Ayshe Simsek X2929

21 September 2012

To: All Members of the Corporate Committee

Dear Member,

Corporate Committee - Thursday, 27th September, 2012

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:

10. STATEMENT OF ACCOUNTS 2011/12 AND ISA 260 AUDIT REPORT (PAGES 1 - 218)

This report presents the Council's Accounts for 2011/12 for approval and the Annual Governance report of the external auditors, Grant Thornton, which reports on their annual audit of the Council's accounts.

Yours sincerely

Ayshe Simsek X2929
Principal Committee Co-ordinator

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Agenda Item 10

Haringey Council

Report for:	Corporate Committee 27th September 2012	Item number	10

Title:	Statement of Accounts 2011/12 and Annual Governance Report.

Report authorised by :	Assistant Director - Finance

Lead Officer:	Peter Hayday Tel: 020 8489 3414; Email: Peter.Hayday@haringey.gov.uk

Ward(s) affected: All	Report for Key/Non Key Decision: Non-key

1 Describe the issue under consideration

1.1 To present the Statement of Accounts for 2011/12 following the completion of the external audit.

1.2 To consider the statutory Annual Report to those charged with Governance from Grant Thornton which reports on their annual audit of the Council's statutory accounts, value for money and other relevant information.

2 Cabinet Member Introduction

2.1 Not applicable

3 Recommendations

3.1 That the Committee consider the contents of this report and any further oral updates given at the meeting by Grant Thornton.

3.2 That the Committee approves the Statement of Accounts 2011/12, subject to any final changes required by the conclusion of the audit, delegated to the Director of Corporate Resources in consultation with the Chair.

3.3 That the committee notes the ISA 260 report of the auditors, Grant Thornton, and approves the management responses in the Grant Thornton action plan contained within the ISA 260 report.

Haringey Council

3.4 That the Committee notes and approves the 'unadjusted' misstatements as detailed in Section 3 of the Auditor's Report (Audit Adjustments).

4 Executive Summary

4.1 The approval of the Council's accounts is a non-executive function fulfilled by the Corporate Committee. The Statement of Accounts 2011/12 is appended to this report for approval.

4.2 The final Housing Revenue Account (HRA) outturn in the audited statement confirms that reported to Cabinet in June 2012 of £3.6million. However the General Fund position is showing a £1million increased surplus of £4.7million as the result of a late adjustment relating to the restatement of outstanding interest due on investments.

4.3 The statutory report of Grant Thornton on certain matters relating to the Council's governance responsibilities needs to be considered before a final opinion of the council's financial statement for 2011/12 is given.

4.4 It is expected that an unqualified opinion on the accounts will be given by the deadline of 30 September 2012.

5 Background information

5.1 Approval of the Council's accounts is a non-executive function, fulfilled by the Corporate Committee. In previous years members would have been presented with a draft set of accounts in June for approval prior to the commencement of the annual audit. Following the issue of a new statutory instrument, members are now required to formally approve the statutory accounts after the conclusion of the annual audit.

5.2 This report includes the Annual Financial Report 2011-12 and the External Auditor's Annual Report (ISA 260).

5.3 The Annual Financial Report is attached as Appendix 1 and comprises three elements:

- An Explanatory Foreword
- The Statement of Accounts
- The Annual Governance Statement

5.4 The Auditors "Annual Report " (ISA 260) comprises:

- Executive Summary
- Key Audit Issues

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- Audit Adjustments
- Design and Effectiveness of Internal Controls
- Other Reporting Matters
- Value for Money

5.5 The preparation and audit of the annual statement of accounts is a statutory requirement of the Accounts and Audit (England) Regulations 2011. The Accounts must be prepared and certified by 30th June by the Chief Financial Officer (the 'responsible finance officer') that it represents a true and fair view of the financial position of the Council. By no later than 30th September the accounts must be audited, considered by the appropriate committee responsible for audit and published.

6 Statement of Accounts

6.1 The Annual Financial Report and the Statement of Accounts therein are largely determined by statutory requirements and mandatory professional standards as set out within the "Code of Practice on Financial Reporting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Reporting Standards (IFRS). A summarised version of the accounts will also be published once the audit has been completed and the accounts have been formally approved.

6.2 The purpose of the Statement of Accounts is to provide clear information about the authority's finances and should answer such questions as:

- What did the authority's services cost in the year?
- Where did the money come from?
- What were the authority's assets and liabilities at the year end?

The Statement of Accounts reflects a common pattern of presentation to facilitate comparison with the accounts of other organisations. The accounts also form the basis of the Medium Term Financial Planning process.

6.3 The Council's Provisional Outturn 2011/12 was reported to Cabinet in June 2012 and detailed an overall underspend on the General Fund revenue budget of £3.7million and an HRA surplus for the year of £3.6million Following the production of the annual accounts the surplus (underspend) on the General Fund increased by £1million as a result of a late adjustment relating to the accrued interest on investments. The HRA final outturn has remained as reported.

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7 Explanation of the Accounts

7.1 The following paragraphs give a brief overview of the statements by way of explanation and to facilitate navigation of the document.

The Impact of Changes to Reporting Requirements

7.2 As has already been stated the accounts are based on International Financial Reporting Standards (IFRS). The main change in disclosures resulting from changes in the IFRS reporting requirements relates to the reporting of 'heritage' assets. These are assets which have historical or artistic qualities that are held and maintained principally for their contribution to knowledge and culture. The overall value of the Council's heritage assets has been estimated at some £4million and is shown separately on the balance sheet with an accompanying note.

Sections of the Statements

7.3 The Statement of Accounts comprises the following main elements:

- The Movement in Reserves Statement shows the money that the Council had in reserve at the beginning of the financial year, and details the money coming in and out of those reserves resulting in the closing balance on 31 March 2012. This statement includes the movement on the General Fund and the Housing Revenue Account reported to Cabinet in June 2012. It also shows the movement in other useable reserves including Earmarked Reserves.
- The Comprehensive Income and Expenditure (I&E) Statement shows the costs incurred and income received in respect of the services provided by the Council within the financial year. The I&E contains a number of 'accounting' entries that are required to be made by the code of practice governing the presentation of the accounts: as a result it is very different from the standard management accounts reported to Members through the year. Note 29 to the accounts includes the I&E set out in the more familiar way with a summary statement linking it back to the main I&E.
- The Balance Sheet lists the financial value of the assets and liabilities of the Council as at the end of March 2012. For comparative purposes the previous year's figures are shown at the end and the beginning of the financial year.
- Unlike the Income and Expenditure Statement the Cashflow Statement shows movement during the year based on cash

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transactions. As such it explains how the Council's cash position has changed over the course of the year.

- The Notes to the Accounts provide more detail behind the figures in the four main statements above. The reference on the statements directs the reader to the relevant note(s).
- The Housing Revenue Account (HRA) is a separate ring-fenced account showing the expenditure and income relating to the management and maintenance of the Council's social housing stock.
- The Pension Fund Accounts are separate from the rest of the Council's accounts and show the income (pension contributions and investment returns) and expenditure (pension payments and fund management costs) for the year together with the assets and liabilities of the Pension Fund as at 31st March 2012. The Fund is audited at the same time as the Council's main accounts but is subject to a separate audit opinion. This is reported as item 7 on the Committee's agenda.
- The Collection Fund is a separate account detailing Council Tax collections (including those collected on behalf of the Greater London Authority) and National Non-Domestic Rates (NNDR) which is collected on behalf of the Government. Any surplus or deficit on the Fund is distributed between the Council and the GLA in proportion to their share of tax income drawn from the fund.
- The Group Accounts show the financial position of the Council's 'Group'; this comprises the Council itself plus its share of any controlled Companies. The Council incorporates Homes for Haringey and Alexandra Park and Palace Charitable Trust within its Group Accounts.

Matters Arising During the Course of the Audit

7.4 Following submission of the accounts to the auditors at the end of June, the accounts underwent technical review and validation. As a result, an unusually high number of errors were discovered in the draft accounts, over and above the level normally expected at that stage in the process. During the accounts closure process, assurances were given to senior management regarding quality that did not reflect the actual position. This matter is now being investigated within the Council's policies and procedures.

7.5 On discovery of the errors, the Council advised our external auditors, and during the past month, officers have been working with them to revise the accounts and answer queries arising from the restatement and audit. The errors in both the process and the accounts are a unique set of circumstances, and the Council will be working with our auditors to learn from what went wrong, and as far as practically possible, put procedures in place to ensure that such circumstances do not arise again.

7.6 The accounts presented to the Auditors at the end of June included accounting adjustments within the I&E which were not in accordance with IFRS. Although these adjustments had **no impact on the General Fund and HRA balances** they resulted in a number of changes being required to the four main accounting statements; most notably to the I&E and Movement in Reserves statements.

7.7 The main changes were as follows:

- In the I&E a £90million increase in the cost of services representing a misstatement of pension fund adjustments of £73million and capital accounting adjustments of some £17million. The other main changes in the I&E were an increase in the Financing and Investment income and expenditure of £60million reflecting HRA capital financing and lease liability adjustments and a £5million reduction in the fixed asset revaluation adjustment.
- In the Balance Sheet a £10million switch between the treatment of some capital grants from 'Usable' to 'Unusable' Reserves and a £4million adjustment to the depreciation of housing properties. This latter adjustment had **no net impact on the value of the assets** but reflected a change in the methodology used for calculating depreciation.
- As the above amendments were to the I&E and Balance Sheet they resulted in corresponding adjustments to the Movement in Reserves Statement and Cash Flow Statement and the supporting Notes and Group accounts.

7.8 A revised Statement of Accounts was submitted to auditors at the end of August following the work undertaken by officers to correct the identified errors. The auditors' ISA 260 report is based on the revised Statement of Accounts.

7.9 An improvement plan is being developed to address the procedural issues identified and to ensure no repeat next year. The outcome of the improvement process will be reported to the Corporate Committee circa February 2013.

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8 External Auditor's "Annual Report to those Charged with Governance"

8.1 The purpose of Grant Thornton's report is to detail their findings and matters arising during the course of auditing the financial statements. The report is attached as Appendix 2 and includes key audit issues, value for money conclusions and an agreed management action plan.

8.2 There are no areas of dispute between the Council and the auditors and all material amendments the auditors have asked to be made to the accounts have been actioned.

8.3 The report from Grant Thornton contains details of all major changes made over and above those summarised in paragraph 7.7 above.

8.4 Overall the Annual Report to those charged with Governance is positive. The Auditors will also make an oral presentation of their findings to the Committee.

9 Next Steps

9.1 Grant Thornton are required to give their opinion on the accounts by 30 September 2012 so any outstanding work on the audit needs to be completed before then.

9.2 The Director of Corporate Resources is required to sign a letter of representation to acknowledge the responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. A draft of this letter received from Grant Thornton is contained as Appendix 3.

9.3 The result of this audit will be incorporated in the Annual Audit and Inspection Letter which needs to be completed and agreed with officers and the Leader of the Council by the end of January 2013. It will then be made available to all Councillors and reported to the Cabinet. The final letter will contain references to the final opinion and a summary of the Annual Governance report issues.

10 Comments of the Chief Financial Officer and Financial Implications

10.1 There are no direct financial implications arising from the recommendations in this report.

11 Head of Legal Services comments

11.1 The Head of Legal Services has been consulted in the preparation of this report, and confirms that the Corporate Committee has the Constitutional power to make the decisions sought as part of its terms of reference.

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11.2 The Head of Legal Services also notes that the Statement of Accounts has been produced in accordance with legislative and industry best practice principles, and that there are no areas of dispute between the Council and the auditors. Accordingly, the Head of Legal Services advises that there are no direct legal implications arising from the report, or its recommendations

12 Policy Implication

12.1 None

13 Use of Appendices

13.1 Appendix 1: Annual Financial Report incorporating the Statement of Accounts for 2011/12 and the Annual Governance Statement.

13.2 Appendix 2: Report of the Council's external auditor to those Charged with Governance (ISA 260)

13.3 Appendix 3: Draft copy of the letter of representation from the Council to the external auditor.

14 Local Government Act, 2000 (Section 97)

Director of Corporate Resources Report to Cabinet June 2012 'Financial Outturn 2011/12'.

Closure of Accounts Working Papers

All the above papers are available for inspection through Peter Hayday, ext 3414.

Appendix I – Annual Financial Report (Including Statement of Accounts)

London Borough of Haringey
Statement of Accounts 2011/12

Contents

SECTION 1

EXPLANATORY FOREWORD

2011/12

Explanatory Foreword

This document sets out the financial statements for Haringey Council, the Pension Fund and the group accounts together with the purposes of each of the main financial statements. This explanatory forward provides a review of the financial year 2011/12, setting out the Authority's 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 Authority's Chief Financial Officer.

The Statement of Accounts

The Authority's financial statements are set out in the pages following this explanatory foreword. The Statement of Accounts for 2011/12 is prepared on a basis consistent with International Financial Reporting Standards (IFRS).

They consist of the following:

Section 2 Annual Governance Statement

The Authority is required to undertake a review at least once in each financial year of its system of internal control in accordance with best practice. "Delivering Good Governance in Local Government" published by CIPFA and SOLACE recommends that the review be reported in the Annual Governance Statement.

Section 3 The Statement of Accounts

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are found in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase/decrease, before the Transfers to Earmarked Reserves line, shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves (unusable reserves) includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Cash Flow Statement

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

These statements above are accompanied by detailed explanatory notes where appropriate and are supported by the Authority's Statement of Accounting Policies.

Notes to the Primary Statements

The notes to the primary statements detailed above follow the primary statements and aim to explain the key figures and to provide the reader with additional information that allows full interpretation of the accounts by:-

presenting information about the basis of preparation of the financial statements and the specific accounting policies used;

disclosing the information required by the CIPFA Code of Practice on Local Authority Accounting that is not provided elsewhere in the financial statements; and,

providing information that is not provided elsewhere in the financial statements, but is relevant to an understanding of any of them.

The Accounting Policies are presented as note 1 to the statements.

The Authority's accounting policies set out the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements. Wherever possible the accounting policies are based on interpretations and adaptations for the public sector set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

Housing Revenue Account

The Housing Revenue Account (HRA) reflects the Authority's statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.

Housing Revenue Account – Income and Expenditure Statement

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

Movement on the Housing Revenue Account Statement

This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year. The amounts included in the HRA differ from the amounts in respect of HRA services included in the Comprehensive Income and Expenditure statement for the authority as a whole, which includes income and expenditure in accordance with the Code rather than that required by statute and non-statutory proper practices.

Collection Fund

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

Section 4 - The Group Accounts

Where an authority has investments in associates and/or interests in joint ventures (jointly controlled entities) but no interests in subsidiaries, group accounts that include those interests in associates and joint ventures have to be prepared.

The Group Accounts combine the financial activities for the year of the London Borough of Haringey, Homes for Haringey and Alexandra Park and Palace Charitable Trust and comprise:

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

Section 5 - The Pension Fund Account

The objective of reporting by the Pension Fund is periodically to provide information about the financial resources and activities of the pension fund that is useful in assessing the relationship between its benefit obligations and the accumulation of resources available to meet those benefit obligations over time.

Approval of the Accounts

The Accounts and Audit Regulations 2011, require the accounts to be approved by the Authority.

Review of the Financial Year

The year 2011/12 saw the continuation of major reforms and spending reductions in Local Government as set out in the Spending Review of October 2010, including major reform in areas as wide-ranging as the NHS, regeneration, housing, schools and the welfare system. Substantial changes were required within the council which helped us to reduce the budget by approximately £41 million in 2011/12.

The Council vision for 2011/12 as outlined in Re-thinking Haringey was:

One Borough One Future: reducing inequalities – working for a better society

The Council's performance for 2011/12 was reported to Cabinet on 12 June 2012 in the end of year report. This highlighted positive performance in many areas including:

- High levels of street cleanliness were maintained;
- Significant improvements have been made in children's safeguarding and the Multi-Agency Safeguarding Hub (MASH) was established;
- The number of social care clients receiving self-directed support has continued to increase;
- Marked improvement in our schools, with students achieving their best ever GCSE and A-Level results, and our secondary schools were among the most improved in the country;
- Significant improvement in the proportion of young people Not in Education Employment or Training;
- The Haringey Guarantee Programme supported 150 previously unemployed people into work in 2011/12.

Important changes due to occur during 2012/13 are the localisation of Council Tax Benefit, the transition of the Public Health function to the Council, Welfare Reform and implementation of the Localism Act.

Haringey Council is committed to safeguarding the environment for future generations and central to this is the Council's Carbon Management Plan. It is also recognised that energy price volatility poses a significant challenge to the Council's budget, and thus the Council is working to mitigate the financial impacts of price rises and the additional costs of the Carbon Reduction Commitment. In 2011-12 the Council utilised the Sustainable Investment Fund – innovative interest-free loan schemes – to install street sign LED lighting, voltage optimisation at two secondary schools with predicted electricity and carbon savings of £62k and 196 tonnes per annum respectively. We have also installed solar panels, with a potential return of £26k per annum (ring-fenced to pump prime future energy efficiency projects) and a carbon reduction of 156 tonnes. In 2011-12, these projects contributed to an 8.75% decrease against our 2006/7 carbon baseline; however, the true impact of their installation will be felt in 2012-13.

Looking Forward

The financial settlement for 2010/11 and 2011/12 were a far higher level of reduction than expected and represents the biggest reduction in financial resources the Council has ever known and these reductions are continuing into 2012/13 and beyond.

Refocusing services continues, transforming the way the Council delivers services whilst ensuring it continues to meet the needs of its communities and the ambitions of elected members.

In June 2012 the Cabinet has agreed the new Council Plan for 2012-14 which sets out the Council's vision and describes the main challenges and what we will do to tackle them, these include a combination of factors encompassing local and national priorities. The plan sets out our commitment to promoting equality, tackling disadvantage and improving the life chances of residents, especially those who are the most vulnerable.

Our vision shows the kind of borough we want for the future:

'One Borough One Future: Reducing inequalities – ambition for a better society'

Our key priorities are:
1. Work with local businesses to create jobs;
2. Deliver regeneration to key areas of the borough;
3. Tackle the housing challenges;
4. Improve school standards and outcomes for young people; and
5. Deliver responsive, high quality services to residents.

We believe that by focusing our resources in this way we can reduce inequality and improve the life chances of residents.

Financial Planning 2012/13 – 2014/15

There were a number of financial planning assumptions and national policy issues that were considered as part of the Council's financial and business planning process for the period 2012/13 to 2014/15. The process was conducted in the context of the government's stated objective of a significantly accelerated reduction in the structural national deficit over the course of Parliament, with the main burden of deficit reduction borne by reduced spending.

The Council has outlined its plans for the issues faced in its strategy report "Medium Term Financial Planning 2012-13 to 2014-15" that was presented to the full Council on 28th February 2011. The MTFP showed a balanced budget for 2012/13, with £19.5m of savings to be made in 2012/13, and an overall funding gap over the MTFP period of £25m (£6m for 2013/14 and £19m for 2014/15). However there is a high level of uncertainty regarding years 2 and 3 of the MTFP as the Government is yet to announce its detailed funding proposals for these two years, as well as financial risks associated with major changes such as localisation of council tax benefit and welfare reforms.

The following commentary sets out the Authority's performance for the financial year 2011/12 in its principal financial areas:

- The General Fund revenue account;
- The Housing Revenue Account;
- Capital investment; and
- The balance sheet.

The General Fund – How 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.

The following table presents the income and expenditure as per the Council's operational structure. The Comprehensive Income and Expenditure statement on page 3 is a presentation under headings as per the Service Accounting Code of Practice (SERCOP) structure which allows comparison between councils.

In 2011/12 the Council planned net expenditure of £286.2 million. The following table presents the planned expenditure and the final outturn in 2011/12 against services.

Directorate	Budget £'000	Outturn £'000	Variance £'000
Adults & Housing	98,966	96,937	(2,029)
Place & Sustainability	54,491	54,285	(206)
Public Health	932	956	24
Corporate Resources	11,850	11,807	(43)
Children and Young People	87,758	87,693	(65)
Chief Executive Services	969	750	(219)
Services	**254,966**	**252,428**	**(2,538)**
Non service revenue	31,203	29,013	(2,190)
Total on General Fund	**286,169**	**281,441**	**(4,728)**
Housing Revenue Account	**(291)**	**(3,656)**	**(3,365)**
Children and Young People Non-Schools DSG	0	(2,474)	2,474

There is a net General Fund underspend of £4.7m 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. This will be added to general balances.

The main reasons for the underspend in 2011/12 were the early accomplishment of savings achieved in Adult and Housing Services, savings within treasury management in Non Service Revenue, as a result of proactive management of the Council's debt portfolio and contingency budgets, held centrally, not being required in 2011/12.

The figures in the table above are prepared on a different basis to those that appear in the Comprehensive Income and Expenditure Account (CIES). The CIES is prepared under the basis of the Service Code of Practice (SERCOP) which is followed by all local authorities and ensures a common reporting basis for comparisons. The above table is based on the Authority's management structure and is the structure by which all reporting within the Council is made. Note 29 to the accounts provides a reconciliation between the two structures.

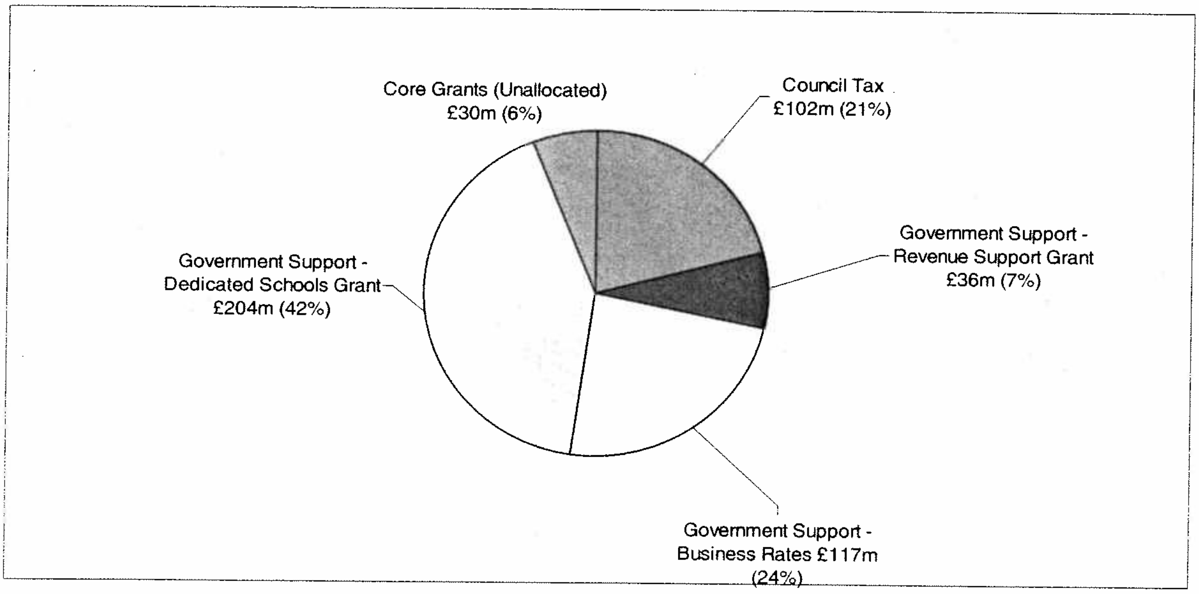
The Council produces an analysis of the variances as part of its Financial Outturn 2011/12 report that went to the Council's Cabinet in June 2012.

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

	Balance at 2010/11 £000	Movement in year	Balance at 2011/12 £000
General Fund			
Schools reserve	2,598	2,474	5,072
Services reserve	4,785	3,633	8,418
Insurance reserve	8,927	(701)	8,226
PFI reserve	7,181	734	7,915
Infrastructure reserve	2,384	28	2,412
General fund transition reserve	1,800	4,581	6,381
Financing reserve	8,542	6,297	14,839
Capital financing/Debt repayment reserve	13,261	0	13,261
Total General Fund	**49,477**	**17,046**	**66,523**
HRA			
Housing Revenue Reserve	7,958	3,656	11,614
Major Repairs Reserve	0	625	625
Total HRA	**7,958**	**4,281**	**12,239**
Total Earmarked	**57,435**	**23,036**	**80,472**

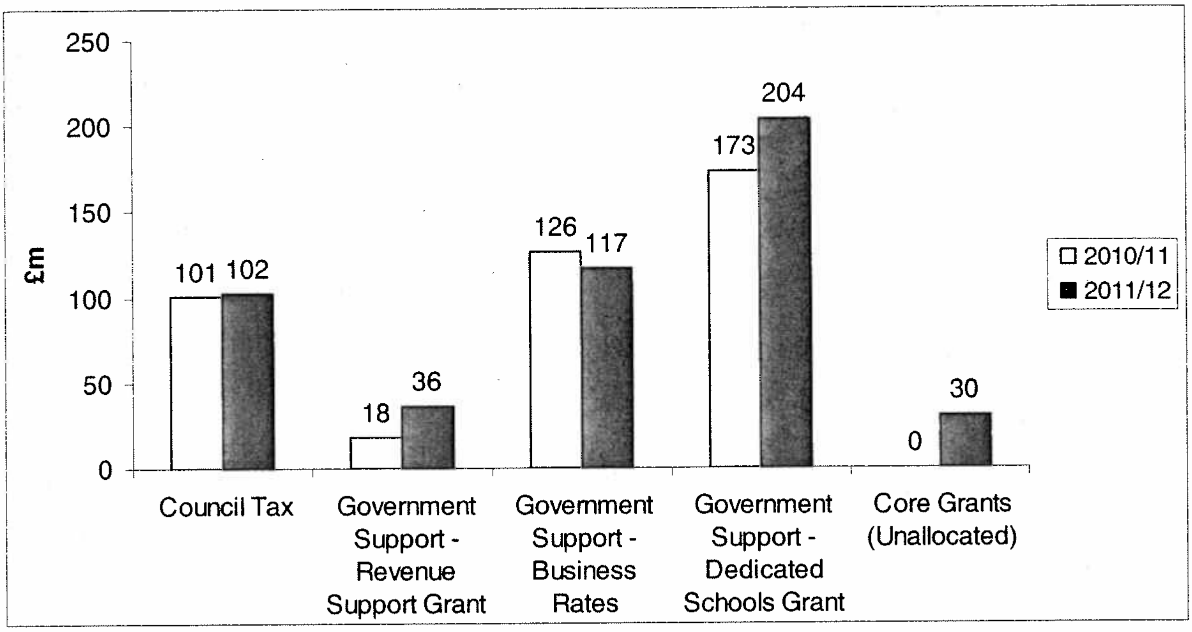
Sources of Revenue Funding 2011/12 – Total £286m

The graph below shows the revenue funding sources of Government Grants, business rates (National Non-Domestic Rates) and Council Tax for the net costs of the spend in 2011/12.



As can be seen from the above, council tax funds only 21% of the full net cost of services.

Sources of Revenue Funding 2011/12 (£489m) and 2010/11 (£418m)

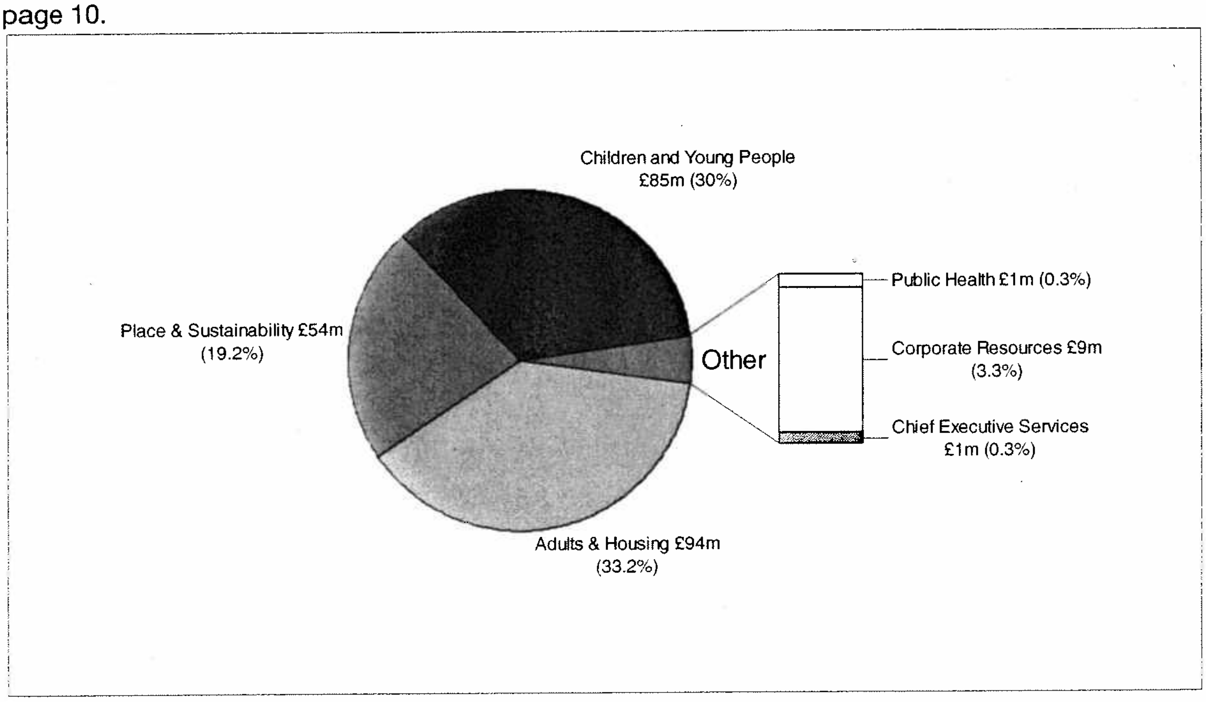


(*) Note that core grants are not included for 2010/11 as these were charged direct to services. From 2011/12 these grants were rolled in with the formula grant.

How the money was spent – Total £286m

The following two graphs show how the Authority's budget was used across each service and then, of the money spent, what it was spent on e.g. staff costs, supplies and services etc.

The graph below shows the net spend on the various services we provide, as detailed in the table on page 10.



Major Influences on the Authority's Income, Expenditure and Cash Flow

A significant proportion of the Authority's revenue funding is derived from Revenue Support Grant and National Non-Domestic Rates (NNDR) from the national NNDR pool. The national sums available in each financial year and the distribution to individual local authorities are determined by central government.

Although the Authority is able to supplement these sources of income through Council Tax, the level of annual Council Tax rises is carefully monitored and controlled by Central Government. From 2012/13 onwards the Council will be required to hold a local referendum if it wishes to raise Council Tax by a greater percentage than a target set by Central Government (5% for 2012/13).

The Authority is able to generate additional income from provision of certain services to the public, however, in many cases the charges for such services are nationally determined or they are charges for demand led services which may result in a reduction in income if fees and charges for these are increased too much.

The Housing Revenue Account (HRA) – How Housing Rents are used

The Housing Revenue Account is a statement of the income and expenditure on council housing. The Authority is the landlord for 16,262 dwellings and the income and expenditure relating to these is ring-fenced, that is the Authority is prevented by legislation from subsidising the cost of Council Housing from its General Fund. The Housing Revenue Account services are primarily funded from rents (£76.691 million), charges for services (£21.293 million) and government grant (£14.418 million). The total funding requirement is £112.4 million.

In 2011/12, after allowing for costs, which include £23.9 million on repairs and maintenance and £37.6 million on supervision and management, there was a surplus of £3.6 million on the account.

