Helen Chapman,
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Co-ordinator

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12 September 2016

To: All Members of the Corporate Committee

Dear Member,

Corporate Committee - Thursday, 15th September, 2016

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:

8. STATEMENT OF ACCOUNTS 2015/16 AND AUDIT FINDINGS REPORTS (ISA 260) (PAGES 1 - 192)

Report of the Chief Operating Officer to present the Statement of Accounts for 2015/16 following the completion of the external audit and also to consider the statutory Annual Report to those charged with Governance from BDO LLP, which reports on their annual audit of the Council’s statutory accounts, value for money and other relevant information.

Yours sincerely

Helen Chapman, Principal Committee Co-ordinator
Principal Committee Co-Ordinator

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Agenda Item 8

Report for:	Corporate Committee 15th September 2016
Item number:	**8**
Title:	Statement of Accounts 2015/16 and Audit Findings Report (ISA 260)
Report authorised by :	Tracie Evans – Chief Operating Officer
Lead Officer:	Anna D'Alessandro - Head of Finance Tel: 020 8489 1116 Email: Anna.DAlessandro@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 2015/16 following the completion of the external audit.

1.2 To consider the statutory Annual Report to those charged with Governance from BDO LLP 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 BDO LLP.

3.2 That the Committee approves the Statement of Accounts 2015/16, subject to any final changes required by the conclusion of the audit, being delegated to the Chief Financial Officer in consultation with the Chair.

3.3 That the committee notes the Audit Findings Report (ISA 260) of the auditors, BDO LLP, and approves the management responses in the BDO LLP action plan contained within that report.

4 Executive Summary

4.1 The approval of the Council's accounts is a non-executive function fulfilled by the Corporate Committee; the audited Statement of Accounts must be approved by the statutory deadline of 30th September each year.

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4.2 The Statement of Accounts for 2015/16 is appended to this report for approval and the auditors (BDO LLP) are proposing that an unqualified audit opinion be given.

4.3 The final outturn on both the General Fund is unchanged from that reported to Cabinet in June 2016; reflecting a £6.8m deficit (overspend) on the General Fund.

4.4 The statutory report of BDO LLP on matters relating to the Council's governance responsibilities needs to be considered before a final opinion of the council's financial statements for 2015/16 is given.

5 Background information

5.1 Approval of the Council's accounts is a non-executive function, fulfilled by the Corporate Committee. Members are required to formally approve the statutory accounts after the conclusion of the annual audit and by the 30th September each year.

5.2 The Council's Statement of Accounts for 2015/16 is attached as Appendix 1 and comprises three elements:

- An explanatory foreword
- The Annual Governance Statement
- The Statement of Accounts

5.3 The Auditors "Annual Audit Findings Report" (ISA 260) for 2015/16 is attached as Appendix 2.

5.4 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. This was done on 10th June 2016.

5.5 By no later than 30th September each year the accounts must be audited, considered by the appropriate committee responsible for audit and published.

6 Statement of Accounts

6.1 The content of the Statement of Accounts is 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).

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.

6.3 The Council's Provisional Outturn 2015/16 was reported to Cabinet in June 2016 and detailed an overall overspend on the General Fund revenue budget of £6.8 million and an HRA surplus for the year of £0.7 million. Following the production of the annual accounts the final outturn for both the General Fund and the HRA has remained unchanged

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.

Sections of the Statements

The Statement of Accounts including, for comparative purposes, the previous years figures comprises the following main elements:

- The Movement in Reserves Statement shows the money that the Council had in its reserves 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 2016. It shows the movement in both useable and un-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: and as a result it is very different from the standard management accounts reported to Members through the year.
- The Balance Sheet lists the financial value of the assets and liabilities of the Council as at the end of March 2016.
- Unlike the Income and Expenditure Statement the Cashflow Statement shows movement during the year based on cash 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 references on the statements direct 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 2016. The Fund is audited at the same time as the Council's main accounts but is subject to a separate audit opinion. The Pension Fund accounts have been reported to the Pension Committee Meeting held on 8th September.
- 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, following implementation of the Business Rates Retention Scheme, are shared between the Council, the Government and the GLA.

- 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.

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

8.1 The purpose of BDO LLP 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 the auditors have not identified any material items. The auditors have highlighted a number of areas where, through their work, they have identified where improvements to controls could be made which would further minimise the chance of mis-statement within the accounts. The Council has considered the points raised and prepared and agreed an action plan to bring about those improvements; this is annexed to the auditors report.

8.3 The Annual Report to those charged with Governance is positive, reflecting the continued improvement that is taking place in this area. The Auditors will also make an oral presentation of their findings to the Committee.

9 Next Steps

9.1 BDO LLP are required to give their opinion on the accounts by 30th September 2016 so any outstanding work on the audit needs to be completed before then.

9.2 The Chief Financial Officer and the Chair of the Corporate Committee are 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. This letter is included 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 October 2016. 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 Comments of the Assistant Director, Corporate Governance and Legal Implications

11.1 The Assistant Director, Corporate Governance 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.

11.2 The Assistant Director, Corporate Governance also notes that the Statement of Accounts has been produced in accordance with legislative requirements of Part 3 of the Accounts and Audit (England) Regulations 2011 and industry best practice principles, and that there are no areas of dispute between the Council and the auditors. Accordingly, the Assistant Director, Corporate Governance advises that there are no direct legal implications arising from the report.

12 Policy Implication

12.1 None

13 Use of Appendices

13.1 Appendix 1: Haringey Council and Group Statement of Accounts for 2015/16 including the Annual Governance Statement, including the draft copy of the letter of representation from the Council to the external auditor at page 17 of the accounts.

13.2 Appendix 2: Report of the Council's external auditor to those Charged with Governance (ISA 260), including the draft letter of representation at pages 51-52 of the auditors' report.

14 Local Government Act, 2000 (Section 97)

- Assistant Director – Finance Report to Cabinet June 2016 'The Council's Financial Outturn 2015/16'.
- Closure of Accounts Working Papers

All the above papers are available for inspection through Anna D'Alessandro Head of Finance ext. 1116.

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London Borough of Haringey

Statement of Accounts 2015/16

www.haringey.gov.uk

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The Council's Statement of Accounts

The Statement of Accounts for the London Borough of Haringey provides a picture of the Council's financial position as at 31st March 2016. The format and content of the accounts is largely prescribed and is, in some parts, complex, although we try to balance the statutory reporting requirements with the desire to make them clear and understandable to all interested parties.

This narrative report seeks to identify those issues most likely to be of interest to the non technical reader of the accounts. The Council's accounts are subject to a statutory external audit process which confirms that they present fairly the financial position of the Council.

Introduction to Haringey

The Council has faced a financially challenging period over the last few years, and 2015/16 has been no exception. Funding reductions from central government and pressures from increased demand for Council services, particularly demand-led in Adults Services, Children's Services and Temporary Accommodation has meant that the Council has had to be more ambitious and innovative in its approach to service delivery.

We commenced our transformation journey almost two years ago, which has already delivered dividends through building partnerships, actively engaging more with our community and building internal service capacity. Over the next few years we need to continue to do this even harder and faster, especially with the uncertainty of our income streams, in particular the 100% devolution of business rates by the year 2020.

