected rate of return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

Assumptions relating to the average future life expectancy of members at age 65 were as follows;

	Males	Females
Current pensioners	22.7 years	25.6 years
Future pensioners	24.7 years	27.8 years

For the year ended 31 March 2010, the expected return on the above assets was £81,000 (2009: £114,000) less the interest on pension scheme liabilities of £113,000 (2009: £118,000)

## ALEXANDRA PARK AND PALACE CHARITABLE TRUST

gives a net return of £32,000 (2009: (£4,000)) as the amount debited to other finance income. Therefore overall the net cost to the profit and loss account for the year ended 31 March 2010 is £58,000 (2009: £49,000) after deduction of the past and current service cost.

### 25. Pension scheme (continued)

<b>Recognition in the profit and loss account</b>	<b>2010</b>	2009
	<b>£'000</b>	£'000
Current Service Cost	26	31
Interest Cost	113	118
Expected Return on employer assets	(81)	(114)
Past service costs	0	14
	<u>58</u>	<u>49</u>

<b>Reconciliation of defined benefit obligation</b>	<b>2010</b>	2009
	<b>£'000</b>	£'000
<b>Opening Defined Benefit Obligation</b>	1,658	1,694
Current service cost	26	31
Interest cost	113	118
Contributions by members	15	15
Actuarial losses	1,041	(175)
Past service costs	-	14
Estimated benefits paid	(70)	(39)
	<u>2,783</u>	<u>1,658</u>

<b>Reconciliation of fair value of employer assets</b>	<b>2010</b>	2009
	<b>£'000</b>	£'000
<b>Opening fair value of employer assets</b>	1,259	1,602
Expected return on assets	81	114
Contributions by members	15	15
Contributions by the employer	148	17
Actuarial losses	372	(450)
Benefits paid	(70)	(39)
	<u>1,805</u>	<u>1,259</u>

Amounts for the current and four previous accounting periods are as follows;

	<b>2010</b>	2009	2008	2007	2006	2005
	<b>£'000</b>	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	1,805.00	1,259	1,602	1,737	1,484	1,058
Present value of defined benefit obligation	-2783	(1,658)	(1,694)	(2,039)	(2,028)	(1,643)
Deficit	-978	(399)	(92)	(302)	(544)	(585)
Experience gains/(losses) on assets	372	(450)	(395)	(5)	194	38
Experience gains/(losses) on liabilities	0	0	122	(1)	(1)	(16)

None of the above liabilities derive from schemes that are wholly unfunded.



# ALEXANDRA PARK AND PALACE CHARITABLE TRUST

## 25. Pension scheme (continued)

Fair value of employer assets	2010	2009
	£'000	£'000
Equities	1,246	755
Bonds	397	315
Property	126	88
Cash	36	101
<b>Total</b>	<b>1,805</b>	<b>1,259</b>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

	2010	2009
	£	£
Actuarial (loss)/gain recognised in STRGL	(669,000)	(275,000)

Analysis of projected amount to be charged to operating profit for the year to 31<sup>st</sup> March 2010:

	31 March 2010	
	£'000	% of pay
Projected current service cost	54	28.8%
Interest on obligation	153	81.5%
Expected return on plan assets	(126)	(67.0%)
	<b>81</b>	<b>43.2%</b>

### b) Stakeholder personal pension scheme

For new employees to the trading company since 1 September 1999, the trading company has established a stakeholder pension and contributes personal pension contributions into this scheme. The employer's contribution is 10% of salary and the pension contribution for the year was £45,050 (2009: £25,153). Prepaid employer contributions of £3,657 are included within prepayments.

## 26. Contingent Liability

On 25 March 2009, a pre action protocol letter of claim was submitted by solicitors acting for Firoka (Alexandra Palace) Ltd and Firoka (Kings Cross) Ltd (Firoka) against the Council as trustee of Alexandra Park and Palace Charitable Trust. The letter asserted that the trustee was in breach of contract and intimated Firoka's intention to claim damages for breach of contract, specified as the failure of the trustee to complete the grant of a long lease of the Palace to Firoka and to enter into other related commercial agreements with Firoka. The value of this claim is £6.234 million.

On 26 May 2009, a detailed response was sent by solicitors acting for the Council as trustee denying any liability. No legal proceedings have yet been commenced by either party. No provision has been made in the Trust's accounts for this claim. The information normally required under FRS12 is not disclosed on the basis that it can be expected to seriously prejudice the outcome of this matter.

# ALEXANDRA PARK AND PALACE CHARITABLE TRUST