Capital Investment

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

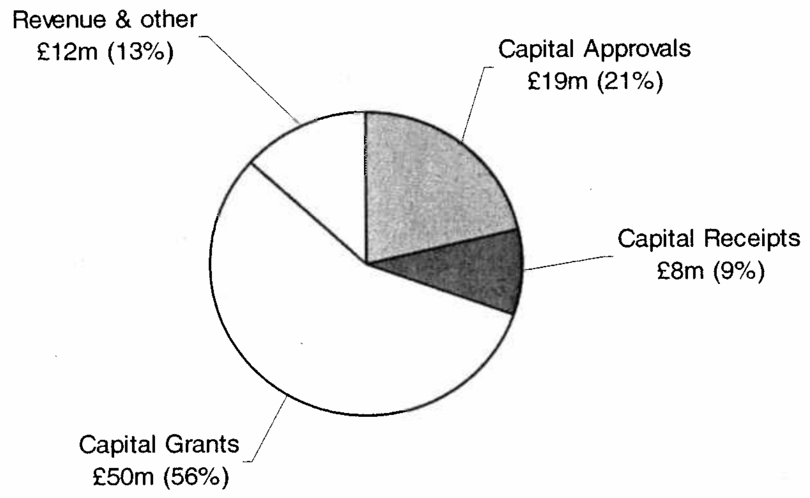
In 2011/12, the Authority planned to spend £98m on its assets, as shown in the following table. The actual expenditure was £85m. The total long-term debt of the Authority is £325 million and relates to capital investment which the Council has undertaken in the current and previous years. 70% of this debt relates to investment in council housing.

Directorate	**Budget £'000**	**Outturn £'000**	**Variance £'000**
Adults & Housing	3,971	4,485	514
Corporate Resources	6,725	1,780	(4,945)
Children & Young People	35,734	30,422	(5,312)
Place & Sustainability	17,285	14,338	(2,947)
HRA Housing	34,911	34,039	(872)
Total	**98,625**	**85,063**	**(13,562)**

The principal reasons for the variance between the outturn and capital budget are detailed in the Financial Outturn 2011/12 report that went to the Council's Cabinet in June 2012.

Capital Financing – Total £89m

The following diagram details how the capital expenditure in 2011/12 was financed.



Significance of any pensions liability or asset disclosed in the statements

The Pension Fund is part of the Local Government Pension Scheme and funds the pensions and receives contributions from members of the scheme and employer bodies. In 2011/12, the Fund made payments to pensioners of £42.0 million and received contributions of £44.5 million (£9.4 million from members and £35.0 million from the employers).

The net amount chargeable to the General Fund and Housing Revenue Account is the net amount payable for the year in accordance with the statutory requirements governing the Pension Fund. Where this amount does not match the amount charged to the Comprehensive Income and Expenditure Statement any difference is transferred to the pensions reserve on the balance sheet via the Movement in Reserves Statement.

The Council's share of the Fund has been valued at £638.6 million, most of which is invested in the stock market. In 2011/12 the Fund assets increased in value by £45.9 million. The Pension Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's assets to meet its long term obligations. The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2010 in a report dated 31 March 2011.

Material or Unusual Charge or Credit in the Accounts

There are a number of unusual and significant transactions that have occurred in 2011/12 which are outlined below. Further detail on these items can be found within the detailed notes to the accounts.

- Reduction in overall debt of £233.850m. As from 1st April 2012 the Government has introduced a new arrangement for the financing of the Housing Revenue Account (HRA). The biggest impact of this change for Haringey Council is the removal of housing subsidy received, from 1 April 2012 and the repayment by Government of a large part of the Council's debt. The debt repayment element of this occurred on 28th March 2012 and therefore the transactions appear in the 2011/12 accounts, and is funded by a grant from Central Government, resulting in a net nil impact on the bottom line of the accounts. As a result the Council's overall outstanding debt has reduced from £580.760m in 2010/11 to £325.130m in 2011/12.
- Transfer of schools to academy status – During 2011/12 two Haringey Schools (Alexandra Park Secondary and Woodside High) have transferred out of local authority control to academy status. The result of this transfer is the values of these assets are written out of the council's accounts and are treated as an asset disposal. The value of the two assets is

£53.2m. Currently there are plans for 4 further transfers to academy status in 2012/13, with a current asset value of £14.9m.

- Civil disturbances – In August 2011 a number of significant civil disturbances occurred across the country, including in Tottenham. As a result a number of Council buildings were damaged and either required significant repairs or demolition which has resulted in impairments to the value of the assets occurring.
- In April 2011 the Icelandic District Court decided that local authority deposits in Landsbanki and Glitnir Bank had priority status. The decision was subsequently upheld by the Icelandic Supreme Court following an appeal in October 2011. This means the expected recovery rates for the Council's deposits are now 100% for Glitnir and 98% for Landsbanki. Following these announcements the first distributions from Glitnir and Landsbanki were received. The administrators of Heritable Bank continued to make distributions during the year and their current base case is a recovery rate of 86-90% of the amounts originally invested. By 31st March 2012, £17.5m had been returned to the Council with a further £2.7m paid into escrow, which in total makes up 55% of the total amount originally invested of £36.9m.

Changes to the Accounts

For 2011/12 there have been limited changes to the accounts, following the implementation of International Financial Reporting Standards (IFRS) in 2010/11. Any changes to the 2011/12 accounts are detailed below.

Heritage Assets

A new requirement for 2011/12 is to account for heritage assets. A heritage asset is 'a tangible asset with historical, artistic, scientific, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture, or an intangible asset with cultural, environmental or historical significance.' Examples are historic buildings and museum artefacts. As this is a change in accounting policy a prior period adjustment will be made for the estimated value of these assets as at 31 March 2011.

Statement of Responsibilities

The Authority's responsibilities

The Authority 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 this Authority 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.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority'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 this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the 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.

Statement of the Chief Financial Officer

I certify that the financial statements set out in sections 3 & 4 have been prepared in accordance with the accounting policies set out in note 1 and give a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31st March 2011.

Kevin Bartle, CPFA
Assistant Director of Finance / Chief Financial Officer
28th September 2012

SECTION 2

ANNUAL GOVERNANCE STATEMENT

2011/12

Annual Governance Statement 2011/12

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 2011, in relation to the publication of an Annual Governance Statement.

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 31st March 2012 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

The Council's Rethinking Haringey: One Borough, One Future paper, published in January 2011, set out our commitment to promoting equality, tackling disadvantage and improving the life chances of residents, especially those who are the most vulnerable.

This Council Plan adopts the vision set out below and explains how it will be achieved:

Vision:
'One Borough, One Future:
Reducing inequalities - ambition for the better society'

The priorities set out in the Council Plan are in line with elected Member ambitions for the borough. The Plan will receive endorsement from Cabinet in June 2012 and full Council in July.

The Council Plan for 2011–2012 was published on the Council's website and monitored and reported using the corporate performance framework. The Council Plan is updated on an annual basis and the Council's objectives are informed by what residents and service users say and their views are captured in our annual residents' survey. The Council Plan for 2012–2014 will be published on the Council's website and will be monitored and reported using the corporate performance framework, as before.

During August 2011, serious public disorder took place in various locations in the borough. The Council responded immediately to assist those residents and businesses who had suffered losses and engaged with a wide variety of community groups and stakeholders to provide ongoing advice and assistance. Subsequently, the Council has begun a programme of regeneration which has undergone consultation with a wide number of residents, businesses, and other stakeholders. The 'I love Tottenham' campaign and wider regeneration programme has been communicated across the authority to set out the intended outcomes for the area.

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

During 2010/11 and 2011/12 the Council has transformed its approach to delivering services, adapting them to meet the changing needs of residents, targeted to those who need them most. In tackling the dramatic budget reductions, the Council has responded to the challenge by adopting the vision 'one borough one future: reducing inequalities – working for a better society'.

The vision is underpinned by five priorities:
1. Work with local businesses to create jobs
2. Deliver regeneration to key areas of the borough
3. Tackle the housing challenges
4. Improve school standards and outcomes for young people
5. Deliver responsive, high quality services to residents

Consultation with residents undertaken between November 2011 and January 2012 showed that two thirds agreed with the priorities, with over 80% in support of our plans to grow local jobs by working with local businesses, improve outcomes for young people and cultivate a culture of excellence. These priorities will form our major programmes of work for the period 2012-14.

All the Council's business and financial planning documents reflect its vision and objectives. Delivery of these is through an annual business and financial process, which was subject to full consultation and review by the Council's Overview and Scrutiny Committee, formal adoption by the Cabinet and approval by the Council during 2011/12.

The Council's Medium Term Financial Plan (MTFP) 2011-2014 sets out the three year budget for the Council and contains plans for achieving the required budget reductions resulting from the funding shortfall in this year's financial settlement for Haringey. The MTFP is reviewed and updated on an annual basis to provide a rolling three year planning period.

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

In facing up to the current financial challenges Haringey Council continues to strive for the improved well-being of local people. To achieve this we are targeting the use of resources and exploring ways of delivering better services for less money within a framework of delivering value for money and efficiency across all services. The Council is transforming service delivery and making changes quickly, whilst ensuring that its resources achieve the best outcomes. An outcomes based performance management framework was put in place for 2011/12 which sets out how the Council will move from a top down approach, focusing on inputs and outputs, to an outcomes focused performance, based on the vision of the Council and the delivery of its priorities.

The Cabinet received regular reports during 2011/12 highlighting key financial and performance management information which allowed them to effectively monitor compliance with all key policies and Council objectives. The reports contain 'Traffic light' ratings which provide assurances for Members against key performance indicators. Cabinet agendas, reports and minutes are all available on the Council's website. An independent tracker survey of a representative sample of residents and service users will be completed quarterly 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.

The Council's scheme of delegation to officers has been fully reviewed to take into account the restructure as a result of Re-Thinking Haringey. A Governance Review in 2010/11 resulted in the consolidation of nine non-executive committees into five, approved at Full Council on 23 May 2011. The cross-party Delivery Group met during 2011/12 to evaluate the outcomes of the 2010/11 Governance Review. A consultation exercise, the 'Governance Review Evaluation', was held for four weeks during February and March 2012 to obtain the views of residents, councillors, Council officers and key stakeholders. The recommendations of the evaluation review and feedback from the consultation exercise has subsequently been provided to Full Council in May 2012. This included consideration of a revised Standards Committee to take effect from 1 July 2012 in accordance with the Localism Act 2011. Recommendations from the evaluation of the governance review are also likely to include changes to the frequency of the Corporate Committee meetings and increased training for committee members.

The Delivery Group also requested a scoping study be undertaken of Committees and Council Bodies that were not originally considered as part of the Governance Review, including committees of the Cabinet. This study was to ensure Committees are operating effectively and not duplicating work. The recommendations of the Delivery Group in relation to these have also been provided to Full Council in May 2012.

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 Monitoring Officer submitted a revised draft code of conduct and complaints procedure to the Council's Standards Committee to Full Council for approval in May 2012 to enable the new provisions to be implemented immediately upon the implementation of the new ethical framework anticipated for 1 July 2012. Any necessary revisions arising as a result of imminent Regulations will be submitted to Full Council in July 2012. Whilst there is no obligation to have a Standards Committee, in the interests of transparency, the Council will recommend a proposal to continue with a stand-alone committee.

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 these continued in 2011/12, with articles in Team Brief and Smart Talk.

The Council's arrangements for dealing with allegations against member conduct have been reviewed as a result of the change in regime brought about by the Localism Act 2011, which will become effective on 1 July 2012. The Standards Board regime has been abolished and local authorities have been left to determine their own procedures for handling allegations that members have breached the Code of Conduct. The Council values the independence of the Committee, and given that legislation no longer provides for independent voting members, has retained the capacity for independent members to be co-opted to the newly constituted Standards Committee, to act in an advisory capacity.

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 Review 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 implementation of the new Localism Act

2011 and Health and Social Care Act 2012 will require the Council to review governance arrangements. During 2012/13, the Delivery Group and the Constitution Review Working Group will continue to monitor the governance arrangements within the Council to ensure the requirements of the Acts are appropriately implemented to deal with new powers including neighbourhood planning and community empowerment.

The Council's corporate risk management steering group met on a quarterly basis during 2011/12, 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 Policy and Strategy which is reviewed and updated, where appropriate, 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 business planning and project management processes. 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 Corporate Committee and updated as a result of feedback received. Regular reports were provided to both the Chief Executive's Management Board and the Corporate Committee during 2011/12 detailing compliance with the corporate policy and strategy.

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. 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 arrangement are in place. No governance issues with the requirements of this statement were identified in 2011/12.

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

The functions of an audit committee, as recommended in CIPFA and the Institute of Public Finance guidance, are contained within the remit of the Council's Corporate Committee that was formed in 2011/12. The Corporate Committee received regular reports from internal and external audit and reviewed risk management and governance arrangements during its meetings in 2011/12.

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 and the outcomes of these were reported to the Corporate Committee quarterly during 2011/12.

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.

During 2011/12, the Council updated its Equal Opportunities Policy, developed corporate equality objectives and revised the equalities impact assessment (EqIA) templates and process to reflect the changes in the legislation set out in the Equality Act 2010. An internal audit completed in December 2011 provided assurance that the processes for conducting EqIAs in Haringey were effective and complied with relevant local and statutory requirements. During the year which saw significant budget reductions, 126 EqIAs were completed, none of which resulted in challenges to Council decisions.

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 Corporate Committee received quarterly reports during 2011/12 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 were published during 2011/12 which explained 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.

In January 2012, the Information Commissioner's Office (ICO) undertook a consensual audit of the Council's processing of personal data. The ICO found that "the Council's arrangements for data protection compliance with regard to governance and controls provide a reasonable assurance that processes and procedures are in place and being adhered to." ICO Inspection results are graded in four levels; a score of 'reasonable assurance' represents the second highest rating available.

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

The Council provides a programme of training for members, and all members have access to the Council's corporate training and development programme. Members who sit on the Corporate and Regulatory Committees were offered training in 2011/12 specific to their responsibilities for these committees. Training sessions included planning, licensing, audit, finance, pensions and treasury which were provided by officers during 2011/12.

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. During 2011/12, the Council revised their framework for performance review, updated performance appraisal forms and set out a competency framework for managers' behaviour. During 2011/12, the Council provided 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, as well as a series of senior manager seminars. The Chief Executive also undertook a series of 'face to face' meetings with staff from all departments during 2011/12 to discuss and receive feedback on the 'Rethinking Haringey' programme.

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

The Council's publishes a resident's magazine, Haringey People, six 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.

As part of its budget consultation process, the Council informed, consulted and engaged residents and businesses from November 2011 to January 2012. The consultation was undertaken using both an online and paper questionnaire which included factual information about the Council's budget and its services. In addition, ten public meetings were held where residents were able to put questions and make comments on the Council's budget to the Cabinet Member, effectively influencing the budget process.

Local Area Committees have been operating during 2011/12. These have specific responsibilities and consultative powers and are a vital part of local democratic engagement under the new arrangements.

In 2011/12, the Council commissioned an independent review of partnership arrangements, which recommended a more streamlined approach to partnership working. In response to these recommendations the partnership arrangements in Haringey were simplified with a reduction in the number of partnership bodies. A Joint Leadership Group (JLG) has been established where core partners (the Council's Cabinet and Chief Executive's Management Board, the Police, health service and Jobcentre Plus) meet every six to eight weeks. The JLG provides the opportunity for collective discussion between the Council's political and managerial leadership and core statutory agencies of the key issues facing the borough. The only standing partnership bodies from the previous strategic partnership are the shadow Health and Wellbeing Board and the Community Safety Board with the addition of a Social Inclusion and Worklessness Group.

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 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. In July 2011, the Council published the Voluntary Sector Strategy 2011-2016 setting out how it will work in partnership with voluntary sector organisations.

The Council has continued to work with Alexandra Palace and Park (APP) to ensure that corporate governance arrangements and internal controls were adequate and this was continued during 2011/12. No significant governance or control issues were identified by APP's independently appointed internal auditors during 2011/12.

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 Corporate 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 2011/12, has also reviewed reports from external assessments and actions taken by management to address any recommendations made.

4.3 Children's safeguarding services in Haringey have received positive feedback from inspectors, as part of a comprehensive assessment of all services provided for local children by the Council. The annual assessment of Haringey's children's services by OFSTED highlighted 'good progress' in child protection following both unannounced and announced inspections in 2011. Overall, inspectors found the majority of services for children 'good or better'. OFSTED judged services for children overall to be adequate and the capacity for improvement in both safeguarding and looked after children's services to be good. In March 2012 the Parliamentary Under-Secretary of State for Children and Young Families, formally announced that the Council were out of intervention. In addition the Children and Young People's Service is on track to reduce their budget deficit.

4.4 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 and was approved by the Corporate Committee in July 2011. The key elements of the strategy are monitored by the Corporate Committee on the basis of reports received. The Chair of the Corporate Committee also reviewed the Directorate-level risk registers independently on a regular basis during 2011/12 and gained assurance that high risks were appropriately managed by reviewing the controls in place. In addition, officers on the Council's Risk and Emergency Planning Steering Group reviewed all the identified high risks on a quarterly basis to gain assurance that adequate controls were in place to mitigate the risks. No significant issues or areas of non-compliance with the corporate policy were identified during 2011/12 by officers or members.

4.5 Directors have submitted a statement of assurance covering 2011/12 which is informed by work carried out by departmental managers, internal audit, external assessments and risk management processes. The statements are used to provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. No issues were identified within the statements.

4.6 The Cabinet undertakes monthly reviews of financial performance and regular reviews of 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. During 2011/12, the Council's 'Re-thinking Haringey' programme was implemented and, despite the substantial budget reductions, the Council continued to deliver key services to the borough's residents and achieve a balanced budget.

4.7 The CIPFA statement on the role of the Chief Financial Officer has been incorporated into the Council's overall governance arrangements. During 2011/12, the CFO fulfilled all the requirements set out within the CIPFA statement, and assurance on this was obtained via internal and external audit reviews. No gaps in compliance were identified.

4.8 The Head of Audit and Risk Management provided an Annual Audit Report and opinion for 2011/12, 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. Eleven out of the Council's twelve key financial systems received a 'substantial' assurance rating in 2011/12, with one receiving a 'limited' assurance rating. Seven of the 60 completed system reviews and 10 of the 22 schools audits completed received a 'limited' assurance rating, with the remaining reviews completed receiving 'substantial' assurance ratings. The follow up programme concluded that all but one high priority recommendation had been implemented, with one in the process of being implemented and with appropriate interim controls in place to manage the risk.

4.9 The Council responded effectively to the serious disturbances in August 2011 and engaged successfully with a wide range of its residents and community and faith groups which demonstrated effective governance arrangements after enacting The Council's Emergency Plan. The Council's emergency control centre was set up as the key governance mechanism to liaise with internal departments and external organisations to ensure appropriate actions were taken to address issues as they arose and ensure effective communication to the Chief Executive's Management Board and local residents, businesses and other stakeholders. The Council's Community Assistance Centre was established and fully operational within 48 hours and provided humanitarian and financial assistance and advice to residents and businesses. The support functions were effectively transferred to operational departments when the emergency plan and Community Assistance Centre were decommissioned which provided assurance that all key action points were addressed or had identified action plans in place to deal with ongoing issues.

4.10 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 Corporate Committee, and a plan to implement enhancements and ensure continuous improvement of the system is in place.

5. Significant governance issues

5.1 In 2009/10, 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. No outstanding actions will need to be carried forward to 2012/13. The summary below highlights what the Council has done to address those issues during 2011/12:

- The 'Safeguarding and Looked After Children Plan' (previously the Joint Area Review), which was developed in response to the Joint Area Review in 2008 was formally closed by the Towards Excellence Board in October 2011. The Board were satisfied that actions had been completed and significant progress had been made. As previously mentioned, the outcome of successful implementation of the Safeguarding and Looked After Children Plan has been the removal of government special measures and positive OFSTED inspection reports; and
- The Housing Improvement Board monitored implementation of the recommendations made by the Audit Commission review. There was a further inspection by Audit Commission's which judged the service as "providing a 'fair', one-star service that has excellent prospects for improvement."

5.2 During 2010/11, the Council identified two actions to deal with governance issues, some of which are detailed within the AGS as actions have been taken. The summary below highlights what the Council has done to address those issues during 2011/12:

- Council governance arrangements. An evaluation of the 2011 governance review was undertaken during 2011/12. The outcome of the evaluation review and its recommendations will be presented to Full Council in May 2012. The Council will continue to monitor governance arrangements during 2012/13 in response to new legislation requirements. Actions for this are detailed below; and
- Financial and information management arrangements. The Council has achieved a balanced budget for 2011/12 and has been independently assessed has having adequate information management and security arrangements. The Council will continue to monitor its financial management arrangements on an ongoing basis as part of its routine processes; no further actions are proposed for 2012/13.

5.3 No significant governance issues from 2011/12 are reported. However, the Council will be working in the coming year to ensure governance arrangements are in place and effective in a number of key areas, and these are set out in the action plan below. The action plan will be monitored during the year to ensure all actions are appropriately addressed.

Issue	Action	Responsibility	Due date
Implementation of the Localism Act 2011	Ensure that the requirements of the legislation are appropriately reviewed and implemented during 2012/13, with appropriate monitoring mechanisms in place to ensure that risks and relevant regulations are appropriately managed and addressed and relevant officers and members receive adequate training to enable them to carry out their responsibilities.	Chief Executive	In accordance with legislation requirements
Implementation of the Social Care Act 2012	Ensure that the requirements of the legislation are appropriately reviewed and implemented during 2012/13, with appropriate monitoring mechanisms in place to ensure that risks and relevant regulations are appropriately managed and addressed to enable the effective transfer of the Public Health function fully to the local authority.	Director of Public Health	March 2013
Evaluation of the Governance Review	Ensure that the recommendations of the Review Group are implemented following Full Council approval, with appropriate review mechanisms in place to ensure that the Council governance processes meet its objectives.	Assistant Chief Executive	March 2013
Regeneration Programme following the riots	Ensure that the Regeneration Programme following the 2011 riots has appropriate governance structures, reporting and authorisation processes, and financial and resource monitoring processes in place in order to deliver the agreed outcomes and objectives.	Director of Place and Sustainability	March 2013
Children and Young People's Service	Formalise and implement the statutory responsibilities for the Children's Trust with the Health and Wellbeing Board.	Director of Children and Young People's Service	March 2013
Shared Services arrangements	Agree the form of governance and ensure that there are effective operational arrangements in place between preferred partners.	Assistant Chief Executive	March 2013

Councillor Claire Kober
Leader of the Council

Stuart Young
Assistant Chief Executive

SECTION 3

THE STATEMENT OF ACCOUNTS

2011/12

Movement in Reserves Statement 2011/12

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Additional detail on these reserves is given in note 24 and note 25. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Adjustments Between Accounting Basis and Funding Basis under Regulations' accounts for this difference and is detailed in note 7. The "Net Increase /Decrease before Transfers to Earmarked Reserve"s line shows the increase or decrease on the General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £000	Capital Receipts Reserves £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance At 31st March 2011	(10,617)	(49,477)	(7,958)	-	(4,729)	(21,613)	(94,394)	(404,650)	(499,044)
Movement in reserves during 2011/12									
Surplus Or Deficit On Provision Of Services (accounting basis)	25,633		(215,528)	-			(189,895)		(189,895)
Other Comprehensive Expenditure And Income	-	-	-	-	-	-	-	106,940	106,940
Total Comprehensive Expenditure And Income	25,633	-	(215,528)	-	-	-	(189,895)	106,940	(82,955)
Adjustments Between Accounting Basis And Funding Basis Under Regulations	(47,407)	-	211,872	(625)	3,989	8,023	175,852	(175,852)	-
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	(21,774)	-	(3,656)	(625)	3,989	8,023	(14,043)	(68,912)	(82,955)
Transfers To/(From) Earmarked Reserves	17,046	(17,046)					-	-	-
(Increase)/Decrease In Year	(4,728)	(17,046)	(3,656)	(625)	3,989	8,023	(14,043)	(68,912)	(82,955)
Balance At 31st March 2012	(15,345)	(66,523)	(11,614)	(625)	(740)	(13,590)	(108,437)	(473,562)	(581,999)

Movement in Reserves Statement 2010/11

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £000	Capital Receipts Reserves £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance At 31st March 2010	(10,515)	(56,896)	(8,550)	(817)	(2,589)	(21,527)	(100,894)	(404,802)	(505,696)
Surplus Or Deficit On Provision Of Services (accounting basis)	(150,858)	-	340,193	-	-	-	189,335	-	189,335
Other Comprehensive Expenditure And Income	-	-	-	-	-	-	-	(182,683)	(182,683)
Total Comprehensive Expenditure And Income	(150,858)	-	340,193	-	-	-	189,335	(182,683)	6,652
Adjustments Between Accounting Basis And Funding Basis Under Regulations	159,059	-	(340,485)	817	(2,140)	(86)	(182,835)	182,835	-
Net Increase/Decrease Before Transfers To Earmarked Reserves	8,201	-	(292)	817	(2,140)	(86)	6,500	152	6,652
Transfers To/From Earmarked Reserves	(8,303)	7,419	884	-	-	-	-	-	-
Increase/Decrease In Year	(102)	7,419	592	817	(2,140)	(86)	6,500	152	6,652
Balance At 31st March 2011	(10,617)	(49,477)	(7,958)	-	(4,729)	(21,613)	(94,394)	(404,650)	(499,044)

Comprehensive Income and Expenditure Statement

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

2010/11				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
352,308	(284,180)	**68,128**	Education Services	296,938	(266,495)	**30,443**
73,324	(14,097)	**59,227**	Children's Social Care	70,831	(6,463)	**64,368**
112,534	(27,590)	**84,944**	Adult Social Care	104,034	(16,387)	**87,647**
309,247	(296,292)	**12,955**	Housing Services - General Fund	314,844	(301,452)	**13,392**
420,000	(108,566)	**311,434**	Housing Services - Housing Revenue Account	105,517	(112,402)	**(6,885)**
75,151	(28,125)	**47,026**	Cultural, Environmental and Planning Services	62,503	(24,111)	**38,392**
31,312	(16,289)	**15,023**	Highways, Roads and Transport Services	35,696	(19,186)	**16,510**
19,662	(37,778)	**(18,116)**	Central Services	43,100	(40,922)	**2,178**
109,492	(70,583)	**38,909**	Corporate and Democratic Core	84,933	(67,156)	**17,777**
(110,762)	(595)	**(111,357)**	Non-Distributed Costs	806	(680)	**126**
1,392,268	**(884,095)**	**508,173**	**Cost of Services**	**1,119,202**	**(855,254)**	**263,948**
10,065	(1,493)	8,572	Other Operating Expenditure (Note 9)	49,741	-	**49,741**
			Financing and Investment Income and Expenditure (Note 10)			
-	-	-	*- HRA Self Financing debt settlement*	60,474	-	**60,474**
62,232	(8,192)	54,040	*- Other*	54,483	(5,160)	**49,323**
			Taxation and Non-Specific Grant Income (Note 11)			
-	-	-	*- HRA Self Financing debt settlement*	-	(298,324)	**(298,324)**
-	(381,450)	(381,450)	*- Other*	-	(315,057)	**(315,057)**
		189,335	**(Surplus)/Deficit on Provision of Services**			**(189,895)**
		(66,221)	(Surplus)/Deficit on Reval'n of Fixed Assets			41,199
		(111,319)	Actuarial (Gains)/Losses on Pension Assets/Liabilities			65,741
		1,705	Other Comprehensive Income and Expenditure			-
		13,500	**Total Comprehensive Income and Expenditure**			**(82,955)**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

1st April 2010 £'000	31st March 2011 £'000		Notes	31st March 2012 £'000
1,727,561	1,521,264	Property, Plant and Equipment	12	1,432,359
4,054	4,056	Heritage Assets	13	6,061
48,099	52,706	Investment Property	14	50,774
1,785	1,237	Intangible Assets	15	1,086
440	540	Assets Held for Sale	21	5,603
438	2,462	Long Term Debtors	19	2,334
1,782,377	**1,582,265**	**Long Term Assets**		**1,498,217**
28,737	24,117	Short Term Investments	16	15,105
122	89	Inventories	17	44
88,612	70,955	Short Term Debtors	19	63,825
17,754	33,755	Cash and Cash Equivalents	20	17,152
135,225	**128,916**	**Current Assets**		**96,126**
-	(14,462)	Cash and Cash Equivalents Overdrawn	20	(15,762)
(65,472)	(64,933)	Short Term Borrowing	16	(78,515)
(70,145)	(75,496)	Short Term Creditors	22	(68,892)
(3,009)	(21,174)	Provisions	23	(8,434)
(138,626)	**(176,065)**	**Current Liabilities**		**(171,603)**
(4,494)	(2,386)	Long Term Provisions	23	(2,804)
(587,254)	(580,760)	Long Term Borrowing	16	(325,130)
(648,712)	(429,816)	Other Long Term Liabilities	39	(498,771)
(25,816)	(23,110)	Capital Grants Receipts in Advance	40	(14,036)
(1,266,276)	**(1,036,072)**	**Long Term Liabilities**		**(840,741)**
512,700	**499,044**	**Net Assets**		**581,999**
103,844	94,394	Usable Reserves	24	108,438
408,856	404,650	Unusable Reserves	25	473,561
512,700	**499,044**	**Total Reserves**		**581,999**

An opening balance sheet is required by IAS 8, where there has been a change to accounting policies for which there is a material impact. The above restatement reflects the requirements of the 2011 Code of Practise in relation to Heritage Assets. Further details of the effect of this adjustment are disclosed in Note 54 to the accounts.

Cash Flow Statement

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

2010/11 £'000		2011/12 £'000
189,334	Net (surplus) or deficit on the provision of services	(189,895)
(241,842)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	(108,109)
(52,508)	Net cash flows from Operating Activities	**(298,004)**
43,809	Investing Activities (Note 26)	70,916
7,160	Financing Activities (Note 27)	244,991
(1,538)	**(Increase)/Decrease in Cash and Cash Equivalents**	**17,903**
17,755	Cash and cash equivalents at the beginning of the reporting period	19,293
19,293	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**1,390**

Notes to the Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice (SERCOP) 2010/11, supported by International Financial Reporting Standards (IFRS) and Statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority,
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority,
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet,
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made,
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract, and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are, highly liquid investments that mature in (specified period no more than three months) or less from the date of acquisition and that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

1.4 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6 Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no ,
- accumulated gains in the Revaluation Reserve against which the losses can be written off, and
- amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance called Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits

1.7.1 Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages, salaries, paid annual leave and paid sick leave,bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.7.3 Post Employment Benefits

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
The Local Government Pensions Scheme, administered by Haringey Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.
However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

1.7.4 The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Haringey pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.8% (based on the Boxx Sterling Corporates AA Over 15 Years Index).
- The assets of Haringey pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the FinanciComprehensive Income and Expenditure Statement
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – are taken through the Comprehensive Income and Expenditure Statement and reversed via the Pensions Reserve,
- Contributions paid to the Haringey pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to

1.7.5 Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Financial Instruments

1.9.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.9.2 Financial Assets

Financial assets are classified into two types:

- Loan and Receivables - assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

1.9.2.1 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a limited number of loans to employees and voluntary organisations at less than market rates (soft loans). The Authority has determined that the value of the notional interest foregone is negligible and so has not adjusted the entries to the Income and Expenditure in respect of these soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.9.2.2 Available for Sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company
- Valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.9.3 Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March 2012. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:
the Authority will comply with the conditions attached to the payments, and
the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.11 Community Infrastructure Levy

The Mayor of London has elected to charge a Community Infrastructure Levy (CIL), for which the Council acts as agent. The levy will be charged on new builds (chargeable developments within the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge on behalf of the Mayor of London, and pays the amounts over at specified dates throughout the year. This is an agency arrangement and therefore income and expenditure is not shown the Council's primary statements beyond those costs incurred as part of collection, for which the Council can recover.

1.12 Heritage Assets

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note 1.19 in this summary of significant accounting policies. The trustees of the Authority's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

1.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The Authority has a capitalisation threshold of £10,000.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.14 Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

The Authority has a financial relationship with a number of companies and so is required to prepare group accounts. All the companies with which Haringey has a relationship have been assessed against the group account requirements and Homes for Haringey and Alexandra Park and Palace Charitable Trust are 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.