However, as a Council we are resilient. We embrace change and transformation, are keen to engage in best practice and actively seek out opportunities to make Haringey a better place to live for our residents. An example is the Haringey Development Vehicle, a partnership with the private sector, with a vision to create 10,000 more homes and 5,000 jobs over the next 10-15 years. This is leading edge in Local Government regeneration and growth, involving development values of around £2 Billion.

Haringey is a place of great opportunity, with enormous potential for growth – a growing economy, more and better housing and flourishing communities. We are part of one of the world's greatest cities and benefit hugely from that – but more than this we believe that, with our potential for growth, we are the future of London. We are already home to institutions of national and international significance, including Tottenham Hotspur and Alexandra Palace.

There are many great businesses, fast transport links into central London and to the M11 corridor. We are home to some of London's most desirable neighbourhoods, but the variety of housing available means that people who cannot afford other parts of the city have been able to make Haringey their home. All of this means Haringey is already a great place for families.

Haringey is an exceptionally diverse and fast-changing borough. We have a population of 267,540 with approximately a quarter of this number aged less than 20 years. Almost two-thirds of our population, and over 70% of our young people, are from ethnic minority backgrounds, and over 100 languages are spoken in the borough. Our population is the fifth most ethnically diverse in the country.

The population of Haringey is growing and is estimated to reach 286,900 by 2020, an increase of 5.9% from 2015. By 2025, Haringey's population is estimated to reach 300,600, an increase of 10.9% from 2015.

Population growth locally is due to higher annual births than annual deaths, and net migration gain driven by high annual international migration. The top three countries for new international migrant national insurance number allocations are Romania, Bulgaria and Italy.

The borough ranks among the most deprived in the country with pockets of extreme deprivation in the east. Haringey is the 30th most deprived borough in England and the 6th most deprived in London.

Council's Performance

The Council's vision and priorities for 2015/16 are set out in the Council's Corporate Plan which describes the main challenges facing the Council and how we plan to tackle them. It sets out our commitment to promoting equality, tackling disadvantage and improving the life chances of residents, especially those who are the most vulnerable. The plan is available on the Council's website (www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18).

We have set ourselves key targets that are particularly important and will help define the success of the plan during the 2015 to 2018 three year period and beyond, these are:

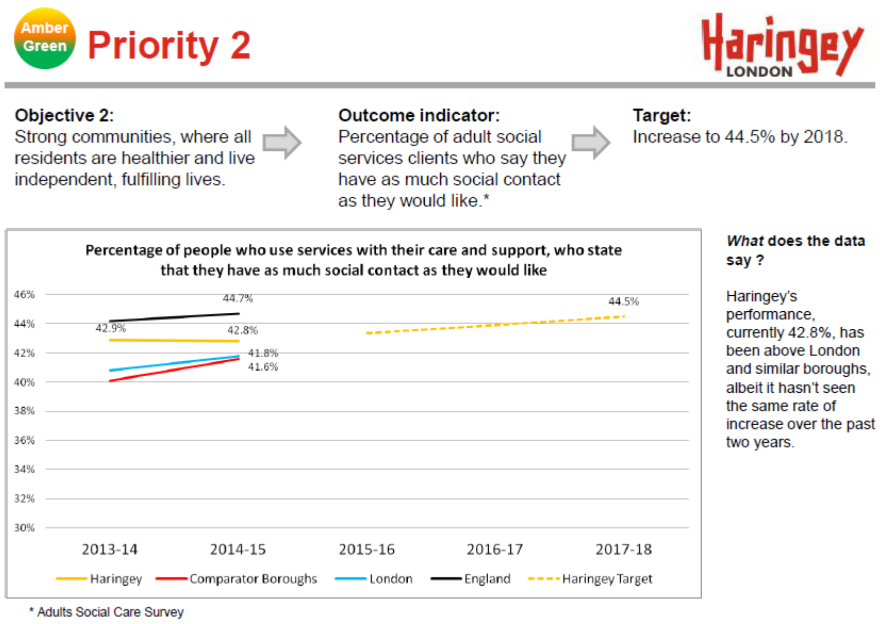
- That every child and young person is able to attend a good or outstanding school or early years setting
- To deliver £1 billion of inward investment into the borough
- To increase average household earnings in Haringey to align with the London average by 2030 and to have made clear progress towards that goal by 2018
- To ensure that people are able to have as much social contact as they like, reducing the number of people who feel isolated to less than 12% which is the current national average
- To increase the number of people satisfied with the area as a place to live to more than 80% compared with the current national average of 75%

The plan is centred on five core priority areas, each under-pinned by a series of ambitious targets. These are shown below with latest information on progress made against each priority using a traffic light system i.e. green being on track and red-amber highlighting the need for substantial attention to meet target.

Priority 1 - Enabling every child and young person to have the best start in life – ensuring all our schools are good or outstanding and providing young people and families with the support they need

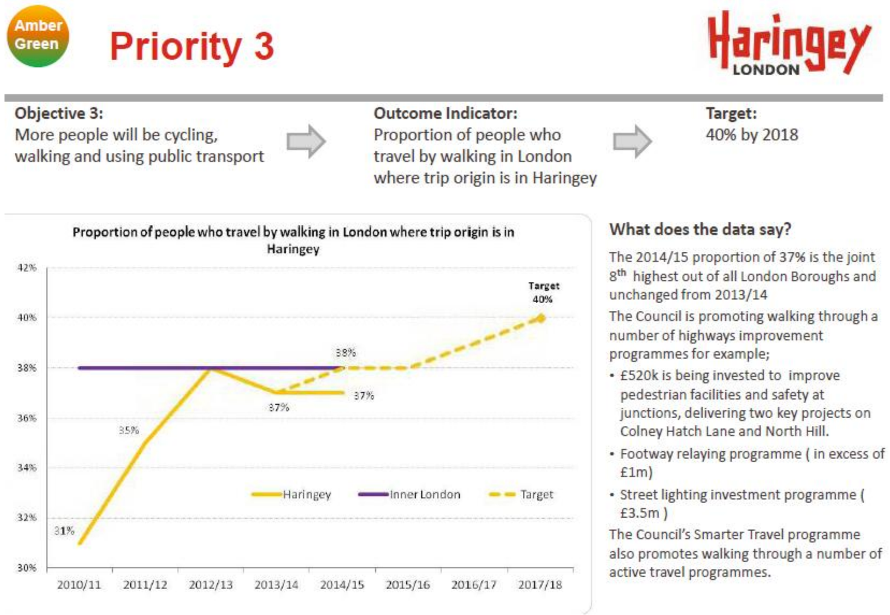
Good progress has been made across all six objectives. Haringey is the most improved borough in the country for GCSE performance since 2010.