1.15 Inventories and Long Term Contracts

Inventories (stock) are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.17 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

1.18 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

a) The Authority as Lessee

i. Finance Leases

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

Lease payments are apportioned between:
- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

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

ii. Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

b) The Authority as Lessor

i. Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal),matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

ii. Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.19 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.20 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

1.20.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred. The Council has a capitalisation threshold of £10,000 and allows the capitalisation of staffing costs that are directly associated with delivering of the capital schemes. The Council does not recognise Voluntary-aided or Foundation schools on its balance sheet.

1.20.2 Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:
infrastructure, community assets and assets under construction – depreciated historical cost
dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:
where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

1.20.3 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is

Where impairment losses are identified, they are accounted for by:

where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.20.4 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated, after the year of acquisition or enhancement, on the following bases:

dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer

vehicles, plant, furniture and equipment – straight-line allocation over 5 years

infrastructure – straight-line allocation over 30 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.
Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.20.5 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations (where material) that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.20.6 Treatment of School Assets

The accounting treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community schools and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided, controlled and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council.

Capital expenditure on community schools is added to the balances for those schools. Capital expenditure on voluntary aided, controlled and foundation schools is treated as "REFCUS" (Revenue from Capital under Statute") expenditure and written off each year to the Comprehensive Income and Expenditure Statement within Education and Children's services.

Individual schools' balances at 31st March 2012 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

1.20.7 PFI Schemes

The Council has a number of schools subject to PFI contracts. The PFI buildings for community and schools are shown on the Council's balance sheet. The buildings for the voluntary aided, controlled foundation and academy schools are derecognised as the control of the right to use the buildings has passed to the school trustees and foundation bodies. The PFI liabilities in respect of all PFI schools remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

1.21 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge of 5.13~~x~~% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.22 Provisions and Contingent Liabilities and Contingent Assets

i. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

ii. Provision for Back Pay Arising from Unequal Pay Claims

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

iii. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed as a note in the accounts (Note 49).

iv. Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential (Note 50).

1.23 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

1.24 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.25 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.26 Carbon Reduction Commitment Allowances

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Accounting Standards that have been issued but not yet adopted

There are no issued accounting standards that are yet to be adopted.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- The Authority has £27m deposited with Icelandic Banks. The predictions concerning recovery for amounts from two of the banks, Landsbanki and Glitnir, are based on legal advice that the Council's deposits have priority status.
- The authority has elected to use projected capital spend as a proxy for depreciation for Council Dwellings as permitted by statue, and
- The authority has determined that for all lease and lease-type arrangements, where the annual payment at lease inception is £50k or less, it would be immaterial to the accounts to distinguish between finance and operating leases. Thus any such arrangement will in effect be treated as an operating lease, and expensed as incurred.
- The bases of other critical adjustments relating to PFI Unitary Charge allocation, provisions, accruals and bad debt provisions, are set out in the associated notes to the accounts.

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

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- items relating to the Pension Fund liability and reserve: the liability held on the balance sheet is subject to actuarial estimation; some of the detail behind the estimates used by the actuaries are shown in note 47, and
- non-current asset valuation and useful economic life: estimates are made by valuers based on experience of the past markets for housing and property; please refer to note 12.

5. Material Items of Income and Expense

HRA Self Financing

On 5 October 2010 the Government announced in a Written Ministerial Statement its intention to replace the Housing Revenue Account subsidy system with a devolved system of council housing finance called self-financing.

As part of this move, the Government has determined that £233.85m of debt was in relation to the Council's housing portfolio, and repaid these on behalf of the Council. This is recognised as a Capital Grant on the face of the HRA Income and Expenditure Statement, and is transferred to the Capital Adjustment Account through the Statement of Movement on the Housing Revenue Account balance, to ensure a neutral impact on the fund. Additionally, as part of this transaction the Authority incurred a premia on debt redemption totalling £60.47m which is recognised on the Interest Payable line of the HRA Income and Expenditure Statement. To neutralise the impact on the fund, and in accordance with the directions by the Secretary of State, the Council has recognised a capital grant for the same amount.

Academy Schools

During the year, two schools (Alexandra Park and Woodside High) elected to take up Academy status. As a result, the Council has granted long term leases of associated assets, and derecognised them from the Authority's asset base. The loss on derecognition for 2011/12 was £53.25m.

6. Post Balance Sheet Events

There are no post balance sheet events.

7. Adjustments Between Accounting Basis And Funding Basis Under Regulations

This note on the following pages details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following notes detail the adjustments for the financial years 2011/12 and 2010/11.

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	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(21,799)	(18,137)				**39,936**
Revaluation losses on Property Plant and Equipment	(16,951)	(22,183)				**39,134**
Movements in the market value of Investment Properties	1,263					**(1,263)**
Amortisation of intangible assets	(463)					**463**
Capital grants and contributions applied	33,289	235,499				**(268,788)**
Revenue expenditure funded from capital under statute	(8,608)	(2,008)				**10,616**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(44,209)	(1,882)				**46,091**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	14,202					**(14,202)**
Capital expenditure charged against the General Fund and HRA balances	918					**(918)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						
Application of grants to capital financing transferred to the Capital Adjustment Account					8,023	**(8,023)**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,327	3,829	(5,156)			**-**
Use of the Capital Receipts Reserve to finance new capital expenditure			8,375			**(8,375)**
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	(35)		35			**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(735)		735			**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(96)					**96**

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2011/12 Page ii of ii	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA				12,997		**(12,997)**
Use of the Major Repairs Reserve to finance new capital expenditure		13,622		(13,622)		-
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(135)	3,133				**(2,998)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(37,953)	(180)				**38,133**
Employer's pensions contributions and direct payments to pensioners payable in the year	33,599	179				**(33,778)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,934)	-	-	-	-	**1,934**
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-		-	-	-	-
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	913	-	-	-	-	**(913)**
Total Adjustments	(47,407)	211,872	3,989	(625)	8,023	**(175,852)**

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	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(20,053)					**20,053**
Revaluation losses on Property Plant and Equipment	(19,554)	(346,640)				**366,194**
Movements in the market value of Investment Properties	4,430					**(4,430)**
Amortisation of intangible assets						
Capital grants and contributions applied	78,635				16,040	**(94,675)**
Movement in the Donated Assets Account						
Revenue expenditure funded from capital under statute	(16,398)					**16,398**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,493		(10,540)			**9,047**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	13,321					**(13,321)**
Capital expenditure charged against the General Fund and HRA balances	513	1,912				**(2,425)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	16,126				(16,126)	
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Use of the Capital Receipts Reserve to finance new capital expenditure			6,451			**(6,451)**
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,949)		1,949			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						

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2010/11 Page ii of ii	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA				(12,909)		**12,909**
Use of the Major Repairs Reserve to finance new capital expenditure				13,726		**(13,726)**
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(162)	3,278				**(3,116)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	70,532	965				**(71,497)**
Employer's pensions contributions and direct payments to pensioners payable in the year	33,358					**(33,358)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,714)					**1,714**
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	481					**(481)**
Total Adjustments	159,059	(340,485)	(2,140)	817	(86)	**182,835**

8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 01/04/2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31/03/2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31/03/2012 £000
General Fund							
Schools reserve	4,407	(1,809)		2,598		2,474	5,072
Services reserve	930	(930)	4,785	4,785	(2,734)	6,367	8,418
Insurance reserve	8,643		284	8,927	(701)		8,226
PFI reserve	5,978		1,203	7,181	(703)	1,437	7,915
Infrastructure reserve	1,633		751	2,384		28	2,412
Transition reserves	10,160	(9,863)	1,502	1,800		4,581	6,381
Financing reserve	7,710	(434)	1,265	8,541	(83)	6,380	14,838
Debt repayment	17,434	(4,173)		13,261			13,261
Total General Fund	56,895			49,477			66,523
HRA							
Housing Repairs Account	8,550	(886)	294	7,958		3,656	11,614
Major Repairs Reserve	817	(13,726)	12,909	0	(12,997)	13,622	625
Total HRA	9,367			7,958			12,239
Total Earmarked	66,262			57,435			78,762

The **Schools Reserve** - 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 authority and can only be

These requirements have been fully taken account of in Haringey's Scheme for Financing Schools and applied since April 2008. There was no claw-back of balances in 2011/12.

The **Services Reserve** the Council's Cabinet may approve specific carry forwards for services where under or over spends have occurred in the financial year. This reserve earmarks those funds to be carried forward to the following financial year.

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

The **PFI Reserve** – used to fund future years' capital investment in the schools that were part of the Haringey PFI scheme. In the early years of the scheme this reserve will increase year on year in order to fund capital investment in the later years of the scheme.

The **Infrastructure Reserve** – the Authority has built into base budgets limited provision for the planned maintenance and renewal of certain assets as, by their nature these costs are irregular in their occurrence. The infrastructure reserve spreads the charge to revenue for this type of expenditure.

The **Transition Reserve** – The Transition Reserve is specifically earmarked for the costs associated with the Council's restructuring and savings programme. This Reserve is to fund the associated transition costs of redundancies, decommissioning, and investment necessary to deliver longer term efficiencies and change, as agreed by the Council as part of its Medium Term Financial Strategy.

The Financing Reserve - The financing reserve is a key tool for managing the impact of financial plans from one year to another. This reserve requires balances to be at different levels year to year depending on the demand as identified through previous and current budget plans.

The HRA Major Repairs Reserve – The balance on this reserve represents the amount unspent of the major repairs allocation (MRA) and will be used for future housing capital spend.

The Debt Repayment / Capital Reserve – represents funds the Authority has set aside for the potential repayment of debt and for funding of future capital expenditure.

9. Other Operating Expenditure

The following table provides an analysis of the "Other Operating Expenditure" line in the Comprehensive Income and Expenditure Statement:

2010/11 £'000		2011/12 £'000
8,116	Levies	7,933
1,949	Payments to the Government Housing Capital Receipts Pool	736
(1,493)	(Gains)/Losses on the disposal of non-current assets	41,072
8,572	**Total**	**49,741**

10. Financing And Investment Income And Expenditure

The following table provides an analysis of the "Financing and Investment Income and Expenditure" line in the Comprehensive Income and Expenditure Statement:

2010/11 £'000		2011/12 £'000
43,421	Interest payable and similar charges	103,250
18,811	Pensions interest cost and expected return on pensions assets	11,707
(1,551)	Interest receivable and similar income	(2,315)
(4,813)	Income and expenditure in relation to investment properties and changes in their fair value	(1,263)
(1,828)	Other investment income	(1,582)
54,040	**Total**	**109,797**

11.Taxation And Non-Specific Grant Income

The following table provides an analysis of the "Taxation and Non-Specific Grant Income" line in the Comprehensive Income and Expenditure Statement

2010/11 £'000		2011/12 £'000
(99,257)	Council tax income	(100,566)
(126,287)	Non domestic rates	(117,043)
(61,145)	Non-ringfenced government grants	(66,510)
(94,761)	Capital grants and contributions	(329,262)
(381,450)	**Total**	**(613,381)**

12. Property, Plant And Equipment

The value of non-current assets shown on the balance sheet represents the value of assets held by the Authority.

Property, Plant & Equipment 2011/12

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant & Equipment**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation								
At 1st April 2011	775,864	555,258	39,186	177,185	8,239	1,376	26,329	**1,583,437**
Additions	33,459	16,321	3,543	7,743	4,244	40	13,198	**78,548**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,268	(67,093)	-	-	-	-	-	**(61,825)**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(22,280)	(14,612)	-	-	-	-	-	**(36,892)**
Disposals	(724)	(43,069)	-	-	-	(2)	-	**(43,795)**
Reclassifications	1,205	5,277	985	193	26	2,589	(6,566)	**3,709**
Assets reclassified (to)/from Held for Sale	(224)	-	-	-	-	(6,418)	-	**(6,642)**
Other movements in Cost or Valuation	-	3,062	-	-	-	6,378	-	**9,440**
At 31st March 2012	**792,568**	**455,144**	**43,714**	**185,121**	**12,509**	**3,963**	**32,961**	**1,525,980**
Accumulated Depreciation and Impairment								
At 1st April 2011	-	3,080	(25,786)	(44,742)	-	5,275	-	**(62,173)**
Depreciation Charge	(17,958)	(12,757)	(4,024)	(5,054)	-	-	-	**(39,793)**
Depreciation written to the revaluation reserve	17,958	586	-	-	-	-	-	**18,544**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	143	-	-	-	-	-	**143**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(500)	-	-	-	-	-	**(500)**
Disposals	-	1,586	-	-	-	-	-	**1,586**
Reclassifications	-	(2,446)	-	-	-	472	-	**(1,974)**
Other movements in Depreciation and Impairment	-	(3,080)	-	-	-	(6,374)	-	**(9,454)**
At 31st March 2012	**-**	**(13,388)**	**(29,810)**	**(49,796)**	**-**	**(627)**	**-**	**(93,621)**
Net Book Value								
At 31st March 2012	792,568	441,756	13,904	135,325	12,509	3,336	32,961	**1,432,359**
At 31st March 2011	775,864	558,338	13,400	132,443	8,239	6,651	26,329	**1,521,264**

Property, Plant & Equipment 2010/11

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	**Total Property, Plant & Equipment £'000**
Cost or Valuation								
At 1st April 2010	1,109,462	446,546	36,780	169,295	7,043	10,067	33,106	**1,812,299**
Additions	51,474	38,036	2,406	7,890	1,469	1,008	37,353	**139,636**
Revaluation recognised in the Surplus/Deficit on the provision of services	(350,272)	(21,826)	-	-	(89)	(281)	(3,587)	**(376,055)**
Disposals	-	-	-	-	-	(8,059)	-	**(8,059)**
Reclassifications	(2,719)	39,319	-	-	54	3,995	(40,543)	**106**
Revaluations recognised in the revaluation reserve	(32,081)	53,183	-	-	(238)	(5,354)	-	**15,510**
At 31st March 2011	**775,864**	**555,258**	**39,186**	**177,185**	**8,239**	**1,376**	**26,329**	**1,583,437**
Accumulated Depreciation and Impairment								
At 1st April 2010	-	(19,849)	(21,471)	(39,952)	-	(3,466)	-	**(84,738)**
Depreciation Charge	(12,909)	(10,284)	(4,315)	(4,790)	-	-	-	**(32,298)**
Disposals	-	-	-	-	-	-	-	**-**
Reclassifications	-	-	-	-	-	-	-	**-**
Depreciation written to the revaluation reserve	12,909	33,213	-	-	-	8,741	-	**54,863**
At 31st March 2011	**-**	**3,080**	**(25,786)**	**(44,742)**	**-**	**5,275**	**-**	**(62,173)**
Net Book Value								
At 31st March 2011	775,864	558,338	13,400	132,443	8,239	6,651	26,329	**1,521,264**
At 31st March 2010	1,109,462	426,697	15,309	129,343	7,043	6,601	33,106	**1,727,561**

The table above has been restated from the comparable figures published within the Authority's 2010/11 Statement of Accounts. This is to reflect that an asset that became operational in 2010/11 had not been transferred to Other Land and Buildings. The value of the adjustment is £37m and is reflected in the reclassifications line above.

The properties that comprise the Authority's portfolio, with the exception of investment properties, are valued on a rolling basis by the Authority's property valuation team who are members of the Royal Institute of Chartered Surveyors under the guidance of the Head of Corporate Property Services. The investment property portfolio was valued in 2011/12 by appropriately qualified external valuers Wilkes, Head and Eve. 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 25% of the beacon value, as directed by CLG.

Included in the figures for other land and buildings are 56 community schools (primary and secondary). However the Council also provides revenue funding, through the dedicated schools grant, for all state schools in the borough. The table below shows the numbers of schools in the borough across various categories.

Category of School	Numbers
Foundation Trust	1
Voluntary Aided	22
Voluntary Controlled	1
Community	56
Total	**80**

The Council estimates that the voluntary aided schools have an asset value of approxiamately £64m.

Capital Commitments

2010/11 £'000		2011/12 £'000
0	Place & Sustainability	464
7,518	Housing Services	3,555
291	Adult Social Services	140
26,101	Children and Young People's Service (*)	10,103
33,910	**Total**	**14,262**

The 2011/12 commitments for Children & Young People's Services relates to the Broadwater Farm Inclusive Learning Campus and Rhodes Avenue Primary expansion projects (£3.6 million). The Housing Services relates to the Decent Homes Programme (£3.5 million). The Adult Social Service relates to various Community Care projects (£0.14m).

During the year two schools included within the opening Net Book Value

School	NBV written out £'000
Alexandra Park	28,160
Woodside High	25,090
	53,250

In 2012-13 it is likely that a further four schools will become Academies, and, if this goes ahead, they will need to be derecognised from the Authority's Balance Sheet. The carrying value of these schools as at 31st March 2012 is shown below.

School	NBV at 31st March 2012 £'000
Noel Park Primary	3,666
Downhill Primary	4,012
Coleraine Park Primary	3,242
Nightingale Primary	4,303
	15,223

13. Heritage Assets

	Civic Regalia £,000	Bruce Castle Museum Collection	Total Assets £,000
Cost or Valuation			
At 1st April 2010	**219**	**3,835**	**4,054**
Additions	-	2	2
Donations	-	-	-
Revaluations	-	1,750	1,750
Disposals	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-
Depreciation	-	-	-
At 31st March 2011	**219**	**5,587**	**5,806**
Cost or Valuation			
At 1st April 2011	**219**	**5,587**	**5,806**
Additions	-	-	-
Donations	-	-	-
Revaluations	198	58	256
Disposals	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	(1)	-	(1)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-
Depreciation	-	-	-
At 31st March 2012	**416**	**5,645**	**6,061**

Civic Regalia

The Council has, over the years amassed a number of items of historic, cultural or heritable value to the borough. Many of these predate to when the borough was made up of a number of constituency's. Additionally, the Council has been gifted regalia from local governing bodies from across the world. The value of Civic Regalia are based on internal estimates and accounted for in line with the Council's accounting policies

Bruce Castle Collection

Bruce Castle Museum's historical collections cover most aspects of local history for the area and the history of its communities within the London Borough of Haringey, and date from prehistory to the present day. The collections have been collected through donation, bequest and purchase since 1906 when the museum opened to the public for the first time as the Tottenham Museum. The scope of the collections covers social and working histories, fine and decorative arts, archaeology, geology, photographic and film collections, oral history, archives, books and ephemera. The values are based on internal estimates, and accounted for in line with the Council's accounting policies concerning tangible fixed assets.

Art – fine art collections of prints, drawings, watercolours, oil paintings, sculpture and ceramics – with the earliest paintings dating from c.1675 and other paintings and ceramics very much of a contemporary nature;

Archive – the official archive covering all aspects of local administration under the London Borough of Haringey and its predecessor authorities (Hornsey, Wood Green and Tottenham); the Manorial Court rolls and rare manuscripts dating as early as the 13th century; books and rare books covering the history of the local area; ephemera collections including local newspapers, directories and maps;

Photographs, film & audio - local photographs – approximately 31,000 photographs - mainly of local interest which includes rare and early photography of George Shadbolt of the 1850s and an unusual collection of photography from the two World Wars; a recently-digitised collection of 16mm film showing the local area during the 1950s, 60s and 70s; an oral history collection that has been actively collected on tape and digital files since the early 1970s.

Social History – there are approximately 4,000 objects of local interest ranging from domestic artefacts to sporting memorabilia for Spurs; the Postal History collection has c. 30,000 items, covering topics and including items that are of national importance; the costume and textiles collection comprises of approximately 1,000 items of local interest, including a comprehensive Victorian women's collection and smaller collections of applied art and samplers; there is also a small collection of archaeology dating from prehistory and the Roman periods.

Geology – this is a small but unusual collection of field samples including many from the

Historic Street Furniture

The Council has identified a number of assets located within the borough which are of historical and/or cultural merit. The nature of these items of street furniture, are such that it is not practicable to ascertain a monetary value, and the cost to do so is deemed to be substantially in excess of the benefit derived from having this information.

Further information on the Council's Historic Street furniture can be found on the Council's website: www.haringey.gov.uk

14. Investment Properties

2010/11 £'000		2011/12 £'000
5,079	Rental income due from investment property	5,315

2010/11 £000		2011/12 £000
48,098	Balance at 1 April	52,706
31	Additions and Enhancement Expenditure	40
5,577	Net gains/losses from fair value adjustments	1,263
	Transfers:	
-	(to)/from Property, Plant & Equipment	(2,632)
(1,000)	Disposals	(603)
52,706	Balance at 31 March	50,774

15. Intangible Assets

Intangible assets such as software and licences are amortised to the General Fund and/or Housing Revenue Account as appropriate over a five year term from the year of acquisition. The values of intangible assets are as follows:

2010/11 Other Assets Software Licences £'000		2011/12 Other Assets Software Licences £'000
	Balance at start of year	
3,631	Gross Carrying Amounts	3,715
(1,846)	Accumulated Amortisation	(2,478)
1,785	**Net carrying amount at start of year**	**1,237**
	Additions	
84	Purchases	135
(632)	Amortisation for the period	(463)
-	Reclassification	177
1,237	**Net carrying amount at end of year**	**1,086**
	Comprising	
3,715	Gross carrying amounts	3,850
(2,478)	Accumulated amortisation	(2,941)

16. Financial Instruments

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2011 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (PFI and finance leases), and investment transactions are classified as financial instruments.

Financial Liabilities

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

The Council's loan portfolio at year end consisted of PWLB, market debt and temporary borrowing. Under the 2011 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to in the Comprehensive Income and Expenditure Statement. On 28th March 2012, the Council had £233.85m of PWLB loans repaid by the Communities and Local Government Department of central government as part of the move to self financing of housing.
Other types of financial liabilities the Council had were a PFI scheme, finance leases and trade payables (creditors). Further detail of these is disclosed in notes 22, 28, 39, 43 and 44 to the Accounts.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:
- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit and Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds and a call account. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Money Market Funds are classified as Available for Sale, however these funds are "Constant Net Asset Value" funds and therefore are not exposed to the risk of a change in the value of principal invested. Trade receivables (debtors) are also a financial asset and they are disclosed in detail in Note 19 to the Accounts.

Balances in money market funds and call accounts at 31st March 2012 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash.

The Council does not have any investments required to be measured at Fair Value through the Comprehensive Income and Expenditure Statement.

Transaction costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2011/12.

Financial Instruments - Balances

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

	Long Term		Current	
	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12
	£'000	£'000	£'000	£'000
Trade Creditor	-	-	61,484	60,603
Borrowing	580,760	325,130	64,933	78,515
PFI	38,957	36,884	1,972	2,073
Finance Lease Liabilities	18,671	18,508	971	1,025
Cash and Cash Equivalents	-	-	14,462	15,762
Total Financial Liabilities	**638,388**	**380,522**	**143,822**	**157,978**
Trade Debtor	2,462	2,334	68,246	59,092
Loans and receivables	-	-	29,175	8,049
Available-for-sale financial assets	-	-	14,235	5,470
Cash and Cash Equivalents	-	-	33,755	17,152
Total Financial Assets	**2,462**	**2,334**	**145,411**	**89,763**

The following table reflects the composition of investments and debt recorded on the Balance Sheet:

	Long Term		Current	
	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12
	£'000	£'000	£'000	£'000
Borrowing:				
Nominal Amount	577,306	321,703	53,500	72,270
Accrued Interest	-	-	11,433	6,245
Unamortised Discounts/(Premiums) on modified loans	3,454	3,427	-	-
Total Borrowing per Balance Sheet	580,760	325,130	64,933	78,515
Investments:				
Nominal Amount	-	-	24,104	15,110
Accrued Interest	-	-	13	10
Exchange Rate Loss	-	-	-	(15)
Total Investments per Balance Sheet	-	-	24,117	15,105

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'. This includes accrued interest on long term liabilities and investments that is payable in 2012/13.

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2011 Code of Practice sets out specific accounting requirements for soft loans. However 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 31st March 2012:

Description of loan	**2010/11 £'000**	**2011/12 £'000**
Employee Loans	88	110
Bernie Grant Arts Centre	340	340
Total	**428**	**450**

Financial Instruments - Gains and Losses

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

		Financial Liabilities	Financial Assets		
	Total 2010/11	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Total 2011/12
	£'000	£'000	£'000	£'000	£'000
Interest expense	(43,224)	(42,803)	-	-	(42,803)
Losses on derecognition	-	(60,474)	-	-	(60,474)
Impairment losses	(197)	-	-	-	-
Interest payable and similar charges	**(43,421)**	**(103,277)**	**-**	**-**	**(103,277)**
Interest income	1,552	-	1,340	124	1,464
Impairment Gains	-	-	866		866
Gains on derecognition	-	-	-	-	-
Interest and investment income	**1,552**	**-**	**2,206**	**124**	**2,330**
Amounts recycled to the I&E account after impairment	-	-	(15)	-	(15)
Surplus arising on revaluation of finanical assets	**-**	**-**	**(15)**	**-**	**(15)**
Net gain/(loss) for the year	**(41,869)**	**(103,277)**	**2,191**	**124**	**(100,962)**
Adjustments via the financial instruments adjustments account of impairments of Icelandic investments and LOBOs in 2010/11	(10)	27	-	-	27
Net gain/(loss) for the year	**(41,879)**	**(103,250)**	**2,191**	**124**	**(100,935)**

Financial Instruments - Fair Values

The Council's long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The portion of borrowings and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term borrowings or short term investments. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The 2011 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in the Code as the amount for which asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2011 and 31 March 2012 consisted of loans from the Public Works Loan Board (PWLB), market loans and temporary borrowing. The Council's treasury adviser has calculated the fair values based on equivalent swap rates at the Balance Sheet for the market loans and the rate for new borrowing for the PWLB loans. In addition the PWLB has provided the Council with Fair Value amounts assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates (this amounts to £279.96m). The maturity date of the temporary borrowing was within 12 months of the Balance Sheet date and the contract does not permit premature redemption, therefore fair value is judged to be the same as amortised cost.

In the case of the Council's investments, there was only one term deposit with a Bank. The maturity date of this investment was within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption.

	31st March 2011		31st March 2012	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities				
PWLB Maturity	470,144	500,982	205,544	234,764
PWLB Variable EIP	18,001	17,928	7,746	7,746
PWLB Fixed EIP	24,076	24,119	9,686	10,069
Market Loans	130,468	148,322	130,461	174,346
Temporary Borrowing	3,004	3,004	50,207	50,207
PFI Liability	40,929	40,929	38,957	38,957
Finance Lease Liabilities	19,642	19,642	19,533	19,533
Trade Creditors	61,484	61,484	60,603	60,603
Cash and Cash Equivalents	14,462	14,462	15,762	15,762
Financial liabilities	**645,693**	**830,872**	**403,644**	**477,132**
Financial assets				
Trade Debtors	70,708	70,708	66,113	66,113
Short Term Investments	24,117	24,117	15,105	15,105
Cash & cash equivalents	33,755	33,755	17,152	17,152
Financial assets	**57,872**	**57,872**	**32,257**	**32,257**

Financial Liabilities

The fair value of financial liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

17. Inventories

	2010/11 £'000	2011/12 £'000
Balance outstanding at start of the year	122	89
Movement in year	(33)	(45)
Recognised as an expense in the year	-	-
Written off balances	-	-
Reversals of write-offs in previous years*	-	-
Balance outstanding at the year end	89	44

18. Construction Contracts

The Council has no construction contracts to disclose where the Council is undertaking construction work on behalf of its customers

19. Debtors

The following table provides an analysis of money owed to the Authority by other bodies as at 31 March 2012 and which at that date was yet to be received. The Council has considered the collectability of the debt and has impaired the debt for the amounts it may not recover.

2010/11 Net £'000		2011/12 Gross £'000	2011/12 Impairment £'000	2011/12 Net £'000
	Public Sector Debtors			
6,487	Government Depts.	6,200	-	6,200
-	NNDR Pool	-	-	-
10,053	HM Revenue and Customs	9,033	-	9,033
8,251	NHS	1,739	-	1,739
3,366	Education - Recoupment	3,558	-	3,558
1,209	Other Local Authorities	1,552	-	1,552
4,595	Other Public Bodies	3,059	-	3,059
33,961	**Total Public Sector Debtors**	**25,141**	-	**25,141**
	Non-public Sector Debtors			
1,201	Housing Rent payers	11,022	(9,240)	1,782
11,598	Council Tax payers	32,638	(24,461)	8,177
301	Business Rate payers	449	-	449
1,270	Parking Notices	8,374	(7,568)	806
1,187	Homelessness	9,188	(8,608)	580
6,881	Leasehold	6,576	(1,143)	5,433
5,409	Housing Benefit Overpayments	14,514	(9,047)	5,467
6,438	Sundry Debtors	14,501	(3,084)	11,417
34,285	**Total Non-Public Sector Debtors**	**97,262**	**(63,151)**	**34,111**
2,709	Payments In advance	4,573	-	4,573
70,955	**Total debt**	**126,976**	**(63,151)**	**63,825**

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 2012 is shown below.

2010/11 Net £'000		2011/12 Gross £'000	2011/12 Impairment £'000	2011/12 Net £'000
	Long Term Debtors			
2,070	Alexandra Park & Palace	44,838	(42,866)	1,971
294	Housing mortgages	242	-	242
10	Housing associations	10	-	10
88	Loans to Employees	111	-	111
2,462	**Total**	**45,201**	**(42,866)**	**2,334**

(a) **Public Sector Debt**

Debt with other public sector organisations is deemed to have a low level of risk in regard to non-payment and therefore bad debt provision is only made against some very specific debts.

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

The table above shows the total value of bad debt provision (£56.256m) that has been set aside for each type of non-public sector debt. This is assessed on an annual basis and appropriate risk evaluations against non collection are made on each debt type. 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 - shown below is a breakdown of the gross outstanding council tax due to both the Council and the GLA over the years to which it is attributable.

Financial Year	**Debt outstanding 2011/12 (£'000)**
2001/02 and earlier	1,550
2002/03	597
2003/04	1,522
2004/05	1,994
2005/06	2,850
2006/07	3,557
2007/08	4,782
2008/09	4,922
2009/10	5,186
2010/11	5,053
2011/12	4,681
Total	**36,694**

The total of £37.793m shown in the debtors note section (a) does not include the Greater London Authority's share of the Council Tax debt outstanding (£7.610m) but does include court costs and penalties of £2.708m.

	£'000
Gross Council tax debt	36,694
GLA	(7,610)
Court costs	2,709
	31,793

A percentage bad debt provision is applied to each year, with a 100% provision applicable for any year prior to 2005/06 which reduces the gross amount of £31.793m to a net £13.968m of unprovided Council Tax debt.

II. **Housing Rents** - Detailed below is a breakdown of the gross outstanding housing rents in various categories. A percentage bad debt provision is applied to each band of debt up to a maximum of 95% for debt over £1,000 and for former tenants providing a total impairment amount of £9.240m. The gross debt outstanding then reduces to a net £1.782m of unprovided outstanding housing rent.

Band of debt outstanding	Total Debt outstanding (£'000)
< £100	112
< £250	210
< £500	406
< £750	372
< £1,000	326
> £1,000	4,655
Former Tenants	4,941
TOTAL	11,022

III. Parking notices - £866k 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 Owner' requiring full payment is issued after 28 days.

IV. Homelessness - £580k of unprovided homelessness debtors remained outstanding as at the end of the year.

V. Leasehold - £5.433m of unprovided leasehold debts remained outstanding as at the end of the year. Leasehold balances are due on certain dates throughout the month and bear no credit terms. £5.433m is therefore considered to be past due.

VI. Housing Benefit Overpayments - £5.467m of unprovided housing benefits remain overpaid as at 31 March 2012. All are considered past due.

VII. Sundry Debtors - £12.2m of unprovided sundry debtors remain. Balances include school debtors, commercial rents and general sundry debt.

Bad Debt Provisions

The provisions for bad debt within the accounts reflect past experience and are a matter of professional judgement based on the particular circumstances relating to each debt or debtor type.

20. Cash And Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the authority's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

2010/11 £'000		2011/12 £'000
14,235	Money Market Funds	5,470
10,400	Call Accounts (same day access)	0
8,981	Bank current Accounts	11,509
139	Cash held by the Authority	173
33,755	**Cash and Cash Equivalents**	**17,152**
(14,462)	Bank Overdraft	(15,762)
(14,462)	**Cash and Cash Equivalents Overdrawn**	**(15,762)**
19,293	**Total Cash and Cash Equivalents**	1,390

21. Assets Held For Sale

'Assets Held for Sale' are assets which satisfy strict criteria including being immediately available for sale, a high probability the sale will take place in the next year and being actively marketed. Other surplus assets that don't meet this criteria are held within Property, Plant and Equipment

2010/11 £000		2011/12 £000
440	**Balance outstanding at April 1**	540
	Assets newly classified as held for sale:	
0	Property, Plant and Equipment	6,103
0	Revaluation losses	(500)
100	Revaluation gains	0
0	Assets Sold	(540)
540	**Balance Outstanding at March 31**	5,603

22. Creditors

The following table provides an analysis of money owed by the Authority as at 31 March 2012.

2010/11 £'000		2011/12 £'000
13,746	Government Departments	672
1,363	NHS	703
758	Other Public Sector	666
6,742	HMRC - Tax and NI	6,411
2,872	Education - Recoupment	2,999
863	Pension Funds	1,397
35,140	Sundry Creditors	43,243
7,997	Receipts in advance	7,699
6,015	Short-term compensating absences	5,102
75,496	**Total**	**68,892**

Accruals

Accruals wherever possible, reflect the value of goods or services received but not yet paid as at 31st March. Where an invoice has not been received at the time of preparing the accounts, the accrual represents the best estimate available.

For short-term compensating absences, the basis of the accrual is the number of days outstanding leave for each member of staff multiplied by their associated 'day rate'.

23. Provisions

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

As at 31 March 2012	Insurance £'000	Redundancy £'000	Other Provisions £'000	Total £'000
Balance at April 2011	6,759	13,807	2,991	23,556
Additional provisions made in 2011/12	336	-	2,391	2,727
Amounts used in 2011/12	-	(11,025)	(2,560)	(13,585)
Unused amounts reversed in 2010/11	-	(1,542)	-	(1,542)
Unwinding of discounting in 2011/12	81	-	-	81
Transfer to long-term provisions	-	-	-	-
Balance at 31 March 2012	7,176	1,240	2,822	11,238
Comprising:				
Less than 12 months	4,572	1,240	2,622	8,434
Greater than 12 months	2,604	-	200	2,804
Total	7,176	1,240	2,822	11,238

As at 31st March 2011	£'000	£'000	£'000	£'000
Balance at April 2010	6,643	450	410	7,503
Additional provisions made in 2010/11	125	13,807	2,581	16,513
Amounts used in 2010/11	-	(128)	-	(128)
Unused amounts reversed in 2010/11	-	(322)	-	(322)
Unwinding of discounting in 2010/11	(10)	-	-	(10)
Balance at 31 March 2011	6,759	13,807	2,991	23,556
Comprising:				
Less than 12 months	-	13,807	2,791	21,174
Greater than 12 months	6,759	-	200	2,386
Total	6,759	13,807	2,991	23,560

The **Insurance provision** is required because some of the Authority'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 Authority self-insures. Depending on the claims these payments may be made over a period of a number of years.

The Authority provides for each outstanding insurance claim separately and may recognise a reimbursement if recovery is virtually certain if this is appropriate for the type of claim.

The **Redundancy provision** relates to a number of planned changes due to ongoing restructures within the Council.

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

The amounts above are estimates based on the best information available, in accordance with best practise.

24 Usable Reserves

The Authority 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 Authority's agreed reserves policy in accordance with S.23 of the Local Government Act 2003.

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 24 and 25. Earmarked reserves are detailed in note 8.

31 March 2011 £000		31 March 2012 £000
10,617	General Fund	15,346
7,958	Housing Revenue Account	11,614
4,729	Capital Receipts Reserve	740
0	Major Repairs Reserve	625
21,613	Capital Grants Unapplied	13,590
49,477	Earmarked	66,523
94,394	Total Usable Reserves	108,438

Usable Capital Receipts Reserve

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 to central government. The remaining amounts can then be used to finance capital expenditure.

2010/11 £'000		2011/12 £'000
2,590	**Balance as at 1 April**	4,729
	Sale of Assets:	
2,552	Council Dwellings	978
4,996	HRA Land and Buildings	4,130
-	Other HRA Assets	-
2,992	General Fund Assets	14
10,540	Total Receipts	5,122
	Use of Receipts:	
(1,949)	Receipts paid to Government	(735)
(6,452)	Financing Capital Expenditure	(8,376)
(8,401)		(9,111)
4,729	**Balance as at 31 March**	740

25. Unusable Reserves

31 March 2011 £000		31 March 2012 £000
287,101	Revaluation Reserve	211,732
504,460	Capital Adjustment Account	719,407
(8,690)	Financial Instruments Adjustment Account	(5,692)
2,792	Deferred Capital Receipts & Credits Reserve	242
(373,284)	Pensions Reserve	(443,379)
(1,714)	Collection Fund Adjustment Account	(3,647)
(6,015)	Accumulated Absences Account	(5,102)
404,650	**Total Unusable Reserves**	**473,561**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

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

2010/11 £000		2011/12 £000
(229,826)	**Balance at 1 April**	(287,102)
(71,790)	(Upward)/Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	41,199
3,648	Difference between fair value depreciation and historical cost depreciation	5,764
10,866	Accumulated (gains) on assets sold or scrapped	28,407
(287,102)	**Balance at 31 March**	**(211,732)**

Accumulated Absences Reserve

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11 £000		2011/12 £000
6,496	**Balance at 1 April**	6,015
(6,496)	Settlement or cancellation of accrual made at the end of the preceding year	(6,015)
6,015	Amounts accrued at the end of the current year	5,102
6,015	**Balance at 31 March**	**5,102**

Financial Instruments Adjustments Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

There is a requirement for all premiums and discounts arising from loan extinguishments from 1 April 2006 to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Comprehensive Income and Expenditure Statement over the life of the new loan. A modification exists where the terms of the new debt are not "substantially different" from those of the old debt.

In the case of premiums and discounts relating to transactions occurring prior to 1 April 2006, these are classified between those that are overhanging and those that are not overhanging. Overhanging premiums and discounts are those that cannot be associated with a continuing loan. These must be written off in full as an adjustment to the General Fund Balances Brought Forward at 1 April 2007.

In the case of overhanging premiums or discounts, or those relating to loan extinguishments, Statutory Provisions exist to override the provisions of the Code of Practice. The charges are reversed out in the Statement of Movements on Balances and premiums and discounts are amortised to Revenue over a period of years. Where premiums and discounts are not overhanging or are linked to transactions meeting criteria of a loan modification the statutory provisions relating to the General Fund do not apply.

Premiums amortised under statutory provisions can be charged to the General Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts must be credited to the General Fund over 10 years or the life of the original loan, whichever is the shorter period. In the case of the Housing Revenue Account premiums and discounts are applied over a maximum 10 year period in all circumstances in accordance with Statutory Requirements.

The transactions reflected in the FIAA in 2011/12 are as follows:

2010/11 £000		2011/12 £000
11,796	**Balance at 1 April**	8,690
(3,116)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2,971)
10	Effective interest rate (EIR) adjustment on LOBO borrowing	(27)
(3,106)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2,998)
8,690	**Balance at 31 March**	5,692

Pension Fund Reserve

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

2010/11 £000		2011/12 £000
589,457	**Balance at 1 April**	373,284
(111,318)	Actuarial (gains) or losses on pensions assets and liabilities	65,741
0	Net Assets acquired on business combinations	(1,668)
(71,497)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	39,801
(33,358)	Employer's pensions contributions and direct payments to pensioners payable in the year	(33,778)
373,284	**Balance at 31 March**	443,380

Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
0	**Balance at 1 April**	1,714
1,714	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,933
1,714	**Balance at 31 March**	3,647

The balance of £3.6m shown in 2011/12 represents the Council's share of the deficit on the Collection Fund.

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11 £000			2011/12 £000
	(786,776)	**Balance at 1 April**		(504,460)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
385,581		Charges for depreciation and impairment of noncurrent assets	39,937	
632		Revaluation losses on Property, Plant and Equipment	39,134	
		Amortisation of intangible assets	463	
13,572		Revenue expenditure funded from capital under statute	10,616	
5,231		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	46,091	
	405,016			136,241
	0	Adjusting amounts written out of the Revaluation Reserve		(28,407)
	0	Other Capital Movements		(14,093)
	405,016	**Net written out amount of the cost of non-current assets consumed in the year**		**93,741**
		Capital financing applied in the year:		
(6,452)		Use of the Capital Receipts Reserve to finance new capital expenditure	(8,023)	
(817)		Use of the Major Repairs Reserve to finance new capital expenditure	(12,997)	
(94,676)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(268,788)	
		Application of grants to capital financing from the Capital Grants Unapplied Account		
(13,321)		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,202)	
(2,622)		Capital expenditure charged against the General Fund and HRA balances	(918)	
0		Write Out of Deferred Credits	(2,497)	
	(117,887)			(307,425)
	(4,813)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(1,263)
	(504,460)	**Balance at 31 March**		(719,407)

26. Cash Flow Statement – Adjustments for Non-Cash Transactions

2010/11 £'000	Description	2011/12 £'000
(20,054)	Depreciation	(39,936)
(399,619)	Impairments	(39,134)
(632)	Amortisation	(463)
(18,752)	Increase in Provison in Bad Debt	8,273
(5,868)	Movement in Creditors	9,042
3,908	Movement in Debtors	(15,851)
(33)	Movement in Stock	(45)
104,855	Pension Liability	4,355
22,844	IFRS related Adjustments	0
(9,047)	Carry amount of non-current assets sold	(46,091)
(16,057)	Movement in provisions	10,558
4,430	Movement in the value of investment properties	1,263
92,055	Grants Applied to the financing of capital expenditure	0
128	Other Non Cash Adjustments	(5,214)
0	Adjust for cash items disclosed below	5,134
(241,842)	**Net cash flows from operating activities**	**(108,109)**

27. Cash Flow Statement - Investing Activities

2010/11 £'000	Description	2011/12 £'000
154,891	Purchase of property, plant and equipment, investment property and intangible assets	85,062
288,931	Purchase of short-term and long-term investments	264,025
	Other payments for investing activities	
(10,612)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,134)
(294,640)	Proceeds from short-term and long-term investments	(273,037)
(94,761)	Other receipts from investing activities	0
43,809	**Net cash flows from investing activities**	**70,916**

28. Cash Flow Statement - Financing Activities

2010/11 £'000		2011/12 £'000
(47,000)	Cash receipts of short- and long-term borrowing	(55,000)
2,155	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,943
52,005	Repayments of short- and long-term borrowing	297,048
7,160	**Net cash flows from financing activities**	**244,991**

29. Amounts Reported for Resource Allocation Decisions

The aim of the segment report is to disclose information to enable users of the statement of accounts to evaluate the nature and financial effects of the authority's activities and the economic environment in which it operates. The reportable segments shown in the analysis provided below are based on the authority's internal reporting arrangements.

2011/12 **Income and Expenditure**	Net Budget	Expenditure	Income	Net Expenditure	Transfers to/(from) reserves	Net Outturn	Variance to budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Adults & Housing	98,966	147,010	(53,488)	93,522	3,415	96,937	(2,029)
Place & Sustainability	54,491	120,535	(66,405)	54,130	155	54,285	(206)
Public Health	932	4,027	(3,071)	956	-	956	24
Corporate Resources	11,850	347,418	(338,121)	9,297	2,510	11,807	(43)
Children and Young People	87,758	126,789	(39,728)	87,061	632	87,693	(65)
Chief Executive Services	969	20,085	(19,365)	720	30	750	(219)
Services	**254,966**	**765,864**	**(520,178)**	**245,686**	**6,742**	**252,428**	**(2,538)**
Non Service Revenue	31,203	282,948	(254,052)	28,896		28,896	(2,307)
Total Net Cost of Services	286,169	1,048,812	(774,230)	274,582	6,742	281,324	(4,845)
External Funding	(286,169)	-	(286,052)	(286,052)	-	(286,052)	117
Total General Fund	-	1,048,812	(1,060,282)	(11,470)	6,742	(4,728)	(4,728)
Housing Revenue Account	(291)	169,335	(172,991)	**(3,656)**	-	(3,656)	(3,365)
Individual Schools	-	218,741	(221,215)	(2,474)	2,474	-	-
Total Council	(291)	1,436,888	(1,454,488)	(17,600)	9,216	(8,384)	(8,093)

Reconciliation between the deficit on the Provision of Services and the Council's Net Expenditure

	£'000
(Surplus)/Deficit on Provision of Services	(189,895)
Depreciation, amortisation and impairment	(78,270)
Payments to the housing capital receipts pool	(735)
Gains/Losses on disposal of non-current assets	(46,091)
Pension Fund adjustments	(4,355)
Transfer to Reserves	17,046
Capital Financing	258,172
Other accounting adjustments	35,744
Total Net Expenditure	**(8,384)**

Logo

Expenditure	Employees	Premises	Transport	Supplies & Services	3rd Party Payments	Transfer Payments	Support Services	Capital Costs	Capital Financing	Transfers to Reserves	Gross Expenditure
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Fund											
Adults & Housing	35,367	21,634	1,010	7,396	72,880	53	8,287	383		3,415	150,425
Place & Sustainability	38,551	14,795	2,813	7,172	38,733	0	10,743	7,220	508	155	120,690
Public Health	822	194	11	264	2,467	6	85	76	102	0	4,027
Corporate Resources	25,961	467	65	10,761	1,142	298,781	8,932	1,309	0	2,510	349,928
Children and Young People	44,394	1,240	668	6,845	51,844	1,579	10,037	10,182	0	632	127,421
Chief Executive Services	10,793	84	14	4,856	545	0	3,793	0	0	30	20,115
Services	**155,888**	**38,414**	**4,581**	**37,294**	**167,611**	**300,419**	**41,877**	**19,170**	**610**	**6,742**	**772,606**
Non service revenue	2,875	0	0	737	10,087	0	8,485	(10,989)	261,449	10,304	282,948
Total	**158,763**	**38,414**	**4,581**	**38,031**	**177,698**	**300,419**	**50,362**	**8,181**	**262,059**	**17,046**	**1,055,554**
Housing Revenue Account	2,909	12,263	84	1,552	41,663	1,899	3,555	0	105,410	0	169,335
Individual Schools	170,544	13,266	856	22,929	10,044	26	0	1,076	0	2,474	221,215
Total Council	**332,216**	**63,943**	**5,521**	**62,512**	**229,405**	**302,344**	**53,917**	**9,257**	**367,469**	**19,520**	**1,446,104**

Income	Govt Grants	Other Grants / Contributions	Customer & Client Receipts	Interest	Recharges	Gross Income
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Fund						
Adults & Housing	(106)	(393)	(50,393)		(2,596)	(53,488)
Place & Sustainability	(4,800)	(61)	(42,900)	0	(18,644)	(66,405)
Public Health	(427)	(909)	(1,735)	0	0	(3,071)
Corporate Resources	(299,678)	(4,529)	(2,950)	0	(30,964)	(338,121)
Children and Young People	(23,989)	(3,903)	(4,983)	0	(6,853)	(39,728)
Chief Executive Services	(283)	0	(2,069)	0	(17,013)	(19,365)
Services	**(329,283)**	**(9,795)**	**(105,030)**	**0**	**(76,070)**	**(520,178)**
Non service revenue	(239,624)	0	(4,852)	(2,201)	(7,375)	(254,052)
Total on General Fund	**(568,907)**	**(9,795)**	**(109,882)**	**(2,201)**	**(83,445)**	**(774,230)**
Housing Revenue Account	(73,203)	0	(99,315)	(114)	(359)	(172,991)
Individual Schools	(202,311)	0	(12,808)	0	(6,096)	(221,215)
External Funding	(183,552)	0	(102,500)	0	0	(286,052)
Total Council	**(1,027,973)**	**(9,795)**	**(324,505)**	**(2,315)**	**(89,900)**	**(1,454,488)**

Amounts Reported for Resource Allocation Decisions

2010/11

Income and Expenditure	Net Budget	Expenditure	Income	Net Expenditure	Transfers to/(from) reserves	Net Outturn	Variance to budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Adults & Housing	77,066	164,000	(86,362)	77,639	1,104	78,743	1,676
Place & Sustainability	58,023	136,880	(80,445)	56,435	0	56,435	(1,588)
Public Health	614	3,908	(3,265)	642	0	642	29
Corporate Resources	4,686	340,517	(339,175)	1,342	2,550	3,892	(794)
Children and Young People	71,219	151,692	(74,183)	77,509	1,092	78,601	7,382
Chief Executive Services	2,464	23,706	(22,202)	1,504	0	1,504	(960)
Services	**214,072**	**820,702**	**(605,631)**	**215,071**	**4,746**	**219,817**	**5,745**
Non-Haringey	8	(0)	0	(0)	0	(0)	(8)
Non service revenue	31,515	46,422	(17,512)	28,909	(3,233)	25,676	(5,839)
Total Non Service Revenue	**31,523**	**46,422**	**(17,512)**	**28,909**	**(3,233)**	**25,676**	**(5,847)**
Total on General Fund	**245,595**	**867,124**	**(623,144)**	**243,980**	**1,513**	**245,493**	**(102)**
Housing Revenue Account	2,871	111,216	(110,624)	592	0	592	(2,279)
Individual Schools	0	220,967	(219,159)	1,809	(1,809)	0	0
External Funding	(245,595)	0	(245,595)	(245,595)	0	(245,595)	0
Total Council	**2,871**	**1,199,307**	**(1,198,521)**	**786**	**(296)**	**490**	**(2,381)**

Reconciliation between the deficit on the Provision of Services and the Council's Net Expenditure

	£'000
(Surplus)/Deficit on Provision of Services	189,335
Depreciation, amortisation and impairment	(398,215)
Payments to the housing capital receipts pool	(1,949)
Gains/Losses on disposal of non-current assets	1,493
Pension Fund adjustments	104,855
Transfer to Reserves	(7,419)
Capital Financing	110,507
Other accounting adjustments	1,883
Total Net Expenditure	**490**

Expenditure	Employees	Premises	Transport	Supplies & Services	3rd Party Payments	Transfer Payments	Support Services	Capital Costs	Capital Financing	Contingencies	Gross Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund											
Adults & Housing	41,759	24,922	1,270	9,840	75,724	77	10,115	292	0	0	164,000
Place & Sustainability	49,014	15,882	4,215	12,827	33,805	0	13,869	6,748	508	13	136,880
Public Health	904	165	13	268	2,313	30	113	0	102	0	3,908
Corporate Resources	27,854	243	76	12,813	533	287,438	9,730	1,083	747	0	340,517
Children and Young People	54,680	1,442	3,100	13,509	59,039	2,413	9,640	7,859	0	9	151,692
Chief Executive Services	12,169	121	24	7,179	649	0	3,564	0	0	0	23,706
Services	**186,381**	**42,775**	**8,697**	**56,436**	**172,063**	**289,958**	**47,031**	**15,982**	**1,357**	**22**	**820,702**
Non service revenue	**12,703**	**(350)**	**1**	**2,806**	**13,948**	**0**	**11,912**	**(16,324)**	**24,294**	**(2,863)**	**46,126**
Housing Revenue Account	2,922	11,083	80	1,303	41,759	1,942	3,800	1,910	34,382	12,035	111,216
Individual Schools	174,596	13,492	1,064	24,141	7,212	0	0	463	0		220,967
Total Council	376,602	67,001	9,842	84,685	234,982	291,900	62,743	2,030	60,032	9,194	1,199,011

Income	Govt Grants	Other Grants / Contributions	Customer & Client Receipts	Interest	Recharges	Gross Income
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund						
Adults & Housing	(22,537)	(16,249)	(44,475)	0	(3,100)	(86,362)
Place & Sustainability	(11,374)	(3,027)	(41,282)	0	(24,762)	(80,445)
Public Health	(1,492)	(1,609)	(163)	0	0	(3,265)
Corporate Resources	(292,898)	(5,059)	(1,933)	0	(39,284)	(339,175)
Children and Young People	(52,839)	(5,080)	(3,671)	0	(12,593)	(74,183)
Chief Executive Services	(2,345)	(8)	(1,973)	0	(17,876)	(22,202)
Services	**(383,486)**	**(31,033)**	**(93,498)**	**0**	**(97,615)**	**(605,631)**
Non service revenue	(9,334)	0	(763)	(1,705)	(5,711)	(17,512)
Total on General Fund	**(9,334)**	**0**	**(763)**	**(1,705)**	**(5,711)**	**(17,512)**
Housing Revenue Account	(17,187)	0	(92,908)	(105)	(424)	(110,624)
Individual Schools	(197,255)	(84)	(9,987)	0	(11,832)	(219,159)
External Funding	(144,625)	(100,970)	0	0	0	(245,595)
Total Council	(751,887)	(132,087)	(197,156)	(1,810)	(115,582)	(1,198,521)

30. Acquired and discontinued operations

The council has made no acquisitions nor has it discontinued any operations in 2011/12.

31. Trading Operations

	Expenditure £'000	Income £'000	2010/11 (Surplus) / Deficit £'000	Expenditure £'000	Income £'000	2011/12 (Surplus) / Deficit £'000
Industrial Estates	4,855	(5,544)	(689)	3,527	(4,888)	(1,360)
Markets	274	(141)	133	159	(153)	6
School & Welfare Catering	5,199	(5,421)	(222)	4,354	(4,582)	(228)
Legal Services (*)	8,319	(9,252)	(933)	0	0	0
Total Expenditure	**18,647**	**(20,358)**	**(1,711)**	**8,040**	**(9,623)**	**(1,582)**

(*) Legal Services is no longer constituted as a trading account, as from 1/4/11

32. Agency Services

	2010/11 £'000	2011/12 £'000
Expenditure relating to the provision of a hearing impaired service to clients of Enfield Council **	209	235
Fee payable by Enfield Council	(207)	(217)
Net deficit arising on the agency arrangement	2	18

**The comparative figure in 2010/11 has changed due to a service being included that was not an agency service.

33. Road Charging Schemes under the Transport Act 2000

	2010/11 £'000	2011/12 £'000
Income		
Penalty Charge Notices	6,940	8,762
Permits and visitor vouchers	2,227	2,785
Pay and Display	1,894	2,263
CCTV Bus Lanes	244	-
Other	829	790
Total Income	12,134	14,600
Operating Expenditure	(8,801)	(9,056)
Net Operating Surplus	3,333	5,544
Add Capital Expenditure / Debt Charge	(9)	21
Balance brought forward	-	-
Appropriation to General Fund	3,342	5,523
Balance carried forward	-	-

34. Pooled Budgets

The Authority has entered into two Partnership agreements under Section 31 of the Health Act 1999. The first being with the NHS Haringey (NHSH) 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 NHSH 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 2011 to 31 March 2012.The overspends within the S31 Pool have been split between the partners and the Council share of deficits have been absorbed within the overall Authority finances.

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

2011/12 Statement of Income and Expenditure of the Learning Disabilities Partnership

Funding	2010/11 £'000	2011/12 £'000
LBH	5,290	6,637
NHS Partners	2,068	2,005
Other Contributions	2,238	189
Total Funding	9,596	8,831
Services Provided		
Management and assessment	2,129	1,911
Day Opportunities	3,830	3,618
LBH Residential Homes	3,073	2,843
Supported Living	566	474
Total Expenditure	9,598	8,845
Net (Underspend)/Overspend	2	14

2011/12 Statement of Income and Expenditure of the Physical Disabilities Partnership

	2010/11 £'000	2011/12 £'000
Gross Funding		
LBH	186	189
NHSH	133	116
Total Funding	319	305
Expenditure		
PD OT Stores	303	305
Total Expenditure	303	305
Net (Underspend)/Overspend	(16)	(0)

35. Members Allowances

The total of members' allowances paid in 2011/12 was £1,265k compared to £1,354 in 2010/11. This represents a decrease of 7%. These figures are included in the Central Services line of the income and expenditure account.

	2010/11 £'000	2011/12 £'000
Allowances	1,354	1,265
Total	**1,354**	**1,265**

36. Officers Remuneration

The number of employees whose gross pay (excluding employers' pension and national insurance

Salary range £	Staff numbers 2010/11 Total	2011/12 Total	Officers	Teachers	Left in Year 2010/11	2011/12
50 - 54,999	248	226	102	124	10	22
55 - 59,999	133	129	50	79	4	9
60 - 64,999	70	65	36	29	0	13
65 - 69,999	49	51	19	32	3	4
70 - 74,999	32	29	14	15	0	3
75 - 79,999	20	23	14	9	1	6
80 - 84,999	19	13	6	7	2	4
85 - 89,999	22	13	4	9	1	1
90 - 94,999	6	10	5	5	1	2
95 - 99,999	2	6	5	1	0	1
100 - 104,999	2	3	2	1	0	0
105 - 109,999	2	3	1	2	0	1
110 - 114,999	2	2	1	1	0	0
115 - 119,999	1	2	0	2	0	1
120 - 124,999	1	0	0	0	0	0
125 - 129,999	2	2	1	1	0	1
130 - 134,999	0	1	1	0	0	0
135 - 139,999	2	0	0	0	1	0
140 - 144,999	1	0	0	0	0	0
145 - 149,999	0	0	0	0	0	0
Total	614	578	261	317	23	68

The following table sets out the remuneration disclosures for Senior Officers whose salary is more than £50,000 but less than £150,000 in 2011/12. Senior Officers are members of the Chief Executive's Management Board.

	2010/11			2011/12		
Post	Salary (inc fees & allowances) £	Pension contributions £	Total including pension contributions £	Salary (inc fees & allowances) £	Pension contributions £	Total including pension contributions £
Director of Place & Sustainability Services	138,901	31,258	170,159	101,302	22,775	124,077
Director of Corporate Resources	141,597	31,908	173,505	139,633	31,473	171,106
Director of Adult, Culture & Community Services	136,338	30,697	167,035	136,280	30,697	166,977
Director of Childrens Services - Commenced 14/11/2011				53,294	11,987	65,281
Assistant Chief Executive - People & Organisational Development	105,989	23,857	129,846	106,411	23,866	130,277
Head of Legal Services	93,000	20,774	113,774	95,446	21,337	116,783
Lead Finance Officer	100,136	22,408	122,544	104,984	23,518	128,502

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	2010/11 £	2011/12 £
Interim Director of Special Projects	173,771	84,240
Interim Assistant Chief Executive - Policy & Performance	66,150	0
Interim Deputy Chief Executive (Part-Time)	15,888	0
Interim Director of Urban Environment (From March 2011)	9,564	40,747
Interim Project Director Regenerating Tottenham (Starting September 2011)	0	51,975

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

		2010/11			2011/12		
Post	Post Holder	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 Left 31/12/2011	Mr P A Lewis	200,000	45,800	245,800	150,000	34,350	184,350
Chief Executive	Mr K Crompton	189,890	46,373	236,263	197,060	44,597	241,657

In addition to the above salary Mr K Crompton received £7,795 in 2011/12 (£15,551 in 2010/11) as remuneration for his role as Returning Officer in elections in the London Borough of Haringey.

The salary paid to the former Director of Children & Young People's Services is supported by the Department for Education (DoE) – the department contributed £37,520 in 2011/12 (£37,520 in 2010/11).

Pay Multiple Ratio

The table below shows the ratio between the highest paid officer in the Council and the median salary of all other officers, i.e the highest paid officer is paid 7.1 times more, in 2011/12, than the median salary of all other officers.

	2011/12 £	2010/11 £
Highest Paid Director's Total	200,000	197,060
Staff Remuneration Median Total	28,032	28,032
Pay Multiple Ratio	7.1	7.0

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11** £	**2011/12** £
£0 – £20,000	5	190	71	190	76	380	644,012	3,463,956
£20,001 – £40,000	1	32	14	153	15	185	409,591	5,110,632
£40,001 – £60,000	0	12	6	32	6	44	292,742	2,079,477
£60,001 – £80,000	0	0	0	4	0	4	0	284,950
£80,001 – £100,000	0	0	0	1	0	1	0	86,241
Total	**6**	**234**	**91**	**380**	**97**	**614**	**1,346,345**	**11,025,256**

37. External Audit Costs

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

	2010/11 £'000	2011/12 £'000
Fees payable to grant Thornton with regard to external audit services carried out by the appointed auditor for the year	457	418
Fees payable to the Audit Commission in respect of statutory inspections	46	42
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	165	139
Fees payable in respect of other services provided by Grant Thornton during the year	0	17
Total	**668**	**616**

38. Dedicated Schools Grant

The council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), a specific grant provided by the Department for Education. 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 under allocated by £0.442m because of underspends on contingencies. This will be carried forward to 2012/13. Central budgets underspent by £0.410m in-year and this was added to the surplus of £0.774m brought forward from 2010/11, giving a surplus balance of £1.184m to be carried forward into 2012/13. The DSG allocations are shown gross, before recoupment by the DfE to fund academies in the local authority area.

There was a substantial year on year increase in the DSG due to the transfer in of the formerly separate Schools Standards Fund, Schools Standards Grant and the creation of the Early Years Single Funding Formula.

Details of the deployment of DSG receivable for 2011/12 are as follows

	2010/11 £'000 Total	2011/12 £'000 Central Expenditure	2011/12 £'000 Individual Schools Budget	2011/12 £'000 Total
Final DSG for the year	172,129	19,883	183,462	203,345
Brought forward from previous year	390	774	(488)	286
Carry forward to next year agreed in advance	-	-	-	-
Agreed budgeted distribution	172,077	20,083	182,974	203,057
Actual central expenditure	20,025	19,473	-	19,473
Actual ISB deployed to schools	152,208		182,532	182,532
Local authority contribution	-	-	-	-
Carry forward to next year	286	1,184	442	1,626

39. Other Long Term Liabilities

Other long term liabilities are made up of the following items. Further information on each line can be found in the notes referred to against each line.

2010/11 £'000		2011/12 £'000
17,576	Finance Leases (Note 42)	18,508
38,957	PFI (Note 43)	36,884
373,283	Pensions Liability (Note 48)	443,379
429,816	**Total**	**498,771**

40. Grant Income

	2010/11 £'000	2011/12 £'000
Credited to Taxation and Non Specific Grant Income		
Early Intervention Grant	-	15,843
Learning Disability and Health Reform Grant	-	3,552
Personal Social services Grant	-	2,970
Revenue Support Grant	18,338	36,178
National Non Domestic Rates	143,004	117,043
Homelessness	-	925
Council Tax Freeze Grant	-	2,562
New Homes Bonus	-	956
Council Tax Administration	-	3,523
Area Based Grant	40,919	
Performance Reward Grant	1,888	-
	204,150	**183,553**
HRA Self Financing	-	294,324
Other Capital Grants	94,761	34,938
	94,761	**329,262**
Total	**298,911**	**512,815**

	2010/11 £'000	2011/12 £'000
Credited to Services		
Housing Benefit Subsidy	249,537	261,429
Dedicated Schools Grant (DSG)	172,129	203,956
Council Tax Benefit	37,137	37,007
Education Standards Grant	29,635	425
Housing Subsidy	15,217	12,622
Learning & Skills 16+	14,378	13,886
Education Sure Start	13,598	(0)
Other Grants	42,912	39,976
Total	**574,543**	**569,301**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year end are as follows:-

Capital Grants: Receipts in advance	2010/11 £'000	2011/12 £'000
Building Schools for the Future (BSF)	14,293	3,535
Capital Standards Fund - General	8,580	5,748
Other grants	237	601
Other contribution	-	4,151
Total	**23,110**	**14,036**

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 capital grants unapplied and the figures below represent amounts unspent at 31 March 2012.

	2010/11 £'000	2011/12 £'000
New River Village, Hornsey N8	1,000	320
Planning Cost Recovery (contributions to Council's Sec 106 Admin & monitoring)	660	518
Former Hornsey Central Hospital, Park road, Hornsey, N8	445	445
596 - 606 High Road N17	386	1
658 - 660 High Road N17	166	166
Aneurin Bevan House & 46-50 Tredegar Rd	154	154
Tottenham Town Hall N15	138	238
25 Watsons Road, N22	0	101
Coronation Sidings	0	280
Fyfe House, Chadwell	0	223
Other	720	1,463
Total Gains	**3,669**	**3,909**

41. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. 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 Authority 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 Authority.