Priority 2 - Enabling all adults to live healthy, long and fulfilling lives – promoting healthier lifestyles and improving the range of community support that is available



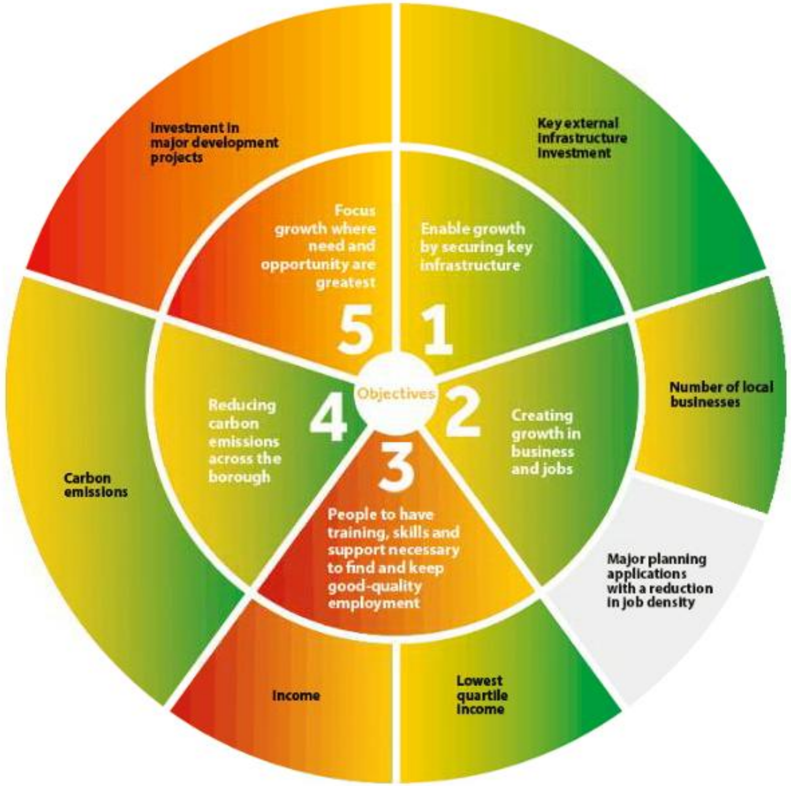
There are five objectives being monitored for Priority 2 including *"Strong Communities"*, which has two performance indicators: Mental Health and Wellbeing and Service User Social Situation (see above graph for performance against the latter).

Priority 3 - A clean, well maintained and safe borough where people are proud to live and work – tackling anti-social behaviour and working with our communities to improve street cleanliness and parks



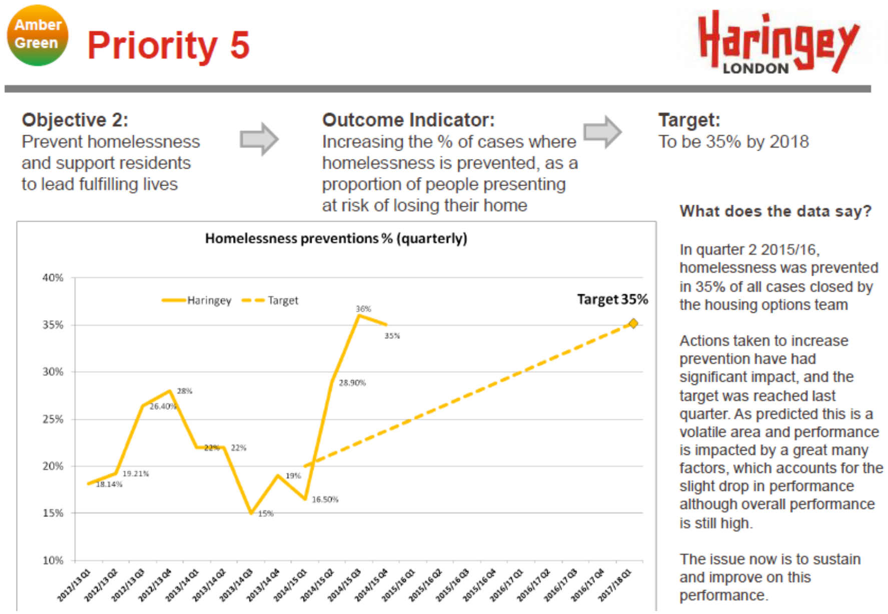
There are five objectives being monitored for Priority 2 including *"Most people will be cycling, walking and using public transport*", which has two performance indicators: the above graph shows performance against the target for walking.

Priority 4 - Driving growth and employment from which everyone can benefit – ushering in new investment for jobs, skills and housing



The latest data released by the Department of Energy and Climate Change shows Haringey's carbon emission is 3.4 tonnes per person, below the London figure of 4.9. We have set a target to reduce carbon emissions by 40% across the borough by 2020.

Priority 5 - Creating homes and communities where people choose to live and are able to thrive – building more affordable homes and improving the housing environment



Preventing homelessness is one of the three performance indicators set for Priority 5, along with driving up quality of houses for all residents and increasing the number of new homes built.

Resident Satisfaction

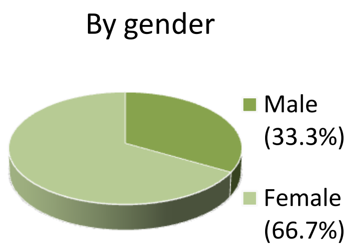
The Council conducted a survey in 2015/16 of satisfaction levels amongst residents against Priority 3 of the Council's 2015 to 2018 Corporate Plan i.e.to have "a clean, well maintained and safe borough where people are proud to work and live".

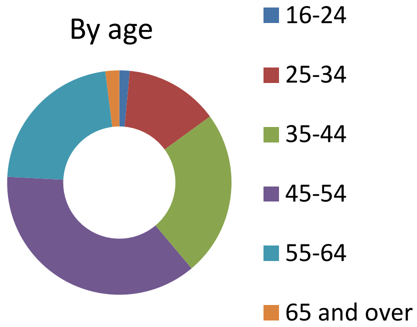
Key findings are:

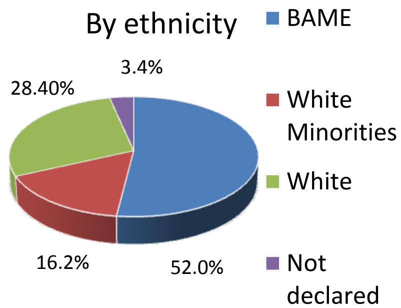
- There is high satisfaction with Haringey as a place to live (88%) and two thirds of residents are satisfied with the way Haringey runs things
- 79% of residents feel proud of their local area
- 93% of residents feel safe in their local area during the day
- Satisfaction with street cleansing (75%), refuse (76%) and recycling collections (86%) but room for improvement on bulky waste collection (58%) and local refuse and recycling centres (61%)
- Litter and dog mess are primary concerns for residents ahead of fly-tipping and overflowing litter bins when thinking about street / estate cleanliness
- When asked about local problems more broadly, litter / rubbish was mentioned by 43% of residents, followed by drug dealing / using (23%) and vandalism / graffiti (22%).
- 70% believe the Council is making the area cleaner and greener
- Residents feel well informed about Council services (73%) but do not feel the Council keeps them as informed about opportunities to get involved in their communities

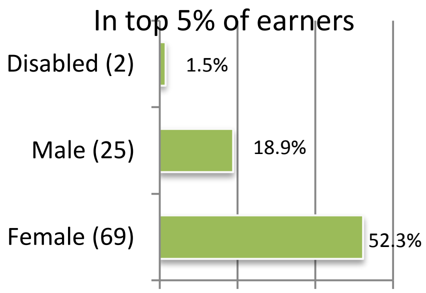
Haringey Workforce

The Council employs 2613 people (excluding schools based staff) on full and part time contracts, equating to a full time equivalent of 2337. The make-up of the workforce is as follows:









Service Delivery

The Council has invested in new and innovative technology as part of its invest to save programme. This includes TechnologyOne, an easy to use cloud based budgeting and forecasting tool with capability to report across multiple systems and is able to slice and dice information in many ways for rapid decision-making. The new solution will enable better multi-year forecasting and scenario planning.