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in note 39.

Members of the Authority have direct control over the Authority'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 Authority participate in and are members of a variety of other public bodies and community groups. The Authority 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.

The Authority 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 32. All other transactions between this Authority and health organisations are included within the Adult's and Children's Social Care lines in the Comprehensive Income and Expenditure account.

Officers

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

The **Pension Fund**'s accounts are set out in Section 5 of these statements. The Pension Fund operates a separate bank account and makes investments separately from the Authority. The Authority owed the Pension Fund £3.07 million as at 31/3/12, mainly in relation to employer and employee contributions. The Authority charged the Fund £502k for administering the Fund in 2011/12.

Companies – the Authority has interests in a number of companies. These are disclosed below and in the Group Accounts. This includes details of the relationship with Homes for Haringey; the arms-length management organisation owned by the Authority with responsibility for the management of the Authority's housing stock.

Levies

The table below details the amounts paid to levying bodies

2010/11 £'000		2011/12 £'000
325	London Pensions Fund Authority	296
6,577	North London Waste Authority	6,800
260	Lee Valley	256
170	Environment Agency	170
2	Financial Reporting Council	2
782	ALG Grants Committee	407
8,116	Total	7,931

Investments – Related businesses and companies

Homes for Haringey

Homes for Haringey is an Authority controlled company. The company was created on 1st April 2006 and manages the Authority's housing stock and carries out the day to day repairs on properties, for which fees totalling £40.3 million were paid to the company. The Authority 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 2011 £'000		as at 31 March 2012 £'000
(5,051)	Net assets / (liabilities)	(7,285)
9,045	Net income / (expenditure) for the :	882

The Authority is involved with the following associated companies whose assets and liabilities are not included in the Authority'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 2011 £'000		as at 31 March 2012 £'000
n/a	Net assets	0
n/a	Net income for the year	0

The accounts for London Grid for Learning Trust are not available.

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 2011 £'000		as at 31 March 2012 £'000
13,900	Net assets	13,000
(98)	Net income for the year	(67)

Alexandra Park and Palace

Under the Alexandra Park and Palace Act 1985 the Authority is the sole trustee for the Alexandra Park and Palace Charitable Trust (APPCT), details of which are set out below. Seven Councillors are on the board of APPCT. 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 Authority and are not included within the Authority's balance sheet.

2010/11 £'000		2011/12 £'000
(5,425)	Income	0
7,348	Expenditure	0
42,677	Net Assets	0

As a result of being the sole trustee of APPCT the Authority 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 Authority is required to do under the Alexandra Park and Palace Act 1985. In 2011/12 the extent of this deficit provision was £1.6 million (£2.3 million 2010/11).
The figures in the Authority's accounts in respect of funding the Alexandra Palace deficit is based on the draft APPCT accounts and are still subject to formal audit in accordance with the Charity Commission regulations.

Following the introduction of IFRS the Authority has reviewed its relationship with APPCT, in regards to International Accounting Standards. It has come to the conclusion that the nature of the relationship between the Authority and APPCT is a group relationship. The group accounts contained in section 4 of these accounts included APPCT.

42. Capital Expenditure and Capital Financing

The Authority's capital expenditure must be financed each year. The financing of the 2011/12 expenditure is set out in the following table.

2010/11 £'000		2011/12 £'000
744,027	Opening Capital Finanacing Requirement	775,875
	Capital investment :	
146,797	Property, Plant and Equipment	78,549
30	Investment Properties	40
84	Intangible Assets	135
15,675	Revenue Expenditure Funded from Capital under Statute	10,616
	Sources of finance :	
(6,452)	Capital receipts	(8,375)
	Borrowing	(5,089)
(111,006)	Government grants and other contributions	
	- HRA Self Financing Debt Repayment Grant	(233,850)
	- Other	(55,958)
	Sum set aside from revenue:	
	Direct revenue contributions	(918)
(13,280)	MRP	(14,202)
775,875	**Closing Capital Financing Requirement**	546,823
	Explanation of movements in year	
33,448	Increase in underlying need to borrowing (supported by government financial assistance)	17,028
(1,600)	Decrease in underlying need to borrowing (unsupported by government financial assistance)	(246,080)
0	Assets acquired under finance leases	0
0	Assets acquired under PFI/PPP contracts	0
31,848	**Increase/(decrease) in Capital Financing Requirement**	(229,052)

43. Leases

Finance Leases - Leases where the Authority is the Lessee

The Council holds a number of buildings under finance leases.

The assets acquired under these leases are carried as investment property or property, plant and equipment in the Balance sheet at the following net amounts:

	31 March 2011 £'000	31 March 2012 £'000
Land and Buildings	20,504	19,533
Vehicles, Plant, Furniture and Equipment		
	20,504	19,533

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

	31 March 2011 £'000	31 March 2012 £'000
Finance lease liabilities (net present value of minimum lease payments)		
current	971	1,025
non-current	18,671	18,508
	19,642	19,533
Finance costs payable in future years	25,238	24,270
Minimum lease payments	**44,880**	**43,803**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	1,900	1,900	971	1,025
Later than one year and not later than five years	7,599	7,599	4,450	4,695
Later than five years	35,381	34,304	14,221	13,813
	44,880	**43,803**	**19,642**	**19,533**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £364,638 contingent rents were payable by the Authority (2010/11 £364,136).

The Authority has sub-let some of the properties held under these finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub-leases was £28,125 (£28,125 at 31 March 2011).

Operating Leases - Leases where the Council is lessee

Vehicles, Plant and Equipment – the Authority enters into operating lease agreements to acquire the use of plant, vehicles, equipment and computers.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	32	27
Later than one year and not later than five years	52	25
Later than five years	0	0
	84	52

The expenditure charged to the services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was

	2010/11 £'000	2011/12 £'000
Minimum lease payments	116	32

Investment Property – the Authority enters into leases for its Investment Property

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

Minimum leases payments over periods

	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	3,131	4,736
Later than one year and not later than five years	8,444	10,868
Later than five years	63,100	69,484
	74,675	85,088

44. Private Finance Initiatives And Similar Contracts

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 IFRIC 12 "Service Concession Arrangements".

IFRIC 12 defines a service concession as one whereby an operator receives a financial asset, specifically an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset in return for constructing or upgrading a public sector asset, and then operating and maintaining the asset for a specified period of time. Whilst the management of the schools under the PFI have returned to the ownership of the Council, the associated debt is as a result of the contractor upgrading the assets. 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

Income and Expenditure Account

The Council receives a £5.669m revenue grant annually 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 and administration costs (£4.935m) a contribution to the PFI lifecycle reserve was made of £0.734m, bringing the reserve up to £7.916m. The lifecycle fund is used to fund 'wear and tear' repairs to the buildings during the course of the contract (ending September 2025) and will naturally be expected to build up in value in the first half of the contract period and gradually be used in the later part.

Balance sheet

The net value of the PFI schools held on the Council's balance sheet, as fixed assets, as at 31st March 2012 is £82.2m. This figure is calculated as follows:

	2010/11 £'000	2011/12 £'000
Net book value b/f	113,953	202,690
Additions	26,306	3,402
Depreciation & Impairment	(2,801)	(4,659)
Revaluation	65,232	(65,953)
Disposal	0	(53,250)
Net book value	**202,690**	**82,230**

During the year two schools included within the opening Net Book Value, became Academy schools. As part of this arrangement, the assets were transferred to the Academy operator, and derecognised from the Authoritiy's Balance Sheet. The carrying value of these assets was £53.25m

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

	2010/11 £'000	2011/12 £'000
Liability b/f 1st April	42,805	40,929
Liability paid to service provider in year	(1,876)	(1,972)
Liability c/f 31st March	**40,929**	**38,957**
Long-term liability c/f 31st March	38,957	36,884
Short-term liability c/f 31st March	1,972	2,073
	40,929	**38,957**

Future payments to be made

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 1st April 2012 onwards, however the impact of any future indexation is minimal as the majority of the unitary charge is fixed and not subject to future indexation.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payment in 2012/13	153	2,073	1,998	**4,224**
Payments in 2013/14 to 2016/17	614	9,411	6,873	**16,898**
Payments in 2017/18 to 2021/22	767	14,747	5,608	**21,122**
Payments in 2021/22 to 2025/26	537	12,726	1,522	**14,785**
Total future payments (excluding any future indexation)	**2,071**	**38,957**	**16,001**	**57,029**

The allocation of the unitary charge between fair value of services, finance lease interest, finance lease principal and contingent rental is an estimate based on allocation of cost as represented in each PFI financial model.

45. Impairment Losses

The Authority is required to disclose, by class of assets, the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12 and 14.

Included within the disclosures above, are impairment losses by asset category of:

	£,000
Other Land and Builings	500
Investment Properties	25
Council Dwellings	62
Total	**587**

During the summer of 2011, there were a number civil disturbances across the country. As a result, there was significant damage to a municipal building. Subsequently, the carrying value was reduced by £500k.

Additionally there was some fire damage to an Investment property and a number of Council Dwellings. The respective book values have been reduced by £25k and £62k respectively.

The reduction in the carrying value of the assets has been estimated on the anticipated costs of repair.

46. Capitalisation of Borrowing Costs

The Authority does not capitalise its borrowing costs.

47. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12 incurring liabilities of £14.59m in redundancy costs and payments to the pension fund. The authority has also provided for a further £1.24m based on information about employees who were due to leave the authority after the 31st March 2012. The Authority received a capitalisation direction of £4.28m in 2011/12 which allows it to spread £4.28m of the total cost over a maximum of 20 years.

The provision is detailed in note 223

48. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

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

In 2011/12 the Authority paid £9,144,847 (2010/11 £9,471,180) to Teachers' Pensions in respect of teachers' pension costs which represent 14.10% of teachers' pensionable pay. The Authority is responsible for all pension payments relating to added years it has awarded, together with the related increases, amounting to £37,740 in 2011/12 (2010/11 £59,488) equivalent to 0.05% of pensionable pay

49. Defined Benefit Pension Schemes

Council Employees

The Authority'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 Authority's contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31st March 2010. Following this valuation, the Actuary agreed that the Authority's contribution would be 22.9% for the three years of the triennial period. The next triennial valuation is due on 31st March 2013.

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Comprehensive Income and Expenditure Account includes the pension fund costs in line with IAS 19. 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. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

Local Government Pension Scheme	**2010/11 £000**	**2011/12 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	24,536	22,159
Past service costs	(114,927)	457
Settlements and curtailments	83	5,478
(Gain)/Loss on business combinations	-	(1,668)
Financing and Investment Income and Expenditure		
Interest cost	58,570	54,022
Expected return on scheme assets	(39,759)	(42,315)
Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services	**(71,497)**	**38,133**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (gains) and losses	(111,318)	65,741
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(182,815)**	**103,874**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	71,497	(38,133)
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to scheme	33,358	33,778

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £65,741k.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

As at 31st March 2012, the Authority had the following liabilities for pensions:

	2010/11	2011/12
	£000	£000
Opening balance at 1st April	**1,155,008**	**966,044**
Current service cost	24,536	22,159
Interest cost	58,570	54,022
Contributions by members	8,430	7,657
Actuarial (gains)/losses	(129,797)	46,184
Benefits paid	(35,858)	(38,253)
Past service costs/(gains)	(114,927)	457
Entity combinations	-	
Curtailments	82	5,478
Liabilities assummed in a business combination		18,196
Settlements	-	-
Closing balance at 31st March	**966,044**	**1,081,944**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2010/11	2011/12
	£000	£000
Opening balance at 1st April	**565,550**	**592,761**
Expected rate of return	39,759	42,315
Contributions by members	8,430	7,657
Employer contributions	29,119	29,463
Contribution in respect of unfunded benefits	4,239	4,315
Actuarial gains/(losses)	(18,479)	(19,557)
Assets Acquired in a Business Combination	0	19,864
Estimated unfunded benefits paid	(4,239)	(4,315)
Estimated benefits paid	(31,618)	(33,938)
Entity combinations	0	0
Settlements	0	0
Closing balance 31st March	**592,761**	**638,565**

Reconciliation of Fair Value of Scheme Assets

The Scheme assets are measured at their fair value which is the bid price at balance sheet date. The actual return on assets in 2011/12 was £20,788k (£41,841k in 2010/11).

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
Present value of liabilities:	£000	£000	£000	£000	£000
Fair value of assets	(732,854)	(716,041)	(1,155,008)	(966,044)	(1,081,945)
Surplus/(deficit) in the scheme	503,521	409,413	565,550	592,761	638,566
Total	**(229,333)**	**(306,628)**	**(589,458)**	**(373,283)**	**(443,379)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £443,379k has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £29,463k.

Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary have been:

	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.50%	6.20%
Bonds	4.90%	3.50%
Property	5.50%	4.40%
Cash	4.60%	3.50%
Financial Assumptions		
Pensions increase rate	2.80%	2.50%
Salaries increase rate	5.10%	4.80%
Expected return on assets	6.90%	5.60%
Rate of discounting scheme liabilities	5.50%	4.80%
Take-up of option to convert pension into retirement lump sum (for pre April 2008 service)	-	50.00%
Take-up of option to convert pension into retirement lump sum (for post April 2008 service)	75.00%	75.00%
Mortality assumptions:	**Years**	**Years**
Longevity at 65 for current pensioners:		
Men	21.9	21.9
Women	24.7	24.7
Longevity at 65 for future pensioners:		
Men	23.3	23.3
Women	26.1	26.1

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:

	31-Mar-11	31-Mar-12
	%	%
Equities	75	72
Bonds	18	20
Property	7	7
Cash	0	1
Total	100	100

The actuarial gains and losses identified as movements in the pension reserve in 2011/12 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2012.

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual:					
Return on assets	(16.53)	(35.09)	21.06	(3.12)	(3.06)
Experience Gains and Losses on Liabilities	0.01	0.06	-	0.33	(1.39)

50. Contingent Liabilities

In 2007 Haringey council joined London Authorities Mutual Ltd (LAML), 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 £177k. The orderly wind down of the company has been ongoing during 2011/12 and the remaining 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 a risk 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.

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. Currently there are a number of legal cases outstanding in relation to these actions.

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 continues to be 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.

Following the implementation of the single status pay agreement in 2009 a number of staff groups are considering whether to appeal against the outcome, which if won may result in the Council having to make a payment for back dated pay. No provision has been made in the Council's accounts for this.

A High Court proceeding has been action against the Council in relation to for the refunding of local land charges payments due to an understanding by the claimants that these should be free of charge. Further claims may be made and the Council has not made any provision in the accounts for this.

A large scale planning permission has recently been granted in relation to Ward's Corner. There is a strong liklihood that an appeal will be made against the pllanning decision, result in costs being occurred. No provision has been made in the accounts for this.

The Council is currently being sued by an existing contractor, who failed to successful win the re-tendered contract. No provison has been made in the accounts for this action.

Municipal Mutual Insurance Limited ceased to write insurance business after 30 September 1992. After this date, a Scheme of Arrangement was entered into, which meant that if the Company could no longer pay agreed claims in full, a percentage levy based on claims payments would be triggered. Haringey Council is one of 729 creditors of the MMI Scheme of Arrangement and following the Supreme Court judgement, which was handed down on 28 March 2012, in the Employers' Liability Policy relating to mesothelioma claims, the percentage levy on claims payments may be triggered.

51. Contingent Assets

The Council had no contingent assets as at 31 March 2012.

52. Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Department's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations causing a loss for the other party.

Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.

Market Risk: The Council is only exposed to one of the possible market risks, which is interest rate risk. The possibility that the value of interest paid or received in respect of an instrument will fluctuate because of changes in interest rates.

Credit Risk

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. A maximum limit of £20m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2011/12, approved by Full Council on 24/02/2011. The 2011/12 Treasury Strategy can be found on the Council's website www.haringey.gov.uk.

Throughout 2011/12 the minimum criteria for new investments has been a long term rating of A+/A1/A+ (Fitch/Moody's/S&P) and a short term rating of F1/P-1/A-1 (Fitch/Moody's/S&P).

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2012, and confirms that all investments were made in line with the Council's approved credit rating criteria:

	Credit rating criteria met when investments placed? YES		**Credit rating criteria met on 31 March 2012?** YES		**Maturity period from 31 March 2012**		
					On Call	1 day to 1 month	Total
	Short Term	Long Term	Short Term	Long Term	£'000	£'000	£'000
Money Market Funds	N/A	AAAm	N/A	AAAm	5,470	0	5,470
Total					5,470	0	**5,470**

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. These are detailed in the table below along with the funds already recovered:

	Nominal value of original deposits £'000	Distributions to LBH bank account by 31/03/2012 £'000	Distributions to escrow on 31/03/2012 £'000	Outstanding Deposits £'000
Heritable Bank	19,800	13,511	0	6,289
Landsbanki Islands	15,157	2,326	2,317	10,514
Glitnir	2,000	1,678	386	0
Total	**36,957**	**17,516**	**2,703**	**16,802**

All monies with these institutions are currently subject to the respective administration and winding up processes. The amounts and timing of payments to depositors such as the Council are determined by the administrator in the case of Heritable Bank and the Winding Up Boards of Glitnir and Landsbanki.

The table shows the distributions received directly into the Council's bank account up to 31st March 2012. In addition to these distributions, an element of the distribution due remained in escrow on 31st March 2012 – the nominal value of these are shown in the table above and under short term investments on the balance sheet.

The amount of the Icelandic related investments that will not be repaid to the Council under current predictions is £1.82m. 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 dates in the future. The impairment required in the accounts has been reviewed and a reduction in the value of the impairment in relation to these deposits of £866k for 2011/12 has been calculated and included in the income and expenditure account. The Council capitalised £11.1m of the impairment in 2009/10 on receipt of a capitalisation direction for this amount.

Legal discussions about certain elements of the Council's claim from Landsbanki were on-going at the balance sheet date. As a result of this, the distributions in respect of these elements were paid into a separately identifiable account (or escrow account) operated by the Landsbanki Winding Up Board pending resolution of the legal issues, when it would be transferred to the Council's bank account. In addition an element of the distributions from Landsbanki and Glitnir were paid in Icelandic krona, which cannot be removed from Iceland due to foreign currency controls, therefore these monies have also been placed in a separately identifiable account until they can be released to the Council.

Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks, and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to ensure that no more than 40% of loans are due to mature within any rolling three-year period through a period of careful planning of new loans taken out and making early repayments.

The maturity analysis of the nominal value of the Council's debt at 31st March 2012 was as follows:

	31-Mar-11 £'000	31-Mar-12 £'000
Public Works Loans Board	512,221	222,976
Market debt	133,473	130,461
Local Authorities	3,004	50,207
Total	**648,698**	**403,644**
Less than 1 year	64,933	73,041
Between 1 and 2 years	46,000	25,097
Between 2 and 5 years	100,117	37,369
Between 5 and 10 years	109,100	41,494
Between 10 and 20 years	45,088	21,993
Between 20 and 30 years	25,000	12,299
Between 30 and 40 years	0	10,726
Between 40 and 50 years	179,277	104,553
More than 50 years	76,178	77,074
Total	**645,693**	**403,644**

Market Risk

Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2012, 98% of the debt portfolio was held in fixed rate instruments, and 2% in variable rate instruments.

Investments are also subject to movements in interest rates. The Council is making significant use of money market funds which pay a variable rate of interest. This risk has to be balanced against actions taken to mitigate credit risk.

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

	2010/11 £'000	2011/12 £'000
Increase in interest earned on variable rate investments	(430)	(417)
Increase in interest payable on variable rate borrowings	489	656
Impact on Income and Expenditure Account	59	239

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note.

Price Risk: The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

Foreign Exchange Risk: The Council currently has approximately £2.7m in euros, US dollars and Icelandic krona remaining in escrow in Iceland. It is anticipated that the euros and US dollars will be converted to sterling within three months of the balance sheet date, therefore the risk is reduced to a short time period. The Council is currently working with the LGA, legal advisers and other affected authorities to research ways of converting the Icelandic krona element of this into sterling. The exchange rate loss in 2011/12 was £15k, which is equivalent to 0.6% of the value of the deposits.

A commentary on risk associated with debtors in included in note 19.

53. Publicity

Under Section 5 of the Local Government Act 1986 local authorities are required to keep a separate account of certain categories of expenditure on publicity. Total expenditure in 2011/12 was £2.534m (£2.35m in 2009/10). This can be analysed as follows:

Description	2010/11 £'000	2011/12 £'000
Staff Recruitment	1,003	930
Communications Unit	226	158
Other Expenditure	1,121	1,445
Total Expenditure	2,350	2,534

54. Heritage Assets: Change in Accounting Policy

The Code of Practice on *Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were not recognised in the Balance Sheet. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 1)

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances at as 1 April 2010 £,000s	Restatement required to opening balances as at 1 April 2010 £,000s	As Restated 1st April 2010 £,000s
Property, Plant & Equipment	1,727,561	-	1,727,561
Heritage Assets	-	4,054	4,054
Long-term Assets	**1,778,323**	**4,054**	**1,782,377**
Total Net Assets	508,646	**4,054**	512,700
Unusable Reserves	404,802	4,054	408,856
Net Worth/Total Reserves	508,646	**4,054**	512,700

Effect on Balance Sheet 31 March 2011

	As Previously Stated 31 March 2011 £000	Restatement required to opening balances as at 31 March 2011 £000	As Restated 31 March 2011 £000
Property, Plant & Equipment	1,521,264	-	1,521,264
Heritage Assets	-	4,056	4,056
Long-term Assets	**1,578,209**	**4,056**	**1,582,265**
Total Net Assets	494,988	**4,056**	499,044
Unusable Reserves	397,802	4,056	401,858
Net Worth/Total Reserves	512,700	**4,056**	516,756

Effect on Comprehensive Income & Expenditure & Movement In Reserves Statement 2010/11

During 2010/11, the Coucil acquired futher Heritage assets at a cost of £2k. There has been no change to the above statements for this.

55. Trust Funds

The Authority 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.

Trust Fund Accounts	**2010/11** £	**2011/12** £
Income From Investments	(348)	(298)
Expenditure for Authorised Purposes	0	0
(Surplus)/Deficit	**(348)**	**(298)**
Balances:		
Fund Balance Brought Forward 1st April	(152,699)	(153,047)
(Surplus)/Deficit	(348)	(298)
Fund Balance Carried Forward	**(153,047)**	**(153,345)**
Represented by:		
Investments	(23,564)	(23,564)
Cash in Hand	(129,483)	(129,782)
Total	**(153,047)**	**(153,345)**

Housing Revenue Account - Income and Expenditure Statement

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

HRA Income and Expenditure Statement

2010/11 £'000		Notes	2011/12 £'000
	Income:		
70,046	Rent from Dwellings (gross)		74,310
2,385	Rent from Other Properties (gross)		2,381
72,431	**Rent total**		**76,691**
20,901	Charges for Services and Facilities		15,690
-	Contributions towards expenditure		5,603
1,970	Supporting People Grant		1,689
15,217	Housing Revenue Account Subsidy receivable		12,729
38,088	**Grants total**		**35,711**
110,519	**Total income**		112,402
	Expenditure:		
22,730	Repairs and Maintenance		21,734
37,694	Supervision and Management		38,896
1,163	Rent, rates, taxes and other charges		1,774
359,385	Depreciation and impairments of non-current assets		41,971
282	Debt Management Costs		307
697	Increase in bad debt provision		835
421,952	**Total expenditure**		105,517
311,433	**Net cost of HRA services as included in whole authority Comprehensive Income and Expenditure Statement**		**(6,885)**
866	HRA services share of Corporate and Democratic Core		805
(1,094)	HRA share of other amounts included in the whole authority Net Cost of services but not allocated to specific services		-
311,205	**Net cost of HRA services**		**(6,080)**
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
	Gain or loss on sale of HRA non-current assets		(1,947)
28,919	Interest payable and similar charges		88,173
(105)	HRA Interest and investment income		(114)
173	Pensions interest cost and expected return on pension assets		62
-	HRA share of capital grants and contributions receivable		(295,622)
28,987	**Total**		**(209,448)**
340,193	**(Surplus)/ deficit for year on HRA services**		(215,528)

Movement on the Housing Revenue Account Statement

2010/11 £'000		2011/12 £'000
340,193	Surplus or (deficit) on the HRA Income and Expenditure Statement	(215,528)
(340,485)	Adjustments between accounting basis and funding basis under regulations	211,872
(292)	**Net increase or decrease before transfers to or from reserves**	**(3,656)**
(8,550)	Balance on the HRA as at the end of the previous reporting period	(7,958)
884	Transfers to or from reserves	-
(7,958)	**Balance on the HRA as at the end of the current reporting**	**(11,614)**

56. Note to the Movement on the Housing Revenue Account Statement

2010/11 £'000		2011/12 £'000
3,278	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	3,133
(346,640)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements (if any)	(28,706)
-	Gain or loss on sale of HRA non-current assets	1,947
965	HRA share of contributions to or from the Pensions Reserve	(1)
1,912	Capital expenditure funded by the Housing Revenue Account	235,499
(340,485)	**Net additional amount required by statute to be debited or credited to the HRA balance for the year**	**211,872**

57. Numbers and Types of Dwellings in the Housing Stock

The Authority was responsible for managing 16,272 properties as at 31 March 2011, excluding travellers' sites. The Authority'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	**2010/11**	**2011/12**
	Number	**Number**
Low rise flats	1,792	1,790
Medium rise flats	6,450	6,446
High rise flats	2,657	2,655
Houses	5,231	5,229
Demountables	16	16
Hostels (HDE)	125	125
Shared Ownership	1	1
Total	**16,272**	**16,262**

The Authority was responsible for managing 16,262 properties as at 31 March 2012, excluding travellers' sites. The Authority's housing stock decreased during the year as a result of the sale of properties under the provisions of Right to Buy legislation.

58. Balance Sheet Valuation of HRA Assets

31 March 2011 £000		31 March 2012 £000
	Operational assets	
775,864	Dwellings	792,568
4,560	Other land and building	4,030
20,689	**Non Operational assets**	21,047
801,113		817,645

59. Vacant Possession

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 to the Government of providing council housing at less than open market value.

	01/04/2011 £000	01/04/2012 £000
HRA dwelling and hoste	3,049,904	3,170,627

60. Major Repairs Reserve

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

2010/11 £'000		2011/12 £'000
(817)	**Balance at 1 April**	-
(12,909)	Transferred to Reserve	(13,623)
-	Transfer from Reserve to HRA	-
13,726	Applied to finance capital expenditure on Council Dwellings	12,997
-	Repayment of loan principal from Major Repairs Reserve	-
-	**Balance at 31 March**	(626)

61. Capital Expenditure and Financing

2010/11 £000		2011/12 £000
	Expenditure	
55,157	Land, Houses and Other Property	35,239
	Financing	
35,283	Borrowing	19,000
91	Capital Receipts reserve	1,223
6,057	Revenue contribution	2,019
13,726	Major repairs reserve	12,997
55,157		35,239

62. Capital Receipts

2010/11 £000		2011/12 £000
2,552	Houses	978
4,996	Land and Other Property	4,130
7,548		5,107

63. Depreciation

2010/11 £000		2011/12 £000
12,909	Operational assets - dwellings	17,959
386	Operational assets - other land and building	114
13,295		18,073

64. Impairment Losses

The Authority is required to disclose the value of, and an explanation of any impairment losses in the financial year in respect of land, houses and other property within the

	£,000
Dwellings	62
Property, Plant and Equipment	-
Other	-
Total	62

The impairment above relates to 3 separate dwellings which were damaged by fire. The reduction in the carrying value of the assets has been estimated on the anticipated costs of repair

65. Revenue Expenditure Funded from Capital under Statute

This expenditure is revenue for accounting purposes but can be financed from capital resources, such as expenditure on assets not owned/controlled by the London Borough of Haringey. There was expenditure totalling £2,008k of this type in the HRA in 2011/12.

66. 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

2010/11 £'000		2011/12 £'000
35,663	Management & Maintenance Allowance	37,433
12,909	Major Repairs Allowance	13,622
35,792	Charges for Capital	34,732
(68,786)	Guideline Rent	(73,092)
(21)	Interest on Receipts	(16)
15,557	**Housing Subsidy Payable**	**12,679**
(340)	Subsidy adjustment	50
15,217	**Housing Subsidy Receivable per Income and Expenditure Statement**	12,729
0	Transfer from Reserve	0
15,217	**Net Housing Subsidy Receivable for Year**	12,729

67. HRA Share of Contributions to the Pensions Reserve

In compliance with the statutory framework for local government, the movement in the IAS 19 pension 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 employer's 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 47 to the primary statements.

The HRA share of contributions to the Pensions Reserve for 2011/12 is £1k

68. 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 2011/12 was £88.83 compared to £83.38 in 2010/11 – a 6.6% increase.

Band of debt outstanding (£'000)

31 March 2011 £'000	Band of debt outstanding	31 March 2012 £'000
113	< £100	112
196	< £250	210
398	< £500	406
354	< £750	372
303	< £1,000	326
4272	> £1,000	4,655
4544	Former Tenants	4,942
10,180	**Housing Rents**	11,022

69. Directions by the Secretary of State

On 5 October 2010 the Government announced in a Written Ministerial Statement its intention to replace the Housing Revenue Account subsidy system with a devolved system of council housing finance called self-financing.

As part of this move, the Government has determined that £233.85m of debt was in relation to the Council's housing portfolio, and repaid these on behalf of the Council. This is recognised as a Capital Grant on the face of the HRA Income and Expenditure Statement, and is transferred to the Capital Adjustment Account through the Statement of Movement on the Housing Revenue Account balance, to ensure a neutral impact on the fund. Additionally, as part of this transaction the Authority incurred a premia on debt redemption totalling £60.47m which is recognised on the Interest Payable line of the HRA Income and Expenditure Statement. To neutralise the impact on the fund, and in accordance with the directions by the Secretary of State, the Council has recognised a capital grant for the same amount.

70. Exceptional or Prior-Year Items

As from 1st April 2012 the Government has introduced a new arrangement for the financing of the Housing Revenue Account (HRA). As a result of this the Authority had a grant of £233.850m given by the Department of Communities and Local Government (DCLG) to repay outstanding HRA debt. This appears as a credit in the HRA and is then reversed out as a statutory accounting adjustment (note 56).

Collection Fund

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

	2010/11 £'000	2011/12 £'000
Income due:		
Council Tax		
Council Tax-payers	94,792	95,474
In respect of Council Tax Benefits	36,627	36,551
In respect of transitional relief	0	0
Total Council Tax – related income	131,419	132,025
Income due from Business Rate-payers:	56,317	58,991
Contributions:		
- Towards previous year's Collection Fund deficit / (surplus) (*)	(88)	2,163
Total Income	187,648	193,180
Expenditure:		
Council Tax used to support expenditure on services:		
- Haringey Council	100,970	102,500
- Greater London Association	26,414	26,820
Total Precepts	127,384	129,320
Business Rates:		
- Payments to National Pool	55,992	58,675
- Cost of Collection	325	316
Payments to National Pool & cost of collection allowance	56,317	58,991
write-offs		
Provision for Bad and Doubtful Debts (Council Tax)	6,198	7,307
Write-off of Collection Fund Costs	0	0
Total Expenditure	189,899	195,618
Surplus/(Deficit) for year	(2,251)	(2,439)
Balance brought forward 1 April surplus/ (deficit)	88	(2,163)
Balance carried forward 31 March surplus/(deficit)	(2,163)	(4,602)

(*) The 2010/11 comparative figure has been amended as it wrongly showed the 2010/11 deficit for the Council and should show the 2009/10 figure. All accounting entries were correctly done in 2010/11.

Notes to the Collection Fund

71. 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, the Council Tax Base is calculated. 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

Band	A*	A	B	C	D	E	F	G	H	Total
Number of dwellings	0	6,042	17,298	32,102	25,618	10,725	5,376	4,644	652	102,457
Discounts and exemptions	0	1,001	2,783	4,087	2,513	941	362	257	51	11,992
Total equivalent number of dwellings	3	5,041	14,515	28,015	23,105	9,784	5,014	4,387	601	90,465
Less 0.22% adjustment	3	5,029	14,483	27,953	23,054	9,762	5,003	4,377	600	90,264
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D equivalent	**2**	**3,353**	**11,265**	**24,847**	**23,054**	**11,931**	**7,227**	**7,295**	**1,200**	**90,174**
Loss on collection (4%)										3,607
Council Tax Base										**86,567**

* - entitled to disabled relief deduction

72. 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: 43.3p (Standard) and 42.6p (Small businesses) (for 2010/11 - 41.4p & 40.7p 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 2012 is £165,961,370 (31 March 2011, £167,563,256).

73. Deficit / Surplus

In 2011/12 there was a deficit of £4.60m on the Collection Fund. This balance is shared between the Council (£3.65m) and the Greater London Authority (£0.95m).

74. Precepts on Collection Fund

The Greater London Authority (GLA) made a precept to the Haringey Council Collection fund of £26,838,269 in 2011/12 (which include £18,081 in relation to prior years' surplus on the fund).

SECTION 4

THE GROUP ACCOUNTS

2011/12

The following group accounts show the combined financial statements for the London Borough of Haringey group, comprising the Authority itself, Homes for Haringey and Alexandra Park and Palace Charitable Trust.

Group Movement in Reserves Statement 2011/12

	Total Usable Reserves £'000	Unusable Reserves £'000	Reserves of Group £'000	Total Authority Reserves £'000
Balance At 31st March 2011	(94,394)	(404,650)	2,141	(496,903)
Surplus Or Deficit On Provision Of Services (accounting basis)	(239,088)	0	49,350	(189,738)
Other Comprehensive Expenditure And Income	0	106,940	3,267	110,207
Total Comprehensive Expenditure And Income	**(239,088)**	**106,940**	**52,617**	**(79,531)**
Adjustments Between Accounting Basis And Funding Basis Under Regulations	175,852	(175,852)	0	0
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	**(63,236)**	**(68,912)**	**52,617**	**(79,531)**
Transfers To/(From) Earmarked Reserves	0	0	0	0
(Increase)/Decrease In Year	**(63,236)**	**(68,912)**	**52,617**	**(79,531)**
Balance At 31st March 2012	**(157,630)**	**(473,562)**	**54,758**	**(576,434)**

Group Movement in Reserves Statement 2010/11

	Total Usable Reserves £'000	Unusable Reserves £'000	Reserves of Group £'000	Total Authority Reserves £'000
Balance At 31st March 2010	(100,894)	(404,802)	36,723	(468,973)
Surplus Or Deficit On Provision Of Services (accounting basis)	541,376	0	(8,410)	532,966
Other Comprehensive Expenditure And Income	0	(182,663)	(654)	(183,317)
Total Comprehensive Expenditure And Income	541,376	(182,663)	(9,064)	349,649
Adjustments Between Accounting Basis And Funding Basis Under Regulations	(535,156)	182,815	(25,518)	(377,859)
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	6,220	152	(34,582)	(28,210)
Transfers To/(From) Earmarked Reserves	280	0	0	280
(Increase)/Decrease In Year	6,500	152	(34,582)	(27,930)
Balance At 31st March 2011	(94,394)	(404,650)	2,141	(496,903)

Group Comprehensive Income & Expenditure Account

2010/11 Gross Expenditure £'000	2010/11 Gross Income £'000	2010/11 Net Expenditure £'000		2011/12 Gross Expenditure £'000	2011/12 Gross Income £'000	2011/12 Net Expenditure £'000
352,308	(284,180)	68,128	Education Services	296,938	(266,495)	30,443
73,324	(14,097)	59,227	Children's Social Care	70,831	(6,463)	64,368
112,534	(27,590)	84,944	Adult Social Care	104,034	(16,387)	87,647
309,247	(296,292)	12,955	Housing Services - General Fund	314,844	(301,452)	13,392
421,923	(108,566)	313,357	Housing Services - Housing Revenue Account	100,192	(107,396)	(7,204)
76,846	(28,125)	48,721	Cultural, Environmental and Planning Services	71,219	(29,233)	41,986
31,312	(16,289)	15,023	Highways, Roads and Transport Services	35,696	(19,186)	16,510
19,662	(37,778)	(18,116)	Central Services	43,100	(40,922)	2,178
109,492	(70,583)	38,909	Corporate and Democratic Core	82,622	(67,156)	15,466
(113,092)	(595)	(113,687)	Non-Distributed Costs	806	(680)	126
1,393,556	**(884,095)**	**509,461**	**Cost of Services**	**1,120,282**	**(855,370)**	**264,912**
10,065	(1,493)	8,572	Other Operating Expenditure	49,741	-	49,741
			Financing and Investment Income and Expenditure			
-	-	-	*- HRA Self Financing debt settlement*	60,474	-	60,474
62,232	(8,192)	54,040	*- Other*	54,483	(5,160)	49,323
			Taxation and Non-Specific Grant Income			
	-	-	*- HRA Self Financing debt settlement*	-	(298,324)	(298,324)
-	(381,450)	(381,450)	*- Other*	-	(315,057)	(315,057)
		190,623	**(Surplus)/Deficit on Provision of Services**			**(188,931)**
		(66,221)	(Surplus)/Deficit on Reval'n of Fixed Assets			41,199
		(137,491)	Actuarial (Gains)/Losses on Pension Assets/Liabilities			69,008
		1,705	Other Comprehensive Income and Expenditure			-
		(11,384)	**Total Comprehensive Income and Expenditure**			**(78,724)**

Logo

Group Balance Sheet

31 March 2011 £'000		Notes	31 March 2012 £'000
1,524,451	Property, Plant and Equipment		1,435,673
4,056	Heritage Assets		6,061
52,706	Investment Property		50,774
1,237	Intangible Assets		1,086
540	Assets Held for Sale		5,603
2,477	Long Term Debtors		256
1,585,467	**Long Term Assets**		**1,499,453**
24,117	Short Term Investments		15,105
726	Inventories		776
72,214	Short Term Debtors		63,308
23,870	Cash and Cash Equivalents		23,334
120,927	**Current Assets**		**102,523**
0	Cash and Cash Equivalents		(15,762)
(64,933)	Short Term Borrowing		(78,515)
(81,743)	Short Term Creditors		(72,260)
(21,174)	Provisions		(10,198)
(167,850)	**Current Liabilities**		**(176,735)**
(220)	Long Term Creditors		0
(2,386)	Long Term Provisions		(2,804)
(580,760)	Long Term Borrowing		(325,130)
(435,165)	Other Long Term Liabilities		(506,837)
(23,110)	Capital Grants Receipts in Advance		(14,036)
(1,041,641)	**Long Term Liabilities**		**(848,807)**
496,903	**Net Assets**		**576,434**
90,140	Usable Reserves		102,868
406,763	Unusable Reserves		473,566
496,903	**Total Reserves**		**576,434**

Group Cash Flow Statement

2010/11 £'000	Description	2011/12 £'000
193,179	Net (surplus) or deficit on the provision of services	(188,931)
(5,030)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(3,599)
(243,762)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(108,542)
(55,613)	Net cash flows from Operating Activities	**(301,072)**
46,489	Investing Activities	72,757
5,057	Financing Activities	244,613
(4,067)	**Net (Increase)/Decrease in Cash and Cash Equivalents**	**16,298**
19,803	Cash and cash equivalents at the beginning of the reporting period	23,870
23,870	**Cash and cash equivalents at the end of the reporting period (Note 19)**	7,572

Notes to the Group Accounts

Basis of Consolidation

The group accounts of the London Borough of Haringey have been produced following the requirements of IAS 27 - Consolidated and Sperate Financial Statements.

Company Limited by Guarantee

Homes for Haringey (HfH) was incorporated on 1st 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.

Charitable Trust

Alexandra Park and Palace is a registered charity with the London Borough of Haringey being the sole trustee, as stated under the Alexandra Park and Palace Act 1985. The Trust is governed by charities act regulations and its accounts are prepared under UK GAAP and the charities SORP.

Accounting Policies

The accounting policies of the London Borough of Haringey and Homes for Haringey are in line with those stated in note 1. Alexandra Park and Palace's accounts have been prepared under UKGAAP, not IFRS requirements. However there are not any material areas where this conflicts with the accounting policies adopted by the Council and therefore no adjustment shave been made.

Additional Disclosure 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, in the case of Homes for Haringey. An additional disclosure on this is shown below.

Homes for Haringey Accounts

The Homes for Haringey accounts 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, 6th Floor, River Park House, Wood Green, London N22 8HQ. Homes for Haringey's adutiors are PriceWaterhouseCoopers LLP.

Alexandra Park and Palace Charitable Trust Accounts

The Alexandra Park and Palace Charitable Trust accounts included as part of the group are currently unaudited accounts, as the Trust audit is yet to be complete. The accounts of the Trust are audited by their own independent auditor. Their accounts can be obtained from: Chief Executive, Alexandra Park and Palace, Alexandra Palace Way, Wood Green N22 7AY. The grouping of the Trust's accounts with the London Borough of Haringey does not affect the Trust's independence as a charity, governed by charity law and regulations. Alexandra Park and Palace's auditors are Deloitte and Touche LLP.

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

2011/12

Post	Salary (inc fees & allowances) (£)	Benefits in Kind (£)	Total excluding pension contributions (£)	Pension contributions (£)	Total including pension contributions (£)
Chief Executive	119,801		119,801	21,771	141,572
Director of Resources	88,939		88,939	15,858	104,797
Director of Housing Management	85,799		85,799	15,285	101,084
Director of Property Services	92,744		92,744	0	92,744
Director of Asset Management	0		0	0	0
Director of Repairs Service	0		0	0	0

2010/11

Post	Salary (inc fees & allowances) (£)	Benefits in Kind (£)	Total excluding pension contributions (£)	Pension contributions (£)	Total including pension contributions (£)
Chief Executive	118,967	0	118,967	18,321	137,288
Director of Resources	89,273		89,273	13,402	102,675
Director of Housing Management	85,799		85,799	12,862	98,661
Director of Property Services	7,729		7,729	0	7,729
Director of Asset Management	2,515		2,515	377	2,892
Director of Repairs Service	90,536		90,536	1,093	91,629

The following table sets out payments made by the Council to a company for the services of an interim senior officer. It does not represent payments made to the individual holding the post.

	2010/11		2011/12		
Post	Salary (inc fees & allowances) (£)	Total including pension contributions (£)	Salary (inc fees & allowances) (£)	Total excluding pension contributions (£)	Total including pension contributions (£)
Interim Director of Property Services (From 26 April 2011)	164,175	164,175	0	0	0

SECTION 5

THE PENSION FUND

2011/12

Scheme Advisers

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	Capital International (until May 2012) Fidelity International (until May 2012) BlackRock Investment Management (from May 2012) Legal & General Investment Management CBRE Global Investors Pantheon
Custodian	Northern Trust
Investment Consultants	Aon Hewitt Limited
Independent Adviser	John Raisin (from 1st June 2012)
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 Public Sector Internal Audit Limited
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 Fund is a defined benefit scheme and was established on 1 April 1965 to provide retirement pensions and lump sum allowances, survivor dependants' and death benefits to all eligible employees of Haringey Council. Certain other organisations also participate in the Fund and details of these are set out below. The Fund's income is derived from employees, contributions from employing organisations and income from investments.

Management of the Fund

On 23rd May 2011, Haringey Council in its role as Administering Authority delegated responsibility for administering the Pension Scheme to the Corporate Committee.

The terms of reference for Corporate Committee are set out in the Council's constitution. The Committee consists of ten elected Councillors, with full voting rights and three representatives. Councillors are selected by their respective political Groups and their appointment was confirmed at the meeting of the full Council on 23rd May 2011. They were not appointed for a fixed term but the membership is reviewed regularly by the political groups. The three representatives were appointed by their peer groups. The membership during 2011/12 was:

Cllr George Meehan	Chair
Cllr Gmmh Rahman Khan	Vice Chair
Cllr Kaushika Amin	
Cllr Eddie Griffith	
Cllr Richard Watson	
Cllr Stuart McNamara	
Cllr Robert Gorrie	
Cllr Jim Jenks	
Cllr Monica Whyte	
Cllr Neil Williams	
Roger Melling	Employee representative
Michael Jones	Pensioner representative
Keith Brown	Admitted and Scheduled Bodies representative

Prior to 23rd May 2011, the responsibility for administering the Pension Scheme was delegated to Pensions Committee. Those who served on Pensions Committee in the year this report relates to are:

Cllr Richard Watson Chair
Cllr Charles Adje – until 7th April 2011
Cllr David Beacham
Cllr Pauline Gibson
Cllr Jim Jenks
Cllr Anne Stennett
Cllr Richard Wilson

In addition the three current representative members served on Pensions Committee.

Investments and Statement of Investment Principles

The Pension Fund's investment strategy is formulated within the parameters of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Corporate Committee was responsible for setting investment strategy with the aid of independent advice from the Pension Fund's advisers. Day to day investment decisions are delegated to fund managers.

The strategy is set out in detail in the Statement of Investment Principles (SIP), which is published in the Pension Fund Annual Report. The SIP is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with the Myners principles of investment. All investments are externally managed, with the exception of a small allocation of cash pending investment, which is managed internally. During 2011/12 the majority of the Fund was actively managed, with approximately 24% passively managed. Passive management is investing in line with a benchmark; active management involves taking positions away from the benchmark to achieve a higher return.

Fund administration and membership

At 31 March 2012, there were 6,102 (2011: 6,610) employees contributing to the Fund and 6,473 (2011: 6,089) pensioners and dependents receiving benefits. There were also 7,293 (2011: 6,939) 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 Haringey, Enfield & North East London	Scheduled Body
Greig City Academy	Scheduled Body
Fortismere School	Scheduled Body
John Loughborough School	Scheduled Body
Alexandra Park Academy	Scheduled Body
Woodside Academy	Scheduled Body
Eden Free School	Scheduled Body
Alexandra Palace Trading Co Ltd	Community Admission Body
Haringey Age Concern	Community Admission Body
Haringey Citizens Advice Bureau	Community Admission Body
Churchill Contract Services	Transferee Admission Body
ESSL	Transferee Admission Body
RM Education Ltd	Transferee Admission Body
TLC Ltd	Transferee Admission Body
Urban Futures London Ltd	Transferee Admission Body
Veolia Environmental Services (UK) plc	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 Fund's assets to meet its long term obligations.

The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2010 in a report dated 31 March 2011.

The 2010 valuation was carried out in accordance with the Fund's Funding Strategy Statement and Guidelines GN9: Funding Defined Benefits – Presentation of Actuarial Advice published by the Board for Actuarial Standards. 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 2010 was £664m. Against this sum liabilities were identified of £960m equivalent to a funding deficit of £296m. The movement in the actuarial deficit between 2007 and the last valuation in 2010 is analysed below:

Reason for change	£m
Interest on deficit	(32)
Investment returns lower than expected	(123)
Change in demographic assumptions	(25)
Experience items	63
Change in financial assumptions	(1)
Total	(118)
Deficit brought forward	(178)
Deficit carried forward	(296)

The level of funding on an ongoing funding basis reduced from 77.7 per cent to 69.2 per cent between the triennial actuarial valuations as at 31st March 2007 and as at 31st March 2010. The main reason for the reduction in the funding level was the lower than expected investment returns following the falls in world stock markets during the three years.

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. Further information about the principles for achieving full funding is set out in the Pension Fund's Funding Strategy Statement, which is published in the Pension Fund Annual Report.

Following the valuation as at 31 March 2010, the actuary agreed that the Council's contribution rate could remain at the 2010/11 rate of 22.9 per cent of pensionable salaries for the following three financial years. The 2011/12 contribution rate was split between 5.8 per cent for the past service adjustment to fund the deficit over 20 years and the future service rate of 17.1 per cent.

The main assumptions used in the 2010 valuation were:

Investments	**Annual nominal rate of return %**
Equities	6.1
Bonds	4.5

	Annual change %
Pay increases	5.3 *
Price Increases (pension increases)	3.3

** Assumed to be 5.3% in the long term, however an increase of 1% has been assumed for 2010/11 and 2011/12.*

The next actuarial valuation will be carried out as at 31st March 2013.

Accounting Policies and Principles

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 2011/12, which is based on International Financial Reporting Standards and having regard to the Financial Reports of Pension Schemes – A Statement of Recommended Practice. The principal accounting policies of the Fund 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. Employers' capital cost payments are also accounted for on an accruals basis relating to the period in which the liability arises.

Benefits
Benefits are shown on an accruals basis relating to the date on which they become 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, which is recoverable, 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. Distributions from equity and bond pooled funds are recognised on the date of payment. Distributions from property unit trusts are shown on an accruals basis by reference to the ex-dividend date.

Taxation
The Fund is exempt from UK income tax on interest received and capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted fro as an expense as it arises.

Derivative contracts
In relation to income from 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. The Pension Fund holds no other types of derivative contract.

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; and
- 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.

There are no published price quotations available to determine the fair value of the Fund's private equity holdings. The value of these holdings is therefore assessed by the Private Equity Fund Manager on a fair value basis as determined at 31st December 2011 adjusted for drawdowns paid and distributions received in the period 1st January 2012 to 31st March 2012.

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.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and a roll forward approximation is applied in the intervening years. This is done in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements.

Additional Voluntary Contributions ("AVCs")

Members of the Fund 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 20 to the financial statements.

Critical Judgements applied

There are two areas in the accounts where critical judgements are applied which are materially significant to the accounts:

Actuarial present value of promised retirement benefits – the figure of net liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. The liability is calculated on a three yearly basis with annual updates in the intervening years. The Actuary has advised that this has provided a reasonable estimate of the actuarial present value of promised retirement benefits.

Private Equity valuations – the value of the Fund's private equity holdings is calculated by the General Partners of the fund on the basis of their Valuation Policy, which follows best practice in the industry. However as there is no active market for these holdings, there is an element of professional judgement involved in the valuation of these holdings.

Pension Fund Account

2010/11 £'000		Notes	2011/12 £'000
	Dealings with members, employers and others directly involved in the scheme		
45,581	Contributions receivable	1	44,481
6,034	Transfers In	2	9,072
(32,218)	Benefits payable	3	(42,001)
(7,688)	Payments to and on account of leavers	4	(4,232)
(680)	Administrative Expenses	5	(651)
11,029	**Net additions from dealings with members**		**6,669**
	Returns on Investments:		
11,604	Investment Income	6	12,365
37,955	Change in market value of investments	9	18,389
(122)	Taxes on Income	7	(94)
(3,200)	Investment management expenses	8	(3,333)
46,237	**Net returns on investments**		**27,327**
57,266	**Net increase in the fund during the year**		**33,996**
663,686	**Add: Opening net assets of the scheme**		**720,952**
720,952	**Closing net assets of the scheme**		**754,948**

Net Asset Statement

The Net Asset Statement sets out the assets and liabilities for the Fund as at 31 March 2012. The Fund is separately managed by the Council acting in its role as Administering Authority and its accounts are separate from the Council's.

31/03/11		Notes	31/03/12
£'000			£'000
719,333	Investment assets	9	754,512
(1,366)	Investment liabilities	9	(2,680)
717,967			751,832
3,908	Current Assets	12,13	4,025
(923)	Current Liabilities	13,14	(909)
720,952	**Total Assets**		**754,948**

Notes to Pension Fund Account

1. Contributions Receivable

2010/11		2011/12
£'000		£'000
22,704	Employers' normal contributions	23,959
11,436	Employers' deficit funding contributions	6,979
852	Employers' other contributions	4,179
34,992		35,117
10,589	Members' normal contributions	9,364
45,581	Total	44,481

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.

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.

Contributions are further analysed in the following note:

1a. Analysis of Contributions Receivable

2010/11		2011/12
£'000		£'000
38,235	Administering authority	36,455
5,955	Scheduled bodies	6,765
1,391	Admitted bodies	1,261
45,581	Total	44,481

Haringey Council is the administering authority. Scheduled bodies are public bodies required by law to participate in the LGPS. Admitted bodies are in the LGPS either because services have been outsourced or because they have sufficient links with the Council to be regarded as having a community interest.

2. Transfers In

2010/11 £'000		2011/12 £'000
6,034	Individual transfers in from other schemes	4,980
0	Bulk transfers in from other schemes	4,092
6,034	Total	9,072

3. Benefits Payable

2010/11 £'000		2011/12 £'000
25,347	Pensions	28,525
5,989	Commutation of pensions & lump sum retirement benefits	12,956
882	Lump sum death benefits	520
32,218	Total	42,001

Benefits payable are further analysed in the following note.

3a. Analysis of Benefits Payable

2010/11 £'000		2011/12 £'000
29,237	Administering authority	37,719
1,879	Scheduled bodies	3,308
1,102	Admitted bodies	974
32,218	Total	42,001

4. Payments to and on account of leavers

2010/11 £'000		2011/12 £'000
1	Refunds of contributions	1
7,687	Individual transfers out to other schemes	4,231
7,688	Total	4,232

5. Administrative Expenses

2010/11		2011/12
£'000		£'000
569	Administration and processing	572
111	Legal and professional fees	79
680	Total	651

Other than costs disclosed, all administrative costs of running the Scheme are borne by the Administering Authority.

6. Investment Income

2010/11		2011/12
£'000		£'000
509	Interest from fixed interest securities	77
3,323	Dividends from equities	4,136
271	Income from index-linked securities	569
6,989	Income from pooled investment vehicles	7,215
512	Interest on cash deposits	368
11,604	Total	12,365

7. Taxes on Income

2010/11		2011/12
£'000		£'000
122	Irrecoverable withholding tax on investment income	94
122	Total	94

8. Investment management expenses

2010/11		2011/12
£'000		£'000
3,035	Fund managers fees	3,150
86	Custodian fees	86
48	Investment consultant fees	80
11	Independent adviser fees	1
20	Other	16
3,200	Total	3,333

9. Reconciliation of movements in Investment assets & liabilities

2011/12	Value as at 1 April 2011	Purchases at Cost & Derivative payments	Sales Proceeds & derivative receipts	Changes in market value	Value as at 31 March 2012
	£'000	£'000	£'000	£'000	£'000
Fixed Interest securities	10,453	0	(10,834)	381	0
Equities	133,811	51,790	(50,258)	(3,890)	131,453
Index-linked securities	16,844	41,490	(12,825)	7,807	53,316
Pooled Investment vehicles	489,752	255,234	(229,528)	14,127	529,585
Derivative Contracts	0	58	(87)	28	(1)
	650,860	348,572	(303,532)	18,453	714,353
Cash Deposits	66,637	1,627	(29,510)	(70)	38,684
Other Investment Balances	470	(875)	(806)	6	(1,205)
	67,107	752	(30,316)	(64)	37,479
Net Investment Assets	717,967	349,324	(333,848)	18,389	751,832

2010/11

	Value as at 1 April 2010	Purchases at Cost & Derivative payments	Sales Proceeds & derivative receipts	Changes in market value	Value as at 31 March 2011
	£'000	£'000	£'000	£'000	£'000
Fixed Interest securities	16,335	34,153	(40,573)	538	10,453
Equities	122,067	57,664	(53,449)	7,529	133,811
Index-linked securities	17,508	4,171	(5,579)	744	16,844
Pooled Investment vehicles	469,010	106,140	(114,536)	29,138	489,752
Derivative Contracts	38	216	(267)	13	0
	624,958	202,344	(214,404)	37,962	650,860
Cash Deposits	36,199	30,469	0	(31)	66,637
Other Investment Balances	1,359	679	(1,592)	24	470
	37,558	31,148	(1,592)	(7)	67,107
Net Investment Assets	662,516	233,492	(215,996)	37,955	717,967

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 Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £132k (2010/11: £149k). 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 Fund.

9a. Analysis of investment assets excluding derivatives and Other Investment Balances

31/03/11 £'000		31/03/12 £'000
	Fixed Interest Securities	
10,453	UK Public Sector quoted	0
0	UK Corporate quoted	0
10,453		0
	Equities	
36,493	UK quoted	34,109
97,318	Overseas quoted	97,344
133,811		131,453
	Index Linked Securities	
16,074	UK Public sector quoted	53,316
770	UK Other quoted	0
16,844		53,316
	Pooled Investment Vehicles	
	Unit Trusts:	
43,569	- Property - UK	46,989
13,463	- Other - UK	0
16,371	- Other - Overseas	14,088
	Unitised Insurance Policies	
118,326	- UK	120,109
30,275	- Overseas	63,629
	Other managed funds	
6,855	- Property - Overseas	5,571
121,753	- Other - UK	136,589
139,140	- Other - Overseas	142,610
489,752		529,585
	Cash Deposits	
66,590	Sterling	38,384
47	Foreign Currency	300
66,637		38,684

The managed funds in which the Scheme has invested are all operated or managed by companies registered in the United Kingdom.

9b. Derivative contracts

31/03/11		31/03/12
£'000		£'000
	Forward Foreign exchange:	
47	Pending forward foreign exchange purchases (asset)	128
(47)	Pending forward foreign exchange sales (liability)	(129)
0	Total	(1)

A summary of the forward foreign exchange contracts at 31st March 2012 is set out below:

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset value	Liability value
		000		000	£'000	£'000
Up to one month	JPY	2,366	GBP	(18)	18	(18)
Up to one month	GBP	10	EUR	(12)	10	(10)
Up to one month	AUD	88	GBP	(57)	57	(58)
Up to one month	USD	69	GBP	(43)	43	(43)
					128	(129)
Net forward currency contracts at 31st March 2012						(1)

The Pension Fund investment managers use forward foreign exchange contracts to reduce currency risk when undertaking investment transactions in foreign currencies. The table above shows these are short term contracts matched to the settlement of investment transactions.

In addition to forward foreign exchange contracts, the Pension Fund investment managers are permitted to use certain other derivatives in managing their portfolios, including warrants, futures, convertible securities and swaps. The use of all these derivatives is in line with the investment management agreements in place between the Fund and the investment managers. The Pension Fund did not hold any derivative contracts, other than forward foreign exchange contracts, as at 31 March 2012 or 31 March 2011.

9c. Investment Assets – Other Investment Balances

31/03/11 £'000		31/03/12 £'000
858	Outstanding dividend entitlements	1,193
63	Interest receivable	11
536	Outstanding trade sales proceeds	62
332	Pending foreign exchange purchases - spot deals	80
1,789		1,346

9d. Investment Liabilities – Other Investment Balances

31/03/11 £'000		31/03/12 £'000
(334)	Pending foreign exchange sales - spot deals	(80)
(985)	Unsettled investment trade purchases	(2,471)
(1,319)		(2,551)
470	Net Total	(1,205)

9e. Analysis of Investments by fund manager

31/03/2011 £'000	31/03/2011 %	Fund Manager	31/03/2012 £'000	31/03/2012 %
196,192	27.3	Capital International	203,301	27.1
236,673	32.9	Fidelity International	250,142	33.3
148,601	20.7	Legal & General	183,738	24.4
50,741	7.1	CBRE Global Investors	52,060	6.9
24,281	3.4	Pantheon	29,485	3.9
61,479	8.6	In house cash deposits	33,106	4.4
717,967	100.0	Total	751,832	100.0

9f. Investments exceeding 5% of Net Assets

31/03/2011			31/03/2012	
£'000	%	Name of holding	£'000	%
118,326	16.5%	Legal & General UK Equity Index	120,110	15.9%
N/A	N/A	Legal & General World Equity Index	63,629	8.4%
N/A	N/A	Fidelity Institutional Index Linked Bond Fund	68,671	9.1%
38,558	5.4%	Fidelity Institutional Exempt America	41,029	5.4%
38,724	5.4%	Fidelity UK Institutional UK Equities	38,889	5.2%
41,499	5.8%	Fidelity UK Institutional Long Corporate Bond Fund	N/A	N/A
37,241	5.2%	Fidelity Institutional Europe ex UK	N/A	N/A

10a. Classification of Financial Instruments

The majority of the Fund's financial assets and liabilities are classified as "fair value through profit and loss". This means that the assets can be exchanged between parties at a market price. The Accounting Policies describe how fair value is measured. Assets which have fixed payments and are not quoted in an active market are classified as "Loans and Receivables". The only financial assets in this class held by the Fund are cash deposits and debtors. Creditors to the Fund are classified as financial liabilities at amortised cost because they are not held for trading. No assets or liabilities have been reclassified.

31/03/11 Carrying Value £'000	31/03/11 Fair Value £'000		31/03/12 Carrying Value £'000	31/03/12 Fair Value £'000
		FINANCIAL ASSETS		
		Financial Assets at Fair Value through Profit or Loss		
10,470	10,453	Fixed Interest securities	0	0
115,061	133,811	Equities	119,711	131,453
15,711	16,844	Index-linked securities	45,294	53,316
383,657	489,752	Pooled Investment vehicles	417,211	529,585
47	47	Derivative Contracts	128	128
1,791	1,789	Other Investment Balances	1,347	1,346
526,737	652,696		583,691	715,828
		Loans & Receivables		
66,637	66,637	Cash Deposits	38,684	38,684
3,907	3,907	Debtors	4,025	4,025
1	1	Cash at Bank	0	0
70,545	70,545		42,709	42,709
		FINANCIAL LIABILITIES		
		Financial Liabilities at Fair Value through Profit or Loss		
(47)	(47)	Derivative Contracts	(129)	(129)
(1,319)	(1,319)	Other Investment Balances	(2,727)	(2,551)
(1,366)	(1,366)		(2,856)	(2,680)
		Financial Liabilities at Amortised Cost		
(923)	(923)	Creditors	(891)	(891)
0	0	Cash overdrawn	(18)	(18)
(923)	(923)		(909)	(909)
594,993	720,952	**Net Assets**	622,635	754,948

10b. Net gains and losses on financial instruments
The table overleaf analyses gains and losses according to financial instrument classification.

31/03/11		31/03/12
£'000		£'000
	Financial Assets	
36,414	Fair Value through profit or loss	18,429
(31)	Loans & receivables	(70)
	Financial Liabilities	
1,572	Fair Value through profit or loss	30
0	Financial Liabilities at Amortised Cost	0
37,955	Total	18,389

11. Nature and extent of risks arising from Financial Instruments
The Pension Fund's investment objective is to achieve a return on Fund assets, which is sufficient, over the long term, to meet the funding objectives. The Pension Fund's investment strategy has an inherent degree of risk which is taken in order to achieve this objective.

a) Management of risk
The Pension Fund is invested in a range of different types of asset – equities, bonds, property, private equity and cash. This is done in line with the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of a Statement of Investment Principles, which sets out the Fund's approach to investment including the management of risk. The latest version can be found in the Pension Fund Annual Report & Accounts

The majority of the Pension Fund's assets are managed by external fund managers and they are required to provide an audited internal controls report regularly to the Council which sets out how they ensure the Fund's assets are managed in accordance with the Investment Management Agreement the Council has signed with each fund manager.

b) Market price risk
The key risk for the Pension Fund is market risk, which is the risk that the value of the investments fluctuates due to changes in market prices. The majority of the Fund is invested in assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. The Fund's investments increased in value during 2011/12 by £34m, equivalent to around 4.7%. To demonstrate the impact of this volatility, the table below shows the impact a 10% movement up and down in market prices would have had on the portfolio in 2011/12 and for the previous year.