The Council has also invested in ASH, a corporate debt management system, to better manage its debt and improve cash-flow in financially challenging times.

As part of the Council's Business Infrastructure Programme (BIP) the Council developed an internal Shared Service Centre (SSC) which went live in September 2015 following the transfer of approximately 350 staff. The SSC contains the operational and transactional elements of five support services: IT, Finance, Accounts Payable (end-to-end including transactional Procurement), Human Resources and Revenues and Benefits. Haringey has developed a framework of key performance indicators to ensure that we are delivering the best possible service in terms of customer care, value for money, people, performance & wellbeing and operational & continuous improvement. A business partner approach has been developed for the strategic areas of these back office functions.

In 2015, the Council also embarked on a partnering arrangement with Camden and Islington Councils to combine IT and digital services into a Shared Services environment with a proposal to save Haringey circa £2 million per annum, on a recurring basis. This model will go-live on 1st October 2016.

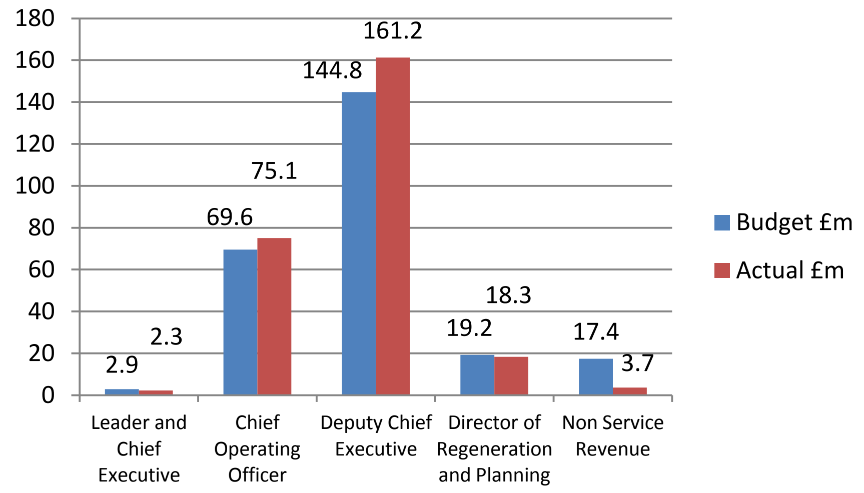
Financial Performance in 2015/16

Revenue Expenditure

The Council's Final General Fund Revenue Outturn for 2015/16 shows an overall £6.8 million deficit. This represented an improvement over the Provisional Outturn (Period 10 – January 2016) by £4.3 million. The Council was able to balance the budget through the application of a number of Earmarked Reserves, including the Risk Reserve.

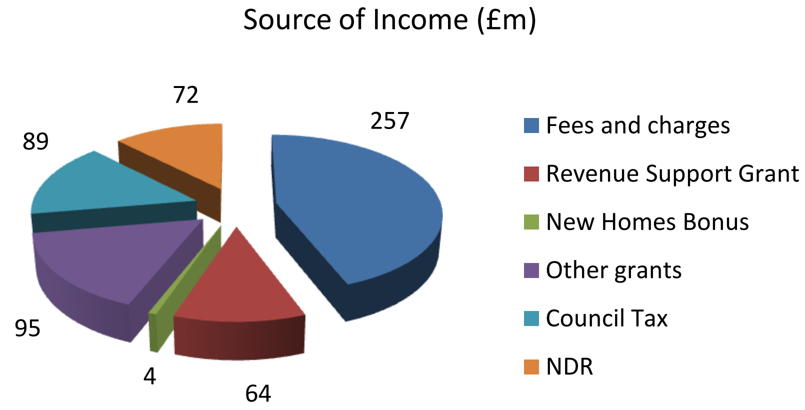
This position confirmed the overspends were broadly confined to the demand-led areas of Adults (£12 million), Children's (£4 million) and Temporary Accommodation (£6 million). The Council takes this position very seriously and has a defined strategy to mitigate these overspends, requiring strong and rapid actions to turnaround the position in 2016/17.

The Council's 2015 to 2018 Medium Term Financial Strategy approved additional savings proposals of almost £20 million. In 2015/16 the Council planned net revenue expenditure of £254 million; actual expenditure was £261 million. This is analysed across the Council's services as follows:



Sources of Revenue Funding

The graph below shows the major external revenue funding sources for the Council's spending in 2015/16, excluding Dedicated Schools Grant (£268 million) and Housing Benefit Subsidy which the Council collects to cover third party statutory payments (£581 million).



Capital Expenditure

The Council's Final General Fund Outturn for 2015/16 was a £51 million underspend against a £94 million approved capital budget. This was matched by a reduced total General Fund financing requirement of £51 million in prudential borrowing and Housing Revenue Account (HRA) financing of Housing related activities. The underspend was broadly related to slippages in Housing on two projects: buy-out of Leaseholders on the High-Road West Regeneration project and the new build programme in the HRA. These programmes of activity will continue in earnest in 2016/17.

For the HRA, the planned surplus to finance the HRA Capital Programme of £15.3 million was exceeded by £6.5 million in 2015/16.

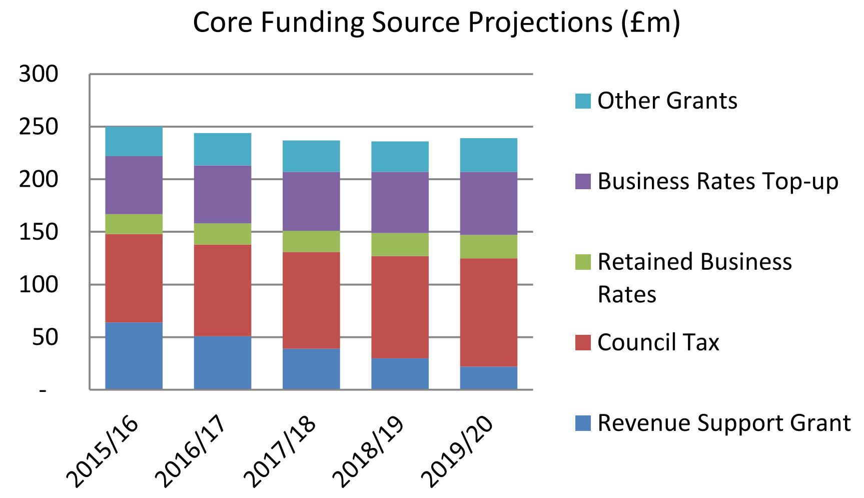
In December 2015 the Cabinet approved the Council's Capital Strategy. This was a first for Haringey, as it went from an annual rolling capital plan to one which extends over a 10-year horizon. The strategy was developed to ensure that the Council takes a longer-term view of assets required to deliver it Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS).

The Capital Strategy is ambitious for growth and regeneration that will deliver a range of improved outcomes for its residents. A 10-year Capital Programme underpins the strategy, with significant investments across all the Council's Priority areas and a total ambition of circa £2 Billion.

Financial challenges in 2016/17 and beyond

The way that the Council is funded has changed fundamentally in recent years. Since 2010 there has been a real terms cut of 40% to Haringey's core government funding sources – Revenue Support Grant, Non Domestic Rates, Area Based Grant and central education grants. Over the same period until 2016/17 the Council Tax level in Haringey has also been 'frozen'.

Revenue Support Grant has been declining over recent years as the government has transacted its austerity measures for local government through these significant reductions. At present, it is very likely these funding sources will eventually cease by 2020 as the Business Rate Retention Scheme achieves the government's aim of '100%' retention. The following graph sets out the estimated trajectory of the Council's main grants covering the period to 2019/20.



The work to rebalance the finances has begun and will continue into 2016/17, with urgency and pace. There are clearly defined transformation programmes in place in the demand-led areas, with resources devoted to early help, prevention and front door activities, from within the Services but also with external facilitation. This work will also be enabled by the back office functions (including Finance, HR and the Corporate Programme Management Office), which enable the delivery of programmes.

Longer-term strategies are also being employed in parallel, which look more joined-up internal working, integrated pathways with Adults and Health and a proposal to partner with other Local Authorities and community groups in Children's Services.

Spending challenges will continue over the remainder of this Medium Term Financial Strategy period (to 2018) and in all probability into the next financial planning horizon (from 2017/18 to 2021/22). We are embarking on some detailed modelling to ensure we have grip on the scale of the demand growth over the medium-term. We are modelling our key income streams to 2021/22, which include not only funding / grant reductions but also developing a number of scenarios as to the likely impact of devolved business rates from 2020. We have significant opportunities with our ambitious regeneration programme which will bring us some potentially significant upsides to both our Council Tax and Business Rates bases over the medium-term to help us rebalance.

A copy of the Council's 2015/16 Statement of Accounts is available on the website www.haringey.gov.uk and upon request from Lubna Nasir, Chief Accountant – lubna.nasir@haringey.gov.uk.

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

Annual Governance Statement

The Council 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 Society of Local Authority Chief Executives (SOLACE) recommends that the review be reported in the Annual Governance Statement.

Statement of Responsibilities

This section documents the procedural and financial responsibilities in the preparation of the Statement of Accounts of both the Council and Chief Operating Officer. As the Section 151 Officer, the Chief Operating Officer is required to certify that the Statement of Accounts gives a true and fair view of the financial position of the Council and authorise its issue before commencement of the period for exercise of public rights. The audited financial statements are then required to be certified again immediately before approval by the Council's Corporate Committee.

Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The 'Surplus or Deficit on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are found in the Comprehensive Income and Expenditure Statement (CIES). 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.

The MiRS identifies the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income. It will also identify whether there has been an increase or decrease in the net worth of the Council, as a result of movements in the fair value of its assets and by analysing the movement between reserves, will show an increase or reduction in the resources available to the Council in accordance with statutory provisions.

The crucial line in the MiRS is the one containing adjustments between the accounting basis and the funding basis. As local authorities are tax-raising bodies, they are subject to specific rules as to how tax rates are to be set in relation to the income and expenses of the Council. Sometimes, these rules will conflict with proper accounting practices; in particular, where expenditure is incurred in advance of cash flowing out of the Council, the need to raise tax is sometimes deferred until the cash flow actually takes place.

The most substantial example is the treatment of post-retirement benefits. Proper accounting practice accrues the cost of these benefits as employees earn them through years of service. Tax is, however, raised to cover employers' contributions paid to pension funds and any direct payments made to pensioners. Where a change in proper accounting practices might have a disruptive effect on tax levels, statutory provisions can preserve the previous accounting treatment for existing transactions and sometimes extend it to future transactions. For example, the implementation of the Code's provisions on financial instruments was accompanied by regulations and statutory guidance that required the impact on tax to be determined by the contractual amounts payable rather than the expenses determined for each financial year by the Code.

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 MiRS.

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services. The second category of reserves is unusable reserves which 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 MiRS 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 Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or income from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery.

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

Housing Revenue Account

The Housing Revenue Account (HRA) reflects the Council'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.

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 HRA Statement.

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 (the Council) in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and non-domestic rates.

Group Accounts

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, both of whom are treated as subsidiaries of the Council.

Pension Fund

The Pension Fund Statement shows the contribution made to the Council's pension fund in 2015/16 and the benefits paid to its former employees. The Net Asset Statement sets out the position of the Fund as at 31st March 2016. The Council as trustee separately manages the Fund and its accounts are separate from the Council's accounts and these are audited independently from the Council's Statement of Accounts.

Glossary

The Glossary of Terms provides an explanation of the technical terms used throughout the financial statements.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HARINGEY

[TO BE INSERTED AT END OF AUDIT]

STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Operating 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 Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on 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.

Certification by Chief Financial Officer

I certify that the accounts give a true and fair view of the financial position of the Council at 31st March 2016 and its income and expenditure for the year then ended.

Tracie Evans CPFA
Chief Operating Officer (S151)

15th September 2016

Councillor Barbara Blake
The Chair of the Corporate Committee

15th September 2016

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

1.1 Haringey is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. 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, with 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 the Council's commitments as part of the Local Code of Corporate Governance, together with how it gets assurance that these commitments are in place and effective; it also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015, 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. The framework also comprises the activities through which it accounts to, engages with and leads the community. Through the framework the authority is able to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

2.2 The system of internal control is a significant part of the governance 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. The system of controls also allows for the evaluation of the likelihood of 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 2016 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 make up the authority's governance arrangements are based on and consistent with the six core principles of the Council's Code of Corporate Governance:

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
Corporate Governance – Core Principle 1: Focusing on the purpose of the Council, on outcomes for the community and creating and implementing a vision for the area	
a) To exercise strategic leadership by developing and communicating clearly the Council's purpose and vision and its intended outcomes for citizens and service users, we will: • *Develop and promote the Council's purpose and vision.* • *Review on a regular basis the Council's visions for its area and its implications for the Council's governance arrangements* • *Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners* • *Publish an annual report on a timely basis to communicate the Council's activities and achievements and its financial position and performance* b) To ensure users receive a high quality of service whether directly, or in partnership, or by commissioning, we will: • *Decide how the quality of service for users is to be measured and make sure that the necessary information is available to review service quality effectively and regularly* • *Put in place effective arrangements to identify and deal with failure in service delivery* c) To ensure that the Council makes the best use of resources and that tax payers and service users receive excellent value for money, we will: • *Decide how value for money is to be measured and make sure that the Council has the information needed to review value for money and performance effectively* • *Measure the environmental impact of policies, plans and decisions.*	• The Corporate Plan 2015-18 sets out the Council's vision and priorities, was consulted on with residents, agreed by Full Council in February 2015 and is published on the Council's website. • The Medium Term Financial Strategy (MTFS) outlines the overall financial strategy for achieving the Council's priorities. The MTFS requires £70m of savings to deliver a balanced budget position each year between 2015 and 2018. The savings proposals were consulted on with residents, before being approved by Full Council in February 2015. • Further consultation on the budget took place with business rate payers and residents in 2015/16; alongside the review by the Overview and Scrutiny committee which presented its recommendations on 25 January 2016. The final budget for 2016/17 was approved at Full Council on 22 February 2016. • The Council's budget management position was reported to Cabinet in 2015/16; budget overspends were reported in Children's and Adult Social Services and Temporary Accommodation. • The Council's annual report for 2014/15 received an unqualified opinion from the external auditor in 2015/16, who confirmed that the accounts provided a true and fair view of the Council's financial position; and the arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. • As part of the Corporate Plan delivery arrangements, the Council implemented new governance structures in 2015/16. Five Priority Boards are responsible for delivering the Corporate Plan outcomes and performance against all the priorities' objectives is published on the website under the 'Building a Stronger Haringey Together' page, which provides summary and detailed information against all key performance