	Market Value at 31/03/12 £'000	% change	Value on increase £'000	Value on decrease £'000
Fixed Interest securities	0	10%	0	0
Equities	131,453	10%	144,598	118,308
Index-linked securities	53,316	10%	58,648	47,984
Pooled Investment vehicles	529,585	10%	582,544	476,627
Derivative Contracts	(1)	0%	(1)	(1)
Cash Deposits	38,684	0%	38,684	38,684
Other Investment Balances	(1,205)	0%	(1,205)	(1,205)
Net Investment Assets	751,832		823,268	680,397

	Market Value at 31/03/11 £'000	% change	Value on increase £'000	Value on decrease £'000
Fixed Interest securities	10,453	10%	11,498	9,407
Equities	133,811	10%	147,192	120,430
Index-linked securities	16,844	10%	18,528	15,159
Pooled Investment vehicles	489,752	10%	538,728	440,777
Derivative Contracts	0	0%	0	0
Cash Deposits	66,637	0%	66,637	66,637
Other Investment Balances	470	0%	470	470
Net Investment Assets	717,967		783,053	652,880

A number of controls have been put in place to minimise this risk. A key method to reduce risk is to diversify the Pension Fund's investments. This is achieved through the setting of a benchmark, which incorporates a wide range of asset classes and geographical areas. A range of investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. In addition to diversification, parameters have been set for the investment managers to work within to ensure that the risk of volatility and deviation from the benchmark are within controlled levels.

Investment values and performance of the fund managers is measured on a quarterly basis through reporting to Corporate Committee.

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 43% of the Fund value on 31st March 2012. There is a risk that due to exchange rate movements that the sterling equivalent value of the investments falls. The table below shows the impact a 10% movement up and down of the pound against foreign currencies would have had on the portfolio in 2011/12 and for the previous year.

	Market Value at 31/03/12 £'000	% change	Value on increase £'000	Value on decrease £'000
Overseas Equities	97,344	10%	107,078	87,610
Overseas exposure in Pooled Investment vehicles	225,898	10%	248,488	203,308
Foreign Currency	300	10%	330	270
Total	323,542		355,896	291,188

	Market Value at 31/03/11 £'000	% change	Value on increase £'000	Value on decrease £'000
Overseas Equities	97,318	10%	107,050	87,586
Overseas exposure in Pooled Investment vehicles	192,641	10%	211,905	173,377
Foreign Currency	47	10%	52	42
Total	290,006		319,007	261,005

The external fund managers are required to consider the potential impact of currency movements when selecting investments. The cash balances managed internally are only permitted to be in sterling.

d) Interest Rate risk

Movements in interest rates affect the income earned by the Fund and can have an impact on the value of net assets, in particular bonds. To demonstrate this risk, the table below shows the impact on income earned of a 1% increase and decrease in interest rates.

	Interest earned 2011/12 £'000	Interest if rates 1% higher £'000	Interest if rates 1% lower £'000
Fixed Interest securities	77	181	0
Index-linked securities	569	1,041	97
Fixed Interest exposure in Pooled Investment vehicles	2,063	3,015	1,110
Cash Deposits	368	864	9
	3,077	5,101	1,216

	Interest earned 2010/11 £'000	Interest if rates 1% higher £'000	Interest if rates 1% lower £'000
Fixed Interest securities	509	643	375
Index-linked securities	271	442	99
Fixed Interest exposure in Pooled Investment vehicles	3,254	4,056	2,451
Cash Deposits	512	1,095	59
	4,546	6,236	2,984

e) Credit risk and counterparty risk

Credit risk is the risk a counterparty fails to fulfil a transaction it has committed to entering into. This risk is particularly relevant to the Council's bond and cash investments.

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table below shows the split of the bond investments by credit rating at 31st March 2012 and 31st March 2011.

	Market Value at 31/03/2012 £'000	AAA %	AA %	A %	BBB %	Below BBB %
Index-linked securities	53,316	100.0	0.0	0.0	0.0	0.0
Bond exposure in Pooled Investment vehicles	97,700	70.0	3.5	13.3	10.2	3.0
Total / Weighted Average	151,016	80.6	2.3	8.6	6.6	1.9

	Market Value at 31/03/2011 £'000	AAA %	AA %	A %	BBB %	Below BBB %
Fixed Interest securities	10,453	100.0	0.0	0.0	0.0	0.0
Index-linked securities	16,844	100.0	0.0	0.0	0.0	0.0
Bond exposure in Pooled Investment vehicles	83,029	49.5	5.7	20.9	19.1	4.8
Total / Weighted Average	110,326	62.0	4.3	15.7	14.4	3.6

The cash that the Council manages internally on behalf of the Pension Fund is invested in line with the Council's Treasury Management Strategy, which sets out very strict limits on the counterparties which can be used and the amounts that can be invested with them. The amount of cash held by fund managers is kept to a minimum and when held for a period of time is invested in the custodian bank's AAAm rated money market fund. The table below details the credit ratings of the institutions the cash was held with.

	Credit rating on 31/03/12	Exposure £'000
Debt Management Office	N/A	15,570
Northern Trust	AA-	107
Money Market Funds	AAAm	23,007
Total		**38,684**

	Credit rating on 31/03/11	Exposure £'000
Barclays Bank	AA-	9,760
Lloyds TSB	A+	14,255
Nationwide Building Society	A+	10,090
Royal Bank of Scotland	A+	5,960
Money Market Funds	AAAm	26,572
Total		**66,637**

The limits for both bonds and cash are kept under constant review to be able to respond quickly to changes in the creditworthiness of counterparties which may increase risk.

f) Liquidity risk

Liquidity risk is the risk that monies are not available to meet the Pension Fund's obligation to pay pension benefits on time.

Maintaining a level of internally managed cash balances enables the Pension Fund to ensure liquidity is not an issue. 53% of the internally managed cash held on 31st March 2012 was in instant access money market funds, ensuring cash is available as required. Monitoring of the cashflow position daily assists with maintaining this position.

The majority of the Council's non cash investments are in publicly listed stock exchanges, which ensure it is possible to realise the investments easily if necessary.

12. Debtors

31/03/11 £'000		31/03/12 £'000
	Local Authorities	
	Contributions due from :	
2,367	Administering Authority in respect of the Council	2,457
704	Administering Authority in respect of members	587
3,071		3,044
0	Administering Authority - other	26
0		26
	Central Government Bodies	
0	HM Revenue & Customs	39
0		39
	Other entities and individuals	
	Contributions due from :	
60	Admitted Bodies in respect of employers	80
19	Admitted Bodies in respect of members	20
323	Scheduled Bodies in respect of employers	430
136	Scheduled Bodies in respect of members	155
229	Other - Reimbursement of Fund management expenses	228
69	Other	3
836		916
3,907		4,025

All contributions due to the Scheme were paid in full to the Scheme. All were paid within the timescales required by the Scheme Rules, with the exception of three employers, whose contributions were received late.

13. Cash at bank

31/03/11		31/03/12
£'000		£'000
1	Cash at bank / (Cash Overdrawn)	(18)
1		(18)

14. Creditors

31/03/11		31/03/12
£'000		£'000
	Central Government Bodies	
264	HM Revenue & Customs	283
	Other entities and individuals	
188	Unpaid benefits in respect of the Administering Authority	164
437	Fund manager and adviser fees	437
34	Other	7
923		891

15. Contingent assets

Four admitted bodies in the London Borough of Haringey Pension Fund hold bonds to protect the Fund against the possibility of being unable to meet their pension obligations. The bonds would only be payable to the Fund in the event of default on the part of the admitted body.

16. Contingent liabilities

The Fund had the following outstanding commitments to invest at the balance sheet date:

31/03/11		31/03/12
£'000		£'000
27,330	Pantheon - Private Equity	21,400
1,152	CBRE Global Investors - Property	852
28,482	Total	22,252

The commitments relate to outstanding call payments due in relation to the private equity and property portfolios.

17. Related party transactions

In 2011/12 the Pension Fund paid £0.502m to the Council for administration and legal services (£0.535m in 2010/11). As at 31 March 2012 £3.07m was due from the Council to the fund (£3.045m in 2010/11), mainly in relation to employer and employee contributions.

During 2011/12 seven council members who served on the Pensions Committee or the Corporate Committee were also members of the Pension Fund. Committee members are required to declare their interests at the beginning of each Committee meeting.

There were no other material related party transactions.

18. Actuarial present value of promised retirement benefits

Annex 1 to the Financial Statements is a report from the Fund's Actuary setting out this information.

The figures included in this note are for the purpose of accounting under International Accounting Standard 19 only. It is the results of the formal funding valuation that are used to determine the funding strategy and employer contribution rates for the Pension Fund. Details of the results of the formal funding valuation can be found in the Actuarial Position section.

19. Post Balance Sheet Event

Since 31st March 2012, all the Fund's equity and bond holdings have been moved to being invested on a passive basis. As a result of this, two of the fund managers have been removed and one new one added. This change is deemed to be a non-adjusting post balance sheet event.

20. Additional Voluntary Contributions ("AVCs")

Separately invested AVCs are held with the Equitable Life Assurance Society, Prudential Assurance, and Clerical Medical in a combination of With Profits, Unit Linked and 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:

2010/11	Equitable Life Assurance Society	2011/12
£		£
443,881	Value as at 6 April	453,980
7,506	Contributions received	7,636
(17,565)	Retirement benefits and charges	(132,212)
20,158	Change in market value	3,741
453,980	Value as at 5 April	333,145
219,211	Equitable With Profits	165,288
95,843	Equitable Deposit Account Fund	69,191
138,926	Equitable Unit Linked	98,666
453,980	Total	333,145
40	Number of active members	26
24	Number of members with preserved benefits	23

2010/11	Prudential Assurance	2011/12
£		£
925,642	Value as at 1 April	1,117,023
471,953	Contributions received	217,025
(324,563)	Retirement benefits and charges	(299,646)
43,991	Change in market value	61,248
1,117,023	Value as at 31 March	1,095,650
718,139	Prudential With Profits Cash accumulation	718,643
26,526	Prudential Deposit Fund	53,656
372,358	Prudential Unit Linked	323,351
1,117,023	Total	1,095,650
96	Number of active members	84
17	Number of members with preserved benefits	19

2010/11	Clerical and Medical	2011/12
£		£
45,420	Value as at 1 April	56,901
7,665	Contributions received	5,279
3,816	Change in market value	4,555
56,901	Value as at 31 March	66,735
4,215	Clerical Medical With Profits	4,593
52,686	Clerical Medical Unit Linked	62,142
56,901	Total	66,735
4	Number of active members	4
2	Number of members with preserved benefits	2

Annex 1 to the Financial Statements

As referred to in Note 18 to the Financial Statements, the following actuarial report has been provided by Hymans Robertson.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2011/12 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund which is in the remainder of this note.

Balance Sheet

31/03/11		31/03/12
£'000		£'000
1,065,000	Present Value of Promised Retirement Benefits	1,186,000
1,065,000	Total	1,186,000

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31st March 2010. I estimate this liability at 31st March 2012 comprises £554m in respect of employee members, £262m in respect of deferred pensioners and £370m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

It should be noted that the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions
The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate the impact of the change of assumptions to 31st March 2012 is to increase the actuarial present value by £27m.

Financial Assumptions
My recommended financial assumptions are summarised below:

31/03/11		**31/03/12**
% p.a.		**% p.a.**
2.8%	Inflation / Pension Increase Rate	2.5%
5.1% *	Salary Increase Rate	4.8%**
5.5%	Discount Rate	4.8%

** Salary increases are 1% p.a. nominal for the year to 31 March 2012, reverting to the long term rate thereafter*
*** Salary increases are 1% p.a. nominal for the three years to 31 March 2015, reverting to the long term rate thereafter*

Longevity Assumption
The life expectancy assumption is based on the standard SAPS tables with improvements from 2007 in line with the Medium Cohort and a 1% per annum underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current Pensioners	21.9 years	24.7 years
Future Pensioners (assumed to be currently aged 45)	23.3 years	26.1 years

This assumption is the same as at 31st March 2011.

Commutation Assumption
An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre April 2008 service and 75% of the maximum tax-free cash for post 2008 service.

Professional Notes
This paper accompanies my covering report titled "Actuarial Valuation as at 31st March 2012 for the purposes of International Accounting Standard 19 dated April 2012". The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper together with further details regarding the professional requirements and assumptions. This report is available from the Administering Authority on request.

Douglas Green FFA
For and on behalf of Hymans Robertson LLP
22nd May 2012.

Appendix II – Annual Report to those Charged with Governance

Grant Thornton

London Borough of Haringey

Report to Those Charged With Governance (ISA 260)

For the year ended 31 March 2012

Contents

1 Executive summary

1.1 Purpose of this report

The purpose of this report is to highlight the key issues affecting the results of The London Borough of Haringey (the Council) and the preparation of the Council's financial statements for the year ended 31 March 2012. It is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion).

We take responsibility for this report, which has been prepared on the basis of the limitations set out in 'The 'ISA 260 reporting arrangements' (Appendix A).

1.2 Introduction

In the conduct of our audit we have not had to alter or change our audit plan, which we communicated to you in our Audit Approach Memorandum dated March 2012 except for needing to address the impact of the weaknesses in the Council's preparation of the financial statements which resulted in the Council withdrawing the accounts submitted for audit in June 2012 and presenting revised statements at the end of August.

Our audit is still on-going in the following areas:

- completing testing of PPE revaluations, debtor, creditors, reserves, provisions, grant revenue, cashflow statement;
- receipt of bank confirmation letters for school bank accounts;
- agreeing adjustments raised see section 2.2;
- updating our post balance sheet events review, to the date of signing of the accounts;
- receipt of the letter of representation;
- final review of financial statements; and
- review of Whole of Government Accounts.

We received draft financial statements in accordance with the national deadline and the accompanying working papers at the commencement of our work. Following submission of the accounts for audit at the end of June, the accounts underwent technical review and validation by the Council. As a result, an unusually high number of errors were discovered in the draft accounts, over and above the level normally expected at that stage in the process. During the accounts closure process, assurances had been given to senior management regarding quality that did not reflect the actual position. This matter is now being investigated by the Council in line with its policies and procedures. The Council advised us on discovery of the errors and during the past month we have been working with them to revise the accounts and they have been answering our queries from the audit and restatement of the accounts.

It is recognised that the errors and process are a unique set of circumstances, and the Council will be working with us to learn from what went wrong and, as far as practically possible, put procedures in place to ensure that such circumstances do not arise again.

1.3 Key audit and financial reporting issues

Financial statements opinion

From the adjustments identified as a result of our audit, there has been an overall impact of an increase in the net worth of the Council of £1,250k These adjustments are explained in detail in sections 2 and 3 of this report. A number of other adjustments have been processed through the accounts that were minor and of a presentational nature only and had no overall net effect on the Council's reported assets and liabilities.

The key messages arising from our audit of the Council's financial statements are:

- Several requests for additional working papers were made during the course of the audit and this resulted in delays completing the audit in early September as planned.
- The Council recognise that there is a need to significantly improve the processes for dealing with prior year issues and preparing robust financial statements which stand up to audit scrutiny. Recommendations have been raised in respect of improving the quality of some working papers.
- An adjustment has been proposed to increase council dwelling depreciation by £4,336k. This is because we took the view that the planned maintenance spend in the 30 year HRA business plan provided a better estimate of depreciation over the next thirty years rather than the Major Repairs Allowance (MRA) that the Council has used as the proxy for depreciation in previous years.
- The Council accounted for its valuation incorrectly. Valuations had been undertaken as at 1 April 2011 and the Council had accounted for these values as at 31 March 2012. This had an impact on the depreciation charge for the year and the *increase/decrease* in asset values.
- We identified an asset reclassified from Assets Under Construction to other land and buildings in the year which should have been reclassified in the previous year. As this asset was not treated as operational during 2011/12, no depreciation had been charged on it resulting in an understatement of £440k. An adjustment has proposed for the reclassification and depreciation charge A number of issues have been identified with the asset accounting module and management should undertake a review of the system to check it is fit for purpose.
- Errors were noted in the school bank account reconciliations with non-reconciling items being included as such. This resulted in the schools cashbook balance being understated by an estimated £2,962k.

[At this stage of the audit, we anticipate issuing an unmodified audit opinion, following approval of the financial statements by the Corporate Committee.]

The key messages arising from our audit of the Council's financial statements to date are set out in section 2.

Value for money conclusion

{We are pleased to report that, based on our review of the Council's arrangements, we propose to give an unqualified opinion.
Further details are set out in section 6.) Note- if the accounts are not signed by the deadline, the VFM conclusion will be an except for conclusion.

1.4 Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to the Council.

1.5 The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Assistant Director of Finance and the senior finance team as they have arisen. We will continue to do so until the audit is completed.

Recommendations arising from our work have been discussed and agreed with the Assistant Director of Finance and the senior finance team.

1.6 Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP

September 2012

2 Key audit issues

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and we provide details of additional matters that arose during the course of our work.

2.1 Matters identified at the planning stage

In the conduct of our audit, we have not had to alter or change our audit plan, which we communicated to you in our Audit Approach Memorandum dated March 2012 except for needing to address the impact of the weaknesses in the Council's preparation of the financial statements which resulted in the Council withdrawing the accounts submitted for audit in June 2012 and presenting revised statements at the end of August.

Issue	Audit Areas affected	Work completed	Assurances gained / Issues identified
Accounting under IFRS	All areas of the financial statements	• We have continued to maintain on-going liaison with the Finance Team regarding emerging issues and guidance has been provided for any changes to accounting treatment under IFRS.	• From the work undertaken we have not identified any issues that indicate departure from accounting standards. However, during our work we identified additional information was required for disclosures in relation to estimates and judgements, accounting for schools and accounting policy for leases and depreciation. These have been discussed with the Council and will be amended in the revised financial statements.
HRA Self Financing	All areas of the financial statements	• The Council received a final settlement for HRA of £232m from the DCLG which we have agreed to DCLG confirmation. • We have reviewed the disclosures and accounting treatment as part of our final accounts audit to ensure the arrangements are appropriate and in accordance with relevant accounting standards and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code.	• The HRA settlement was not separately disclosed on the Comprehensive Income and Expenditure Statement (CIES)as an exceptional item. An adjustment has been proposed to ensure it is disclosed is in accordance with the Code requirements for exceptional items.

Issue	Audit Areas affected	Work completed	Assurances gained / Issues identified
Accounting for Heritage assets	Property, plant and equipment – Heritage assets	• As this was a new accounting requirement for 2011/12 and our work initially focused on the Council's approach to identification of heritage assets • We considered the approach to valuation of the identified assets and the appropriateness of the values included in the accounts • As part of our work in this area we also considered the accounts disclosures associated with heritage assets for compliance with the Code.	• Through our audit procedures we have gained assurance that the Council has correctly identified and accounted for its heritage assets • Further information on our findings are detailed in section 2.2.
Financial performance	All areas of the financial statements	• We have monitored the Council's financial position throughout the year through review of Cabinet papers and liaison meetings with the Director of Corporate Resources and Assistant Director of Finance. • We have substantively tested revenue and expenditure. • Our work on Council reserves considered use of reserves during the year as well as the closing position to gain an understanding of the Council's financial position. • As part of our value for money work we followed up on our financial resilience review which provided a further overview of the Council's financial position.	• Management identified a number of errors to the financial statements and as mentioned above we were presented with revised statements on 30 August 2012. The CIES, Balance Sheet, Movement in Reserves Statement, Cashflow Statement, Amounts Reported for Resource Allocation decisions note and other related notes were revised as a result. The adjustments made by management did not have an impact on the reported general fund balance to Cabinet in June. • From the detailed testing carried out, we identified a number of adjustments and noted these did not materially impact on the Council's reported General Fund outturn position of a £4,729k increase for the year. • Our review of Financial Resilience reported to Corporate Committee in June 2012 concluded that overall, the Council's level of available reserves and contingencies provide adequate cover for known future financial risks. • The results of our value for money work are detailed in section 6.

Issue	Audit Areas affected	Work completed	Assurances gained / Issues identified
Revaluation of Non-current assets	Property, plant and equipment	• We held early discussions with management to gain assurance that revaluations completed would be in line with IFRS requirements • We undertook a thorough review of the Council's valuation approach, in particular that applied to MEA (Modern Equivalent Asset). This included challenge of the assumptions applied by the valuer within the calculation and re-performance of calculations to ensure accuracy of the final valuation figures • We substantively tested a sample of revaluations completed during the year, agreeing the amounts disclosed in the financial statements to the valuation	• Apart from Council dwellings, all other assets revalued in 2011/12 were valued by external valuers. Council dwellings were revalued by an internal valuations team • From our review of the assumptions used by both internal and external valuers we were able to gain assurance on the basis of valuations • A number of issues have been identified in relation to the revaluation of non-current assets and further information on our findings are detailed in section 2.2.
Component accounting	Property, plant and equipment	• We reviewed the Council's methodology for identifying and accounting for components in 2011/12 for both council dwellings and all other applicable non-current.	• From review of the Council dwelling valuations, the Council has not completed the valuation on a component basis. Although not a requirement for 2011/12, the Council should start planning for componentisation of Council dwelling as soon as possible as this is required under HRA self-financing. • For all other land and buildings, the Council has identified components as part of the review of valuations and these are being revalued on this basis. From our review of the asset register we noted that the entries on the register did not reflect the components included in the valuation report. In addition the useful economic lives of assets was recorded as a weighted average life of the components. Although this does not have an impact on the annual depreciation charge, each component should be included separately on the register.

Issue	Audit Areas affected	Work completed	Assurances gained / Issues identified
Depreciation of Council dwellings	Property, plant and equipment	• We reviewed the valuation of Council dwellings as part of our work to ensure it is in line with guidance issued. • In previous years, the Council has used the Major Repairs Allowance (MRA) as a proxy for depreciation. This will not be possible under the new self-financing HRA regime from 2012/13, although there will be a transition period. The Council needs to prepare for this. • From review of the accounts, the Council has continued to use MRA as a proxy for depreciation for 2011/12 in line with guidance. Management reviewed this and provided detail of the planned spend on council dwellings over the next thirty years as an alternative basis for the depreciation charge.	• Our review of council dwellings valuations has provided assurance that these have been completed in line with guidance. • In 2010/11we recommended that the Council ensured documentation was maintained for the estimates and judgements used in valuing assets. This was not fully implemented and has been raised again as sufficient documentation was not available during the audit. • The Council prepared a paper setting out the spend on council dwellings over the next thirty years based on the HRA business plan. Based on the stock condition survey carried out for preparing the HRA self-financing business plan, it was estimated that the Council will spend £538,093k over thirty years. This would cost the Council £17,936k per annum. This was considered to be a more appropriate basis for calculating depreciation and an adjustment has been made by management to increase Council dwelling depreciation by £4,336k.
Alexandra Park and Palace Trust (AP&P)	Group accounts consolidation	• We liaised with the auditors of AP&P to inform our planning and reviewed the consolidated accounts as part of the accounts audit.	• The the timetable for approval of the AP&P accounts was brought forward in line with the Council's closedown timetable. • An unqualified opinion was given on the AP&P accounts for the year ended 31 March 2012. • From testing of the group accounts no issues were identified

Issue	Audit Areas affected	Work completed	Assurances gained / Issues identified
Accounting for schools	Property, plant and equipment - schools	• We have provided the Council with the information available to date on accounting for schools. Discussions have been held with the finance team throughout the year. • We have discussed with the Council the requirement to ensure that disclosures in respect of accounting for schools is clear and that there is consistency in the treatment of schools that fall within the same category e.g. all voluntary controlled schools are presented in the same way in the financial statements.	• The Council has included its policy and appropriate disclosure on schools. This included the number of schools in the borough split between those controlled by the Council and those which are not. • From review of a listing of school assets we identified land for a voluntary controlled school which had a net book value of £146k had been included in the Council's balance sheet. This does not comply with the Council's accounting policy in relation to the treatment of school assets and an adjustment has been proposed to. remove the asset from the balance sheet • We requested the Council include the value of the schools, and where information was not available for the non-controlled schools, a reasonable estimate was used. This information will be included in the revised accounts. • Further information on our findings are detailed in section 2.2.
Use of Estimates and Judgements	All areas of the financial statements	• One key area of the Council's accounts which includes judgements and estimates relates to property valuations and specifically school assets. Work completed in these two areas has been considered separately in this report. • We have discussed the requirements for disclosures and supporting evidence for estimates and judgements within the financial statements including allowances, prepayments, accruals and provisions. • We reviewed the Council's accounting policies and disclosures for areas where estimates and judgements would be used.	• See page 7 for recommendation raised for judgements and estimated used for property valuations. • We requested additional disclosures be included for non-current asset valuations and useful lives of assets and for leases, accruals, provisions and the holiday pay accrual to provide further clarity on the judgements used by the Council to arrive at estimated values in these areas. • We considered all other disclosures where an estimate or judgement had been made were adequate.

Issue	Audit Areas affected	Work completed	Assurances gained / Issues identified
Reduction in Finance function	All areas of the financial statements	• To ensure that the accounts audit would be delivered in line with the timetable agreed with the Council, our audit work initially focused on high risk areas to ensure the Council had sufficient time to provide any additional information requested and resolve any queries raised as part of our work.	• We were provided with a set of working papers at the start of the audit, however several requests for additional information were made throughout the course of the audit where the information submitted was inadequate. Please refer to section 5 for recommendation raised regarding improving working papers. • Both ourselves and key officers were given assurance that the action plan agreed to improve the audit process as part of the post-mortem review in 2010/11 had been addressed. As the audit evolved we noted this was not the case. • We will undertake another review in October 2012 and work with the Council to ensure the audit process is improved in 2012/13. We will work with the Council to ensure that internal audit verify completion of the action plan.
Fraud	All areas of the financial statements	• We reviewed the fraud and corruption arrangements in place through discussions with Head of Internal Audit & Risk Management and Head of Legal. • We liaised with Internal Audit on questions from the public regarding alleged frauds at schools.	• The results of our review are detailed in section 3 with no significant issues identified. • No issues have been noted in regards to the counter-fraud arrangements in place for schools.
Whole of Government Accounts (WGA)	All areas of the financial statements	• We plan to complete our work on the WGA once we have completed our accounts audit work. • Work is yet to be undertaken on the WGA. Work on WGA will be undertaken on conclusion of the main accounts audit.	• Councils are required to prepare and submit for audit their WGA by the 31 July 2012. The Council did not submit its WGA until the 10 September 2012. The deadline for certification of the WGA is the 5 October 2012 we may have to issue a qualified opinion, if the deadline is missed.

Issue	Audit Areas affected	Work completed	Assurances gained / Issues identified
Control weaknesses in the Trust's IT systems are not addressed	All areas of the financial statements	• Detailed results of the work undertaken on the Trust's IT systems were set out in our AAM presented to the March Audit Committee.	• No further control issues relating to IT have been identified from our work carried out.

2.2 Matters identified during the course of the audit

Revaluation of Non-current assets

With the exception of Council dwellings, all other land and building assets were revalued by external valuers. The valuers provided their valuation report as at 1 April 2011 and completed an impairment review of assets as at 31 March 2012. The Council accounted for the valuations as though these had been completed as at 31 March 2012 instead of 1 April 2011.

We were unable to verify the date of valuation specified by the Council to the valuers or obtain a signed engagement letter. The Council should ensure engagement letters are in place when work is contracted out and finance team should ensure they lead the valuation process.

As a result of the above the depreciation charged for the year and the movement on revaluation was incorrectly calculated. An adjustment has been proposed to account for the valuation as at 1 April 2011, calculate the increase/decrease in valuation and the depreciation charge for the year. As a result the net book value of assets and revaluation reserve are overstated by £996k and £143k respectively. There would also be an additional charge to the Comprehensive income and expenditure account for depreciation and impairment of £1,139k. Adjustments for the above have been proposed which management have not made as these are not considered material.
Work is still on-going to check that revaluations have been correctly accounted. ***Work to be completed.***

Transfer of academy schools

During 2011/12 two schools achieved academy status. One of the schools, Woodside High School, was revalued prior to the transfer> However on accounting for this, the Council did not take into account the correct revalued amount. The Council only accounted for the land revaluation in calculating the loss on transfer and not the revalued amounts for buildings. An adjustment has been proposed to include the revalued building amount in calculating the loss on transfer. This results in a decreased loss on disposal of £12,468k, an increase in impairment to the CIES of £6,121k and a decrease to the revaluation reserve of £6,347k.These adjustments have been made by management.

Property, Plant & Equipment (PPE) - additions

From our testing of additions we identified that for one invoice the Council had incorrectly capitalised VAT of £51k. From our testing, we were unable to confirm that this was an isolated incident and therefore the error was extrapolated over in-year PPE additions resulting in an extrapolated error of £185k. An adjustment to decrease PPE additions in the year has been made for this amount. Management decided that as the amount was not material no adjustment would be made.

Reclassification of assets from Assets Under Construction (AUC)

The Council completed work at the Heartlands High School during the year and reclassified it from AUC to other land and buildings. We noted that the school became operational in September 2010 and therefore the spend up to that point of £36,962k should have been reclassified as other land and buildings in 2010/11. A prior period adjustment has been proposed for this which has been processed by management.

As the asset was operational in 2011/12 depreciation should have been charged on the asset for the year. This has been estimated as £440k for which an adjustment has been proposed.

Included in the reclassification line of the PPE note was an amount of £1,759k relating to Revenue Expenditure Funded from Capital Under statute (REFCUS). Per the Code, REFCUS should not be accounted for on the Council's balance sheet and should be expensed to the CIES. We are yet to obtain all the information to understand this transaction and conclude if REFCUS has been correctly accounted for. ***Work to be completed.***

Heritage assets
The Council approach to valuing its heritage assets is based on insurance value and where this was not available, on a valuation provided by a suitably qualified person. The Council's most significant item that meets a heritage asset classification is s a collection held at Bruce Castle which was valued by a suitably qualified person. From review of the asset register, we noted that the asset was not included at its revalued amount of £1,750k. An adjustment has been proposed to adjust the value of the collection to the revalued amount.

The Council has included disclosures in the accounts relating to its heritage assets, including their nature and valuation approach. We have reviewed these disclosures against the requirements of the Code and identified two minor non-compliances which have been raised with management for amendment.

Investment properties
From work we noted that two assets were incorrectly classified as investment properties. For an asset to be classified as investment property it should be used solely to earn rentals and/or for capital appreciation.

One of the buildings was being used by the Council and should be classified as other land and buildings. The other was not occupied or held for capital appreciation and should be classified as a surplus asset. Investment properties were therefore overstated by the net book value of these two assets which amounts to £370k and an adjustment to reclassify these assets has been raised. Management have not made this adjustment as it is not considered to be material.

Embedded leases
We reviewed significant contracts entered during the year to determine whether the arrangements meet the definition of a service concession per IFRIC 12 or contained a lease under IFRIC 4. The most significant contract entered into the year was with Veolia. We have reviewed the contract and it appears to contain a lease. We are still in discussions with management to determine if it does contain a lease and if so what the accounting impact is. ***Work to be completed.***

Retentions
From review of accruals we noted that the Council only accrues for retentions when construction projects are completed rather than when work is in progress. From review of AUC, it is estimated that the Council has retentions of £1,912k as at 31 March 2012. The Council has accrued for retentions of £1,664k therefore an adjustment has been proposed to increase accruals for retentions by £248k. This adjustment has not been made by management as it is not considered material.

School bank reconciliations
From our review of the school bank reconciliation, we noted the schools included items such as accruals and accrued income as reconciling items. Although this is in line with previous year-end returns it is incorrect and the schools cashbook balance is being understated by these items. We selected a sample of eight schools to identify the misstatement and extrapolated the error across the total school balance. Based on these procedures, we have estimated that the schools bank balances are understated by £2,962k. An adjustment has been proposed to correct this misstatement.

In addition a recommendation has been raised that the schools should exclude such items from the bank reconciliation to ensure that the balance reported is the cashbook balance.

Cash & cash equivalents

From review of the disclosure note, we noted that the Council nets off its credit bank balances against the debit school bank balances. Netting off of credit and debtor balances is not allowed by the CIPFA Accounting Code and an adjustment has been proposed to split the Council and school bank accounts accordingly.

Accumulated absences accrual (holiday pay accrual)

The Council's methodology remains the same as the previous in calculating non-teaching staff holiday pay accrual. We did not note any issues with the calculation. For teaching staff, the Council uses the CIPFA model provided to calculate the accrual. From our review we noted that the Council had used an incorrect estimated cost in the tool. The accrual was recalculated using the corrected cost amount and this resulted in an increase of the accrual by £354k. An adjustment has been proposed to increase the holiday pay accrual by this amount.