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
	measures, together with action plans to address any shortfall in performance. • The Council's Corporate Delivery Unit provided challenge and support to the organisation to deliver on priorities in the Corporate Plan in 2015/16. 'Stock takes' are held with the Chief Executive, Deputy Chief Executive and Leader of the Council to provide feedback on reviews carried out. • The Council has a Health and Wellbeing Board in place; membership comprises elected members of the Council, partners from the NHS clinical commissioning group and local Healthwatch partners. Joint health and wellbeing strategies were approved in 2015/16 following consultation with the public, service users and partner organisations; specific targets to improve health across the borough, including establishing the Haringey Obesity Alliance were agreed in 2015/16. Performance reports, indicating positive progress against strategy targets were provided to the Board during 2015/16 and published on the Council's website. • The Community Safety Partnership (CSP) is a statutory partnership which is responsible for delivering the outcomes in the Community Safety Strategy 2013 – 2017. During 2015/16, the CSP reported positive outcomes in reducing crime and disorder, substance misuse and re-offending in the borough. Reports are published on the Council's website. • Haringey's Local Plan, including the Development Management DPD; the Site Allocations DPD; and the Tottenham Area Action Plan sets out how the Council will meet the local development and housing needs of the borough, as specified in the Corporate Plan. The Local Plan was widely consulted on in 2015/16, receiving over 6,000 responses, resulting in it being amended prior to its approval by full Council. Actions: • Ensure the budgets within Children's and Adult Social Services and Temporary Accommodation are managed effectively in 2016/17.
Corporate Governance – Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles	
a) To ensure effective leadership throughout the Council and to be clear about 'executive' and 'non-executive' functions and the roles and	• 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

ANNUAL GOVERNANCE STATEMENT

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
responsibilities of the scrutiny function, we will: • *Set out a clear statement of the respective roles and responsibilities of the Cabinet and of the Cabinet Members individually including the Council's approach towards putting this into practice* • *Set out a clear statement of the respective roles and responsibilities of non-executive Members, Members generally and senior officers* b) To ensure that a constructive working relationship exists between Members and officers and that their respective responsibilities are carried out to a high standard, we will: • *Determine a scheme of delegation and reserve powers within the Council's constitution including a schedule of those matters specifically reserved to the Full Council and update this as required* • *Make a Chief Executive responsible and accountable to the Council for all aspects of operational management* • *Develop protocols to ensure that the Leader and Chief Executive have a shared understanding of their respective roles and objectives* • *Make a senior officer, the section 151 officer, responsible to the Council for ensuring that appropriate financial advice is given and for maintaining proper records and an effective system of internal financial control* • *Make a senior officer, the monitoring officer, responsible to the Council for ensuring that agreed procedures are followed and that all legislation is complied with* c) To ensure relationships between the Council, its partners and the public are clear so that each knows what to expect from the other, we will: • *Develop protocols to ensure effective communication between Members and officers in their respective roles* • *Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective Corporate Committee* • *Ensure that effective mechanisms exist to monitor service delivery*	intranet and external website. The constitution is reviewed on an annual basis and updated to reflect functional and organisational changes. Changes are approved at Full Council; the latest update was approved and published in May 2015. • The roles and responsibilities of the Council, the Cabinet, committees, Councillors including cabinet members, and officers are clearly documented within the constitution, including protocols governing the relationships between members and officers. • The statutory responsibilities required of the section 151, monitoring officer and head of audit have been fulfilled in 2015/16 and form part of the Annual Governance Statement's assurance report. • The Council's constitution includes the Financial and Contract Procedure Rules, which specify the governance framework for all its operational functions. • All relevant officers were briefed on the requirements of the constitution relating to schemes of delegation and authorisation and the requirements to document and publish relevant decisions. Follow up briefings and reviews have been undertaken in 2015/16 and reports to the Council's Statutory Officers Group indicate that services are complying with the requirements. • In 2015/16 the Council recommended establishing a Pensions Board and Committee to comply with relevant legislation and ensure effective and efficient governance and administration of the Pensions Scheme. The Council, through the Pensions Committee, retains ultimate responsibility for the administration and governance of the Pensions Fund. The Secretary of State agreed a joint Pensions Board and Committee; which will be formally established in May 2016. • Internal and external audit provide assurance on the Council's system of internal control to support the section 151 officer requirements, including reporting compliance with financial and contract procedure rules across the Council. The outcomes of these were reported to the Corporate Committee quarterly during 2015/16. All except two of the Council's key financial systems received a 'substantial' or 'full' assurance rating; two (accounts payable and housing benefits) received a 'limited' assurance rating in 2015/16. This is a similar position to previous' years performance.

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
• *Ensure that the Council's vision, strategic plans, priorities and targets are developed robustly in consultation with the local communities and key stakeholders and that they are clearly expressed and publicised* • *Ensure that Members working in partnership are clear about their roles and responsibilities, individually and collectively, both to the partnership and the Council* • *Ensure that all those working in partnership understand clearly the legal basis of the partnership and the extent of each representative's authority to commit their parent organisation to partnership decisions*	• The Council's website has an 'Our Standards' page which sets out the expectations and standards required of both officers and members. • The Council has an agreed Pay Policy Statement in place which is compliant with the Localism Act and the Transparency Code. The Statement is reviewed and approved by the Staffing and Remuneration Committee (January 2016) prior to its adoption by Full Council. The Council has approved its commitment to paying employees the London Living Wage and is working to require contractors to implement the same policy.
Corporate Governance – Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	
a) To ensure Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance, we will: • *Ensure that the Council's leadership sets a tone for the organisation be creating a climate of openness, support and respect* • *Define and publicise the standards expected in the conduct of members and officers and in the work of the Council including work with partners and the local communities* • *Put in place and maintain in operation arrangements to ensure that Members and officers are not influenced by prejudice, bias or conflicts of interest when dealing with different stakeholders* b) To ensure that the Council's values are put into practice and remain effective, we will: • *Develop and maintain shared values, including leadership values, for both the Council and its staff which reflect public expectations and communicate these to Members, staff, the community and partners* • *Put in place arrangements to ensure that systems and processes reflect appropriate ethical standards and to monitor their continuing effectiveness in practice* • *Develop and maintain an effective Standards Committee* • *Use the Council's shared values as a guide for decision-making and a*	• The Council requires all members to formally acknowledge receipt of their code of conduct on an annual basis. No exceptions were noted in 2015/16. • Members are provided with briefings on the code of conduct as part of the member induction and training programme. Key statutory training was provided to new Members following the respective by-elections in 2015/16. • Articles are included in staff newsletters, which are published on the Council's intranet, outlining expected standards of behaviour in specific areas and these continued in 2015/16. Internal Audit and the Fraud Team undertake investigations into allegations of financial irregularity and report the outcomes to the Corporate Committee on a quarterly basis; in 2015/16, 15 allegations were completed, with six cases proven resulting in three officers resigning their positions and 3 officers dismissed. This is consistent with the numbers investigated and proven in previous years. • The Council's complaints policy is publicised on the Council's external website and at various public places across the borough. The Council monitors responses to complaints on a weekly basis and outstanding responses are escalated to senior management. As at the end of March 2016, six complaints were outside the Council's timescales for responding, with an average time overdue of 3.5 days. • Haringey Council has well established codes of conduct for officers and members, which are regularly reviewed and subject to approval by members. The Assistant Director of Corporate Governance is the Monitoring Officer and is responsible for ensuring that the Council acts

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What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
basis for developing positive and trusting relationships within the Council • *Pursue a partnership vision with an agreed set of values for assessing decision-making and actions which must be demonstrated by the partners' individual and collective behaviour*	lawfully and in accordance with the constitution. • The Council's Standards Committee deals with any complaints which relate to Members breaching the code of conduct for Members and reports are published on the website. The Council has independent members appointed to the Standards Committee; new members have been recruited in 2015/16 will be in post from 1 July 2017. • The Assistant Director of HR provided reports to the Council's Staffing and Remuneration Committee during 2015/16 including quarterly reports on sickness absence, equalities and agency staff. A summary of Year 1 achievements relating to the Council's Workforce Plan was presented to the Committee in January 2016; including the introduction of a new set of corporate values and Haringey brand; a new performance appraisal process and digital learning platform; and a review of senior manager pay and grading. A staff survey was undertaken in January 2016, with the emphasis on employee value proposition principles, with Assistant Directors responsible for agreeing action plans in line with the Workforce Plan. • The Council operates a 'zero tolerance' approach to fraud and corruption. The anti-fraud and corruption policy includes a fraud response plan, anti-bribery and money laundering policies and a whistle-blowing policy. The anti-fraud policy is published on the Council website and regular articles on how to report fraud are published in staff newsletters and Haringey People. In 2015/16, the Council investigated and recovered 40 properties; and prevented 149 fraudulent Right to Buy applications in line with the anti-fraud policy. 24 referrals were made using the whistleblowing policy (an increase from seven in the previous year); all were reviewed, investigated and reported to the Corporate Committee.
Corporate Governance – Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and risk management	
a. To be rigorous and transparent about how decisions are taken and to listen and act on the outcomes of constructive scrutiny, we will: • *Develop and maintain an effective scrutiny function which encourages effective challenge and which enhances the Council's performance overall and that of organisations for which the Council is responsible*	• The Council's internal and external auditors produce annual audit reports and the Annual Audit Letter, which were both reported to the Corporate Committee during 2015/16. External audit reported that the council had provided a good set of financial statements and working papers. No significant governance issues were raised by either report.

ANNUAL GOVERNANCE STATEMENT

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
• *Develop and maintain open and effective mechanisms for documenting the evidence for decisions and for recording the criteria, rationale and considerations behind decisions* • *Put arrangements in place to safeguard Members and staff against conflicts of interest together with appropriate processes to maintain them in practice* • *Develop and maintain an effective Corporate Committee dealing with audit functions which is independent of the Cabinet and scrutiny functions* • *Make sure that effective, transparent and accessible arrangements are in place for dealing with complaints* b. To have good quality information, advice and support which ensure that the services wanted and needed by the community are delivered effectively, we will • *Ensure that decision makers in the Council and partner organisations have information that is fit for purpose i.e. relevant, timely, and with clear explanations of the technical issues* • *Ensure that proper professional advice, on matters with financial or legal implications, is available, recorded well in advance of decision-making and used appropriately* c. To ensure that an effective risk management system is in place, we will: • *Ensure that risk management is embedded into the culture of the Council with Members and managers recognising this is part of their respective roles* • *Ensure that effective arrangements for whistle-blowing are in place with access for Members, staff and those contracting with, or appointed by the Council* d. To use the Council's legal powers for the full benefit of citizens and communities in the borough, we will: • *Recognise the limits of lawful action while striving to use Council*	• 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 on a quarterly basis during 2015/16. All high priority recommendations were found to be implemented when follow up audits were undertaken. • The Corporate Committee fulfilled its terms of reference in 2015/16 in relation to audit functions; and reported positive outcomes in relation to counter-fraud and arrangements for ensuring good governance in schools. • Officers and Members are required to complete declarations of interest; Members' declarations are published on the website to ensure transparency and all Members complied with the requirements in 2015/16. • Full compliance was achieved in 2015/16 with CIPFA's statements on the role of both the Chief Financial Officer and the Head of Internal Audit. • A list of the equality impact assessments undertaken during 2015/16 is available on the Council website. No Council decisions were successfully challenged on the basis of inadequate equality impact assessments in 2015/16. • By taking a detailed look at the Council's decisions and policies, Overview and Scrutiny works to promote open decision making and democratic accountability in Haringey by holding the Cabinet to account, developing and reviewing policy in an inclusive cross-party manner that involves local communities and other interested parties, reviewing the performance of the Council and scrutinising local services not provided by the Council, such as health services. The reports and recommendations are discussed and responded to by the Cabinet and published on the Council's website. • The Council's financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. During 2015/16, work started to implement a new management information system, which will provide budget holders and heads of service with details of performance and financial information in an integrated package. This is expected to be rolled out during 2016/17. • The Council has processes in place to ensure that decision takers follow due process, that decisions are taken having regard to all relevant considerations and that decisions are properly documented; comments

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
powers for the full benefit of the community • *Comply with the specific requirements of legislation and the general duties placed on Councils by public law* • *Integrate the key principles of administrative law – rationality, legality and natural justices – into the Council's procedures and decision-making processes*	from all relevant professional services – legal, finance and procurement – must be included in all committee reports. No omissions were recorded in 2015/16. • Haringey has a corporate Risk Management Policy and Strategy which is reviewed on a regular 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 corporate Priority Boards, programmes and business areas have risk registers in place. • Haringey's business continuity planning is based on risk assessment and business impact analysis. Each service area produces a business continuity plan which is updated twice a year. Service continuity plans are incorporated into the Council-wide Business Continuity Plan. No significant business continuity issues were reported during 2015/16.
Corporate Governance – Core Principle 5: Developing the capacity and capability of Members and Officers to be effective	
a) To make sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles, we will: • *Provide induction programmes tailored to individual needs and also opportunities for Members and officers to update their knowledge regularly* • *Ensure that statutory officers have the necessary skills, resources and support to perform effectively* • *Ensure that the roles of the statutory officers are properly understood by all in the Council* b) To develop the capability of those with governance responsibilities and to evaluate their performance individually and collectively, we will: • *Assess the skills required by Members and officers and develop those skills to enable their roles to be performed effectively* • *Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside*	• Members who sit on the Corporate and Regulatory Committees were provided with training specific to their responsibilities for these committees. Training sessions included planning, licensing, audit, finance, pensions and treasury. • All members have been offered an extensive training programme on matters relating to standards and ethics; children and adults' safeguarding; public health; freedom of information/data protection and member's enquiries; scrutiny and the way the Council operates. • The Council provides a programme of training for members, and all members have access to the Council's corporate training and development programme. • All permanent staff within the Council received an annual performance review, which is linked to the Council's management standards and corporate competency framework; the Staffing and Remuneration Committee received regular reports on People Management issues. During 2016/17, the Council developed and piloted a new performance management process which will be rolled out to all staff in 2016/17.