Council tax bad debt write offs

The Council wrote off council tax debts amounting to £845k in previous years which was accounted for on SAP however not IWorld, the Council tax system. This write off was approved in line with the Council's policy, however, these write offs could not be allocated to individual council tax accounts. An adjustment has been proposed to reverse the write off in 2011/12 which management has agreed to. The Council will raise this amount as a bad debt provision in 2011/12 and write off these debts on the IWorld in 2012/13.

Debtors

From our testing of debtors we noted that the council tax bad debt provision was incorrectly disclosed in the debtors note. This resulted in an increase in government debtors and council tax provision for bad debt by £7,307k and £5,791k and a decrease of other public bodies debtors by £1,516k. This adjustment has been processed by management.

From our testing we identified a balance of £2,351k included in debtors relating to an audit adjustment made in the previous year. This balance should have been reversed during 2011/12 and not included as a debtor amount at the year end. The corresponding entries are against creditors and cash of £2,336k and £15k respectively. An adjustment has been made by management to correct this.

Creditors

Our testing for unrecorded liabilities highlighted two invoices relating to 2011/12 which were paid in 2012/13. These had not been accrued for in 2011/12. As a result of this we extended our testing in this area. From the extended sample we identified that the Council had not accrued for invoices amounting to £478k. One of the initial errors related to over-performance on a contract which we could isolate and no further testing required. The invoice amounted to £62k. An adjustment has been proposed to increase creditors by £540k which management have not adjusted as it is not considered material. Management should improve their processes for identifying and capturing accruals at year end to ensure creditors are not understated.

From review of the creditors listing we identified debit balances of £160k which should be reclassified as debtors. We have proposed an adjustment for this.

Provisions

A provision has been included for a portion of the deficit relating to Thomas More school amounting to £395k. The school has a deficit of £900k and have requested additional funding from the Council to financially assist the school. This provision does not meet the criteria of a provision per International Accounting Standard (IAS) 37, Provisions and contingent liabilities. The information provided to date has not clearly demonstrated that the Council has an obligation to financially support the school or that the provision is based on a reliable estimate. Based on the above, an adjustment has been proposed to reverse the provision and transfer it to an earmarked reserve .

A provision is included in the accounts for housing dilapidations, where landlords make claims for damage by former Council tenants. The value of the provision made for each property is the higher of the claim and the surveyor's estimate of the costs on a case by case basis. It is considered that the 'reliable estimate' would be that made by an impartial third party expert and as such it is determined that it is the surveyors' estimates that should be used in the calculation of the provision. Adjustment of the difference between the two amounts results in a decrease of £492k on the provision.

Included in provisions was an amount of £1,789k relating to housing rent dilapidation which was raised in 2010/11. This provision was incorrectly reversed against creditors instead of provisions. An adjustment has been proposed for this to be corrected.

Potential liability in respect of Municipal Mutual Insurance Ltd
A court case on the 28 March 2012 has ruled that Municipal Mutual Insurance (MMI) has a liability for additional claims for infections by asbestosis based on the date of exposure rather than the date of onset of illness. The directors of MMI, which is in administration, had indicated in their accounts for the year ended 30 June 2011 that if the recent judgement was adverse the Scheme of Arrangement could be triggered resulting in requests for clawback from Councils of an estimated 10% of claims previously paid by MM1. Although the Scheme of Arrangement had not been triggered by 31 March 2012 many commentators believe that it will be triggered in the next 12 months

The Audit Commission also understands that MMI continues to receive a material number of new claims which could lead to a further clawback of up to 25%. The Council was insured by MMI and would be subject to clawback should the Scheme of Arrangement be triggered. The Council was insured by MMI and would be subject to clawback should the Scheme of Arrangement be triggered. The Council has decided not to make a provision for any potential liability as the 'trigger' event has not yet taken place and in the absence of such an event there is insufficient certainty around any liability the Council may have to justify establishing a provision' A contingent liability note has, however, been included in the draft financial statements and the Council has an Insurance MMI Reserve from which a sum has been set aside to cover the costs of any payments that may become due to MMI.

The Council should continue to monitor this issue and if the likelihood of the Council incurring a liability becomes more certain, it should consider establishing a provision for this purpose.

Icelandic Bank investment
The Council has calculated the impairment based on the LAAP bulletin issued by CIPFA. From review of the accounting entries we noted that the Council had netted off the impairment reversal against interest receivable. Interest payable has also been reduced by amounts included in the individual services budgets. This does not appear appropriate and an adjustment has been proposed for these incorrect entries.

Disclosure Adjustments
A number of disclosure adjustments were identified as a result of our audit procedures including:

- From initial work on the draft PPE note, a number of adjustments were made to the individual lines in the note. These adjustments did not impact the net book value on the balance sheet
- Investment income being incorrectly disclosed in Note 14 to the accounts. The subjective analysis for the amounts reported for resource allocation decisions note has been restated for issues noted during the audit
- Amendments to the Financial instruments note as a result of issues noted during the audit
- Changes to the debtor note in relation to reclassification of bad debt provision between debtor lines with no impact on the total impairment of debtor amount
- the restatement of the Provisions note as amounts were incorrectly classified
- Exit packages note has been revised for changes identified from audit procedures

These and other disclosure adjustments will both increase the clarity of the financial statements and compliance with IFRS and the Code have been processed by the Council.

Unresolved issues
Assets held for sale – we are waiting for information that an asset has been correctly held for sale in line with IAS.

Work outstanding
Work is outstanding in the following areas:
PPE depreciation testing to be completed
PPE – leases review of the Veolia contract to determine if it contains a lease
Revaluations – sample testing to be completed
PFI – awaiting information required on unitary charges
Reserves – work outstanding to confirm closing position following completion of other work
Provisions – awaiting information on selected provisions and contingent liabilities
Creditors – awaiting information to support selected sample
Debtors – testing to be completed
Exit packages – revised note and testing to be completed, HR to provide information
Review of final cashflow statement
PPE additions – testing to be completed
Review of CIES disclosures
Journal testing to be completed
Review of the pay multiple ratio note

3 Audit adjustments

3.1 Misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We have reported all misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

3.2 Impact of adjusted misstatements

All adjusted misstatements are set out in detail below.

3.3 Adjusted misstatements

	Detail	Balance sheet £000	Inc/Exp statement £000
1	**Misstatement: schools** The asset register includes land for a voluntary controlled school which does not comply with the Council's accounting policy in relation to the treatment of school assets. The net book value of the land is £146k.	(146)	146
2	**Misstatement Property, Plant and Equipment: Academy schools** One of the school Woodside High School was revalued prior to transfer to academy status. However, on accounting for this the Council did not take into account the correct revalued amount. It did not account for the building revaluation. An adjustment has been proposed to include the revalued building amount in calculating the loss on transfer. This results in a decreased loss on disposal of £12,468k, an increase in impairment to the CIES of £6,121k and a decrease to the revaluation reserve of £6,347k.	Nil	Nil
3	**Misstatement Property, Plant and Equipment: AUC reclassification** The Council completed work at the Heartlands High School during the year and reclassified it from AUC to other land and buildings. We noted that the school became operational in September 2010 and therefore the spend up to that point of £36,962k should have been reclassified as other land and buildings in 2010/11.	Nil	Nil

	Detail	Balance sheet £000	Inc/Exp statement £000
4	**Misstatement Property, Plant and Equipment: heritage assets** Heritage assets were not disclosed at their revalued amount: Heritage assets increased by £1,250 Revaluation reserve increased by £1,250	1,250 (1,250)	Nil
5	**Misstatement investment properties** Two assets were identified as being misclassified as investment properties. Investment properties were overstated by the net book value of these two assets which amounts to £370k. They have been reclassified as an operational asset and as a surplus asset.	Nil	Nil
6	**Misstatement school bank reconciliations** Errors were noted in the school bank account reconciliations with non-reconciling items being included as such. We have extrapolated this error as having an overall impact of a understatement of the schools cashbook by £2,962k	Nil	Nil
7	**Reclassification cash & cash equivalents** From review of the disclosure note, we noted that the Council nets off its credit bank balances against the debit school bank balances. Netting off of credit and debtor balances is not allowed by the CIPFA Accounting Code.	Nil	Nil
8	**Misstatement council tax write off** The Council wrote off council tax debts amounting to £845k in the year which was accounted for on SAP however not IWorld, the Council tax system. As the systems could not be reconciled, an adjustment has been proposed to reverse the write off in 2011/12 and raise a bad debt provision for the same amount which management has agreed to.	Nil	Nil
9	**Misstatement: Accumulated absences accrual (holiday pay accrual)** For teaching staff, the Council uses the CIPFA model provided to calculate the accrual. From our review we noted that the Council had used an incorrect estimated cost in the tool. The accrual was recalculated using the corrected cost amount and this resulted in an increase of the accrual by £354k	(354)	354

	Detail	Balance sheet £000	Inc/Exp statement £000
10	**Reclassification: Debtors** The council tax bad debt provision was incorrectly disclosed in the debtors note. This resulted in an adjustment to increase government debtors and council tax provision for bad debt by £7,307k and £5,791k and decrease of other public bodies by £1,516k. There is no impact on the overall reported debtor position following this reclassification.	Nil	Nil
11	**Reclassification: Creditors** From our testing we identified a balance of £2,351k included in debtors relating to an audit adjustment made in the previous year. This balance should have been reversed during 2011/12 and not included as a debtor amount at the year end. The corresponding entries are against creditors and cash of £2,336k and £15k respectively. An adjustment has been made by management to correct this.	Nil	Nil
12	**Reclassification Provisions** Included in provisions was an amount of £1,789k relating to housing rent dilapidation which was raised in 2010/11. An audit adjustment in 2010/11 was made to reclassify this a provision. This provision was incorrectly reversed against creditors instead of provisions.[1]	Nil	Nil
13	**Reclassification Icelandic Bank** The Council had netted off the impairment reversal against interest receivable of £866k. Interest payable has also been reduced by amounts included in the individual services budgets £680k.	Nil	Nil
14	**Reclassification: HRA self-financing** An adjustment was proposed to separately disclose the HRA settlement as an exceptional item on the face on the CIES	Nil	Nil
15	**Reclassification: Creditors** From review of the creditors listing we identified debit balances of £160k which should be reclassified as debtors.	Nil	Nil

	Detail	Balance sheet £000	Inc/Exp statement £000
16	**Disclosure** A contingent liability note has been included for MMI as the Council has decided not to make a provision for any potential liability as the 'trigger event has not yet taken place and in the absence of such an event there is insufficient certainty around any liability	N/A	N/A
17	There were a number of disclosure and presentational changes that arose during the course of the audit that have been made to the financial statements.	N/A	N/A
Impact		**759**	**491**

3.4 Unadjusted misstatements

	Detail	Balance sheet £000	Inc/Exp statement £000	Reason for not adjusting
1	**Misstatement Property, Plant and Equipment: revaluation** The Council accounted for its valuation incorrectly. Valuations had been undertaken as at 1 April 2011 and the Council had accounted for these values as at 31 March 2012. This had an impact on the depreciation charge for the year and the increase/decrease in asset values. As a result the net book value of assets and revaluation reserve are overstated by £996k and £143k respectively. There would also be an additional charge to the CIES for depreciation and impairment of £1,139k.	(1,139)	1,139	This adjustment has not been made by management as it is not considered material.
2	**Misstatement Property, Plant and Equipment: additions** An adjustment was identified in our testing of additions in which VAT was incorrectly capitalised. This error was extrapolated over the additions for the year and amounted to £185k.	Nil	Nil	This adjustment has not been made by management it is not considered appropriate. The £51k has been reclaimed in the September VAT claim.
3	**Misstatement Property, Plant and Equipment: AUC reclassification** We identified an asset reclassified to other land and buildings in the year however this should have been reclassified in the previous year	(440)	440	This adjustment has not been made by management as it is not considered material

	Detail	Balance sheet £000	Inc/Exp statement £000	Reason for not adjusting
	and depreciation of £440k charged in 2011/12 on the asset.			
4	**Misstatement Property, Plant and Equipment: retentions** From review of the Council's AUC, it is estimated that the Council has capital retentions of £1,912k as at 31 March 2012 The Council has accrued for retentions of £1,664k therefore an adjustment has been proposed to increase accruals for retentions by £248k.	Nil	Nil	This adjustment has not been made by management as it is not considered material
5	**Misstatement creditors** Our testing for unrecorded liabilities highlighted two invoices relating to 2011/12 which were paid in 2012/13. These had not been accrued for in 2011/12. An adjustment has been proposed to increase creditors by £540k which management have not adjusted as it is not considered material.	478 (540)	62	This adjustment has not been made by management as it is not considered material
6	**Misstatement Provisions** A provision has been included for a portion of the deficit relating to Thomas More school amounting to £395k which does not meet criteria of being recognised as a provision.	395	(395)	This adjustment has not been made by management as it is not considered material
7	**Misstatement Provisions** Housing dilapidations provision - The value of the provision made for each property is the higher of the claim and the surveyor's estimate of the costs on a case by case basis. It is considered that the 'reliable estimate' would be that made by an impartial third party expert and as such it is determined that it is the surveyors' estimates that should be used in the calculation of the provision. Adjustment of the difference between the two amounts results in a decrease of £492k on the provision.	492	(492)	This adjustment has not been made by management as it is not considered material
Impact		**(754)**	**754**	

3.5 Adjustment identified by management

Misstatements that were identified by the management team during the course of the audit and subsequently adjusted have been included below. Items two to eight arise as a result of the Council revising the financial statements approved on 30 June 2012 (refer to section 1.2 of this report).

	Detail	Balance sheet £000	Inc/Exp statement £000
1	**Property, Plant and Equipment: council dwellings depreciation** - An adjustment has been proposed to increase council dwelling depreciation by £4,336k. This is because we took the view that the planned maintenance spend in the 30 year HRA business plan provided a better estimate of depreciation over the next thirty years rather than the use of MRA as a proxy for depreciation which is the current basis used by the Council.	(4,336)	4,336
2	Adjustments to net cost of services	Nil	91,205
3	Other operating expenditure	Nil	(1,519)
4	Financing and investment income and expenditure	Nil	60,347
5	Taxation and non-specific debt settlement	Nil	1,925
6	(Surplus)/deficit on revaluation of fixed assets	Nil	(4,111)
7	Useable and unusable reserves	10.126 (10,126)	Nil
8	The adjustments had an impact on the movement in reserves statement, cashflow statement and various disclosure noted which have been amended to reflect the above.	N/A	N/A
Impact		**(4,336)**	**147,847**

The above adjustments have no impact on the increase in the general fund and HRA position for the year as there are reversed in the movement in reserves statement.

4 Design effectiveness of internal controls

4.1 Accounting system and internal control

Our audit is not designed to identify all significant weaknesses in the Council's internal controls but is designed primarily for the purpose of expressing our opinion on the financial statements of the Council. However, where, as part of our testing, we identify any control weaknesses, we will report these to you.

In consequence, our work did not encompass a detailed review of all aspects of the internal controls and cannot be relied upon necessarily to disclose all defalcations or other irregularities or to include all possible improvements in internal control.

See Appendix A for further details of our approach in respect of internal controls.

Property, Plant & Equipment (PPE)

We selected a sample of assets to verify they existed. We were unable to verify specific infrastructure and vehicle, plant and equipment assets as these are included as groups or on block under these categories on the asset register. There is a risk that assets included in the register are no longer in use or held by the Council. The Council should ensure that assets included in their asset register are still held and in use and can be easily identified and located to confirm their existence.

We requested several reports in relation to PPE and they were not always provided in a user friendly format which resulted in delays selecting samples and completing tests. The Council should ensure that staff receive appropriate levels of training and support in the use of the SAP asset accounting module.

Overall, management should review the asset management system to check it is fit for purpose.

Working papers

The Council provided working papers on the first day of the audit, however these were incomplete and in some instances they did not agree back to amounts disclosed in the accounts. As a result, several additional requests for information were made during the course of the audit. During the planning process we issue the Council with an arrangements letter which sets out our requirements for working papers, providing working papers in line with this would result in a more efficient audit. As in previous years the Council provided us with listing of transactions from SAP, the accounting system, for debtors and creditors instead of listing of these amounts which shows amounts owed to/by the Council. A recommendation for this was raised in 2010/11 and we have raised this recommendation again. In addition we noted that there were reports from systems such as the council tax and housing systems where listing of debtors were not run at year end. These systems do not allow reports to be run retrospectively. The Council should ensure that these reports are run at year end and saved.

The Council needs to undertake a review of the quality of its working papers to support the financial statements.

Debtors bad debt provision and write offs

We reviewed the Council's policy for providing for bad debts and write offs made in the year. The Council has in the past tended to provide100% for debt over a year old and a reasonable amount for current debt which varies for each category of debt. We noted that there is significant amount of debt that is over two years old which the Council is still pursuing in some cases, but is not being collected. We also noted that for housing rent debtors of £9,420k, only £300k was written off in the year. This was discussed with management and it was agreed there was a need to improve the debtor position and for r the Council to review its debtors to identify which of these are genuinely collectable and those which won't realistically be recovered. This is the case for areas such as HRA, Council Tax and Housing benefit debtors. Although the net debt remaining on the balance sheet is considered to be reasonable due to high levels of provision, it is recommended that write offs be processed where it is considered remote that the monies will be collected.

Capital grants unapplied

We were able to gain assurance on the overall balance of the capital grants unapplied account. The Council should maintain a detailed analysis of the individual grants movements in line with the Code requirements.

4.2 Review of information technology controls

Our information systems specialist performed a high level review of the general IT control environment, as part of our overall review of the internal controls system. We also performed a follow up of the issues that have been raised in the previous year. We concluded that, from the work undertaken to date there are no material weaknesses that are likely to impact on the Council's financial statements for the year ended 31 March 2012. We reported issues identified to the Council along with an action plan with management in our AAM which was reported to the May 2012 Corporate Committee.

Key to priority rating of recommendations

- ▲ High – significant effect on control system
- Medium –effect on control system
- Low – best practice

	Assessment	Recommendation	Management comment	Implementation and responsibility
1	▲ High	The Council should make arrangements to ensure that staff receive appropriate levels of training in the use of the SAP asset accounting module.. Overall, management should review the asset management system to check it is fit for purpose.	Agreed. A review of the module is currently underway with the aim of introducing a revised asset accounting system for the 2012-13 accounts.	Head of Finance – Budgets, Accounts and Systems December 2012

	Assessment	Recommendation	Management comment	Implementation and responsibility
2	▲ High	The Council should ensure working papers are prepared in line with the Arrangements Letter which is sent to the Council prior to close-down. Working papers should agree to the amounts included in the financial statements. This will increase the efficiency of the audit. The Council should to undertake a review of the quality of its working papers to support the financial statements.	Agreed. Further work will be undertaken to ensure that the working papers accurately feed through to the entries in the main accounts.	Finance – Budgets, Accounts and Systems December 2012
3	▲ High	The Council should ensure engagement letters are in place when work is contracted out and finance team should ensure they lead the valuation process.	Agreed. The closure programme will be amended accordingly after consultation with Property Services.	Finance – Budgets, Accounts and Systems December 2012
4	Medium	The Council should start planning for componentisation of Council dwelling as soon as possible as this is required under HRA self-financing. From our review of the asset register we noted that the entries on the register did not reflect the components included in the valuation report. In addition the useful economic lives of assets was recorded as a weighted average life of the components. Although this does not have an impact on the annual depreciation charge, each component should be included separately on the register.	Agreed. This work forms part of the review of the asset management system referred to in item 1 above.	Finance – Budgets, Accounts and Systems December 2012

	Assessment	Recommendation	Management comment	Implementation and responsibility
5	Medium	We noted that there were reports from systems such as the council tax and housing systems where listing of debtors were not run at year end. The Council should ensure that relevant debtors reports are run and saved from these systems where it is not possible to run these reports retrospectively.	Agreed. All reports required to be run at the year end will be included as part of the closing procedures note agreed with service managers as part of the annual closing programme.	Finance – Budgets, Accounts and Systems December 2012
6	Medium	We selected a sample of assets to verify they existed. The Council should ensure that assets included in their asset register can be easily identified and located to confirm existence.	Agreed. Again this work will form part of the review of the asset management system currently underway.	Finance – Budgets, Accounts and Systems December 2012
7	Medium	We noted that there is significant amount of debt that is over two years old which the Council is still pursuing in some cases but is not being collected. There is need for the Council to review its debtors to identify which of these are genuinely collectable and those which won't realistically be recovered. This is the case for areas such as HRA, Council Tax and Housing benefit debtors.	Agreed. A full review of the Council's debt write-off process has commenced.	Finance – Budgets, Accounts and Systems December 2012
8	Medium	Management should improve their processes for identifying and capturing accruals at year end to ensure creditors are not understated.	Agreed. The closure programme will be amended accordingly.	Finance – Budgets, Accounts and Systems December 2012

	Assessment	Recommendation	Management comment	Implementation and responsibility
9	Medium	The Council should maintain a detailed analysis of the individual grants movements in line with the Code requirements.	Agreed. This recommendation will be actioned as part of the review of the capital accounting arrangements referred to above.	Finance – Budgets, Accounts and Systems December 2012

5 Other reporting matters

5.1 Other assurance reviews

To support our audit opinion the following reviews have been undertaken as communicated as part of our audit planning:

VAT

Based on the findings of the review, there is a good level of VAT compliance at the Council. The Council's VAT group position is currently being investigated and further information is required on the background of the formation of the VAT group. Whilst most VAT matters investigated have not given rise to any material errors, it is important that this issue is resolved as soon as possible.

PAYE review

Based on the findings of the review, there is a good level of employment taxes compliance at the Council. The main area of concern involves the engagement of individuals on a self-employed basis. The Council does not currently have a process in place to establish the correct employment status of such individuals at the time they are engaged. This may result in both tax and employment law issues. From a tax perspective, this could lead to significant underpayments of tax and NIC. A recommendation has raised and agreed with management to address this issue.
We also recommended some minor amendments to the relocation policy document and comment on the Council's practice in respect of calculation of termination payments. We have separately reported our findings to the Council and agreed an action plan for recommendations raised.

Fraud

Based on the findings of the review, there appears to be a good awareness of anti-fraud and corruption procedures within the Council and effective governance arrangements are in place. Whilst anti-fraud and corruption activities are focused within the Audit and Risk Management Team, the Council's corporate approach to fraud and corruption enables skills and experiences to be shared and promotes a multi-disciplinary approach when issues arise. In similar reviews we have undertaken we have found this approach to be more effective than where responsibility is spread within separate departments.

5.2 Annual governance statement (AGS)

We have considered the Council's arrangements and processes for compiling the AGS and considered whether it is either misleading or inconsistent with other information known to us from our audit work.

We have reviewed the draft AGS and consider that the information contained within the document is a fair representation of Council operations during the year and complies with the requirements of the Code. However we did suggest improvement on the recording of assurances the Council receives to support its AGS.

We reviewed the Council's AGS and explanatory foreword against best practice and areas where the Council is performing well and areas where there is scope to improve to improve external reporting to move towards 'best in class'.

The revised AGS incorporates most of the improvements noted. We will continue to work with the Council to further improve its AGS next year.

5.3 Explanatory foreword

We have reviewed the Council's explanatory foreword to the accounts and noted some small improvements to aid clarity of the document. We have shared our findings with the Council and additional comments have now been added to the text. We will review the narrative content of the revised explanatory foreword and ensure that all agreed audit adjustments are appropriately reflected prior to the completion of our audit.

5.4 Public challenge matters

We received a formal question from the public regarding the debt outstanding on the disposal of Cranley Gardens and have since responded to this query.

At the time of writing we have received no other questions or objections in respect of the financial statements for the year ended 31 March 2012 that prevent us from issuing our audit certificate

6 Value for Money

6.1 Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our conclusion based on the following two criteria specified by the Audit Commission:

The Council has proper arrangements in place for securing financial resilience.
The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.
The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

As part of our work, we have considered the issues raised in the Internal Audit Annual Opinion, including the overall opinion that the 'system of internal control in operation during the year to 31 March 2012 is fundamentally sound based on the systems and areas reviewed during the year.

6.2 Overall conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we expect to present an unqualified Value for Money conclusion in regard to the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012. We set out the basis for this conclusion in this section of the report. This conclusion is subject to the audit deadline of 30 September 2012 being met.

6.3 Summary findings

Securing financial resilience

As part of the work informing our 2011/12 Value for Money (VFM) conclusion we have followed up of our detailed 2010/11 report on financial resilience and also included:

- a review of the responsiveness of the Council's MTFP, for example to changes to key assumptions such as the impact of demographic change and price inflation in the medium term, and the outcome of the Government's funding settlement for the final two years of the plan
- a deep dive on the 2012/13 savings plans in selected areas to be agreed with management, testing out the robustness of the key assumptions and risk profile.
- a review of the financial management arrangements including investment decisions and savings plans in Children's Services drawing on internal audit and other assurance processes and using benchmarking where appropriate.

This work enables us to conclude whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial for the foreseeable future (12 months from the date of this report). Results were reported to the June 2012 Corporate Committee and are summarised below.

Our overall conclusion is that whilst the Council faces significant financial challenges in 2012/13 and beyond, its current arrangements for achieving financial resilience remain fit for purpose. We have assessed the key areas using a traffic light system to indicate risk as follows:

	2010/11	2011/12
Financial KPIs for 2011/12	Green	Green
Financial planning	Amber	Green
Financial governance	Green	Green
Financial control	Green	Green

Key:
- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Financial KPIs

Benchmarked key indicators of financial performance indicate that, in general terms, the Council is following recent trends of the London Borough comparator group for most indicators. These trends indicate reductions in liquidity, reserves, DSG balances and borrowing levels.

Overall, the Council's level of available reserves and contingencies provide adequate cover for known future financial risks.

The Council's 2011-12 net General Fund provisional revenue outturn underspent by £3.7m, during a year when £40.5m savings have been realised.

Financial Planning

The Council adopted a corporate approach to identifying savings, followed by the introduction of departmental targets, to ensure savings levels were achieved. Budgets and savings were agreed at a corporate level, by senior officers and Members.

Savings identification and approval was achieved at a much earlier stage of the financial planning cycle than for the previous year, which provides a more effective pre-implementation timescale for the delivery of savings during 2012-13. There is still some scope to RAG rate and undertake sensitivity analysis during the development of savings options.

Further work is required to meet the outstanding budget gap of £ 6.1m within the MTFP (for 2013/14) and to provide greater certainty of the financial position for 2014-15. There are significant financial challenges, such as in respect of welfare reform and business rate retention.

Financial Governance

The Council has a well-established approach to financial governance that has delivered solid results in recent financial years. Significant reductions to finance resource took place during 2011-12, and the concept of the Haringey Manager was rolled out. During our fieldwork there was a generally very positive response to these changes. However, behavioural change is still required and the Council continues to monitor the successful embedding of the changes.

The Council should consider if there is a need to better understand the skill and experience requirements for members with cabinet or governance roles. This is in the context of the generationally significant financial challenges facing the sector.

Financial Control
The Council's has a robust approach to financial and performance management, and has a largely good record in controlling spend in non-demand led services. The Council also demonstrates appropriate deployment of internal and external assurance mechanisms.

Whilst key financial systems have historically been used to provide reliable financial monitoring information for the Council to manage financial risks in a timely way, the current procedures incorporate a number of labour intensive work around activities . The Council has introduced a new budget projection tool on SAP during 2011-12, but further system enhancements have been put on hold, pending the successful outcome of the current shared ERP platform procurement, which will see a new system go live in April 2014.

Challenging economy, efficiency and effectiveness
We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

To support our conclusion against this criterion we reviewed the Council's arrangements against a series of key risk indicators. The only issue we followed up in detail was in respect of the Council's procurement arrangements the results of which are summarised below

Review of the Council's arrangements for contract management
Our work is intended as a high level review of the overall adequacy of 'the Council's procurement organisation and its capabilities to support the Council in achievement of value for money:

- in evaluating the efficiency and effectiveness of the procurement organisation we believe the move toward a Central Procurement Unit (CPU), while still work in progress, has realised benefits of a more cost effective organisation and offers a more consistent and controlled approach to procurement across the Council
- there is an on-going challenges to ensure the CPU's role in ensuring procurement is both cost effective and compliant with legislation and internal policy acknowledged across the Council.
- limited resources make it difficult for the CPU to fully support the level of procurement activity across the Council
- the consideration of Value for Money in decision making process for large and complex procurements needs to be more clearly evidenced
- the Council has played a leading role in developing pan London arrangements for energy and now construction. In doing so the Council benefits from the sharing of good practice with partners and from the additional purchasing leverage of the group.

The draft report is being discussed with management and will be presented at the next Corporate Committee meeting.

Overall VFM conclusion
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012. [Subject to the audit deadline being met.]

A ISA 260 reporting arrangements

ISAUK 260 requires communication of:
- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- significant findings from the audit

Purpose of report

This report has been prepared for the benefit of discussions between Grant Thornton, the Audit Committee of London Borough of Haringey and the Council's senior management team.

The purpose of this report is to highlight the key issues affecting the results of the Council and the preparation of the Council's financial statements for the year ended 31 March 2012.

This document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Council.

This report is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the terms of our audit engagement.

The contents of this report should not be disclosed to third parties without our prior written consent.

Responsibilities of Council officers and auditors

The Council's officers are responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the directors confirm that our understanding of all the matters in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

Clarification of roles and responsibilities with respect to internal controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Council that it has done so.

The Audit Committee is required to review the Council's internal financial controls. In addition, the Audit Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

The Audit Committee should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would be pleased to discuss any further work in this regard with the Audit Committee.

Independence

Ethical standards require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:
- the appointed engagement lead and audit manager are subject to rotation every seven years;
- Grant Thornton, its partners and directors and the audit team have no family, financial employment, investment or business relationship with the Council; and
- our fees paid by the Council do not represent an inappropriate proportion of total fee income for either the firm, office or individual engagement lead.

In accordance with best practice, we analyse our fees below:

	£
Statutory audit	454,500
Other assurance services - pension fund audit	35,000
Advisory services	41,600
Total	**531,100**

* Certification of claims and returns £90,500 (est)

Audit quality assurance

Grant Thornton's audit and assurance practice is currently monitored by the Audit Inspection Unit, an arm of the Financial Reporting Council, which has responsibility for monitoring the firm's public interest audit engagements.

The audit and assurance practice is also monitored by the Quality Assurance Directorate of the ICAEW and Grant Thornton conducts internal quality reviews of engagements.

Furthermore, audits of public interest bodies are subject to the Audit Commission's quality review process.

Grant Thornton

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Appendix III – Draft Letter of Representation

Our Ref: LBH(1112)/PD/HS
Your Ref

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

20 September 2012

Dear Sirs

London Borough of Haringey
Financial Statements for the Year Ended 31 March 2012

This representation letter is provided in connection with the audit of the financial statements of London Borough of Haringey for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

iii We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.

iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that all material assets not subject to detailed valuation report in 2011/12 have been correctly recorded in the accounts using the appropriate valuation methodology. We are satisfied the valuation reports we have received from external valuers represent the carrying value of assets at 31 March 2012. There are no circumstances where a decision has been taken to not to disclose a balance sheet value or an impairment loss.

v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

viii All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

ix We have not adjusted the misstatements brought to our attention in the unadjusted audit difference schedule, included within the ISA260 report, as they are immaterial to the financial position at the year end. The financial statements are free of material misstatements, including omissions.

x Except as stated in the financial statements:

  a. there are no unrecorded liabilities, actual or contingent
  b. none of the assets of the Council have been assigned, pledged or mortgaged there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

xi We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

xiii In relation to the contingent liability of MMI, we confirm it is management's view that there is insufficient certainty around the liability and therefore not accounted for it as a provision in the accounts.

Information Provided

xiv We have provided you with:

  a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  b. additional information that you have requested from us for the purpose of your audit; and
  c. unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.

xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xvi We have communicated to you all deficiencies in internal control of which management is aware.

xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:

a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the financial statements.

xix We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Other statements

xxii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Corporate Committee at its meeting on 27 September 2012

Signed on behalf of London Borough of Haringey.

Name	....	Name	....
Position	....	Position	....
Date	....	Date	....