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
expert advice is needed • *Ensure that effective arrangements are in place for reviewing the performance of the Cabinet and individual Cabinet Members and for agreeing action plans to address training or development needs* c) To encourage new talent for membership of the Council so best use can be made of individuals' skills and resources in balancing continuity and renewal, we will: • *Ensure that effective arrangements are in place to encourage individuals from all sections of the community to engage with, contribute to and participate in the Council's work* • *Ensure that proper career structures are in place for Members and officers to encourage participation and development*	• Legal Services provide briefings to members covering legislative and case law updates. The briefings are designed to ensure that members are kept abreast of developments of legal and political significance in local government on all matters including children and adult social services, education, health, housing, planning and licensing and any other areas of relevance. This enables members to better serve their constituents - at ward surgeries, through informed debate at committees and in their strategic role in developing Council policies. Actions: • Ensure that the new performance management framework for employees is embedded effectively across all service areas in 2016/17; and use the outcomes to develop the council's training and development plans.
Corporate Governance – Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability	
a) To exercise leadership through a robust scrutiny function which effectively engages local people and all local stakeholders and partnerships and which develops constructive and accountable relationships, we will: • *Make clear to all Members, staff and the community that we are democratically accountable for this scrutiny function* • *Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required* • *Produce an annual report on the activity of the scrutiny function* b) To take an effective and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning, we will: • *Ensure that clear channels of communication are in place with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively* • *Hold meetings in public unless there are good reasons for*	• Copies of the Council's magazine, Haringey People, are delivered to all residential addresses and the magazine is also available via the Council's intranet and external website. In addition, the Council produces Haringey People Extra, a weekly electronic newsletter for residents. • Key information is provided for residents in the six main languages spoken in the borough; the Council has various channels of communication that residents and stakeholders can use, including social media, face to face, online and via the telephone. • The council's 2015/16 budget was scrutinised by the Overview and Scrutiny Committee (OSC); recommendations were made by the OSC to Cabinet which were responded to and the reports published on the website. • Haringey Council's Consultation Charter sets out how the Council ensures that its consultation is effective and what can be expected from its consultation. This, together with consultation principles, is published on the website. During 2015/16, ten formal consultation processes were undertaken, with the results and outcomes published. • The Council has a wholly-owned company, Homes for Haringey Limited (HfH) and is a trustee of Alexandra Palace and Park (APP) under the terms of the current operating requirements. The Council provides advice and

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
confidentiality • *Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively* • *The above arrangements will recognise that different sections of the community have different priorities and will establish processes for dealing with these competing demands* • *Establish a clear policy on the types of issues where we will consult, or engage the public and service users, including a feedback mechanism to demonstrate to consultees what has changed as a result of consultation* • *Publish an annual performance plan with information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and service user satisfaction in the previous year* • *Ensure that the Council is open and accessible to the community, service users and its own staff and committed to openness and transparency in its dealings including partnerships subject to the protection of confidentiality where necessary and appropriate.*	services to HfH and APP, which have their own board, constitution, memorandum and articles. The accounts of HfH and APP are incorporated into the group accounts of the London Borough of Haringey. • The Council has continued to work with Alexandra Palace and Park (APP) to ensure that corporate governance arrangements and internal controls are adequate and this was continued during 2015/16. The Council reviews annually the independent audit reports for both APP and HfH, no significant governance issues were raised by the organisations' auditors. • Cabinet agendas, reports and minutes are made available on the Council's website to provide transparency. Cabinet meetings are also broadcast via the Council website.

4. Significant governance issues

4.1 The Council identified some key areas where work would be undertaken in 2015/16 to ensure governance arrangements were in place and effective. An action plan was drawn up and progress on this is set out below.

Issue	Action	Progress Update
Changes to the Homes for Haringey governance arrangements.	Interim changes to operational and management arrangements for Homes for Haringey were put in place from October 2014. Options on the future delivery of housing services will continue in 2015/16, with a report to Cabinet by the Chief Operating Officer planned for September 2015.	Complete.

Issue	Action	Progress Update
Recording and publishing delegated decisions.	Directors and Assistant Directors reported via their assurance statements that, although decisions were taken in accordance with the constitution requirements, the recording and publishing of decisions taken was not always done, or done in a timely manner. Further work will need to be done in 2015/16 to ensure that this issue is addressed and all decisions are recorded and reported according to agreed requirements.	Complete.
Budget management – Children's Service and Adult Social Services.	Both the Children's Service and Adult Social Services reported significant budget overspends in 2014/15. Both Directors have formulated action plans designed to bring the services' spending in line with approved budgets. These plans will be closely monitored both by officers and members during 2015/16.	Ongoing; forms part of the Priority Board projects and risk management work (and highlighted in 2015/16 AGS).
Corporate Programmes – demonstrating delivery outcomes.	The 2015-18 Corporate Plan outcomes are dependent on the successful delivery of the corporate programmes. These will need to start to demonstrate their benefits realisation objectives during 2015/16 in order to achieve the required outcomes and external funding commitments.	Ongoing; forms part of the Priority Board projects and risk management work.

4.2 The Council has identified the following significant governance issues during 2015/16. It is proposed over the coming year to take steps to address the governance issues in these areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

Issue	Action	Responsibility	Due date
The Council has identified significant budget overspends within Children's and Adult Social Services and the Housing (Temporary Accommodation) budget.	Ensure the demand-led budgets within Children's and Adult Social Services and Temporary Accommodation are managed effectively in 2016/17 to reduce the identified overspends.	Director of Children's Services; Director of Adult Services; Chief Operating Officer	March 2017
The Council's agreed Workforce Plan recognises the need to develop and manage staff effectively in order to deliver the Corporate Plan; new processes were piloted during 2016/17 to assist with this.	Ensure that the new performance management framework for employees is embedded effectively across all service areas in 2016/17; and use the outcomes to develop the council's training and development plans.	Assistant Director of Human Resources	March 2017
During 2015/16, the Council implemented new governance structures to deliver the outcomes in the Corporate Plan.	Revise the Council's Local Code of Corporate Governance: ensure that it reflects the new Priority Boards' governance structures and the 2016 best practice and mandatory guidance to enable effective reporting as part of the Annual Governance Statement.	Assistant Director of Corporate Governance	March 2017

5. Review of effectiveness

5.1 Haringey Council 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 director, 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.

5.2 The Assistant Director for Finance (April – October 2015) and the Chief Operating Officer (November 2015 – March 2016) who held the Council's statutory section 151 Officer role; the Assistant Director of Corporate Governance (the Council's Monitoring Officer); and the Head of Audit and Risk Management have also reviewed the work done by the Council relating to governance issues in 2015/16. Their comments on the key governance issues are as follows:

- Chief Operating Officer: There were fairly significant overspends in three areas in 2015/16: Children's and Adults Services and Temporary Accommodation; Children's and Adults Services had also reported overspends in 2014/15 as a result of additional demand on the services at the same time as both services were coping with budget reductions. Directors have been working to bring the services' spending in line with approved budgets, but further action in all these areas will be required during 2016/17.
- Assistant Director of Corporate Governance: Following training to ensure that delegated decisions by Assistant Directors were recorded and published in line with statutory requirements, follow up reviews identified significant improvement had been made in this area in 2015/16 and the majority of decisions were in accordance with regulations. No other significant governance issues were identified during the year in relation to Monitoring Officer functions.
- Head of Audit and Risk Management: The majority of the Council's key financial systems all received 'substantial' or higher assurance ratings from internal audit in 2015/16, with two systems (accounts payable; housing benefits) receiving 'limited' assurance. Work to assist schools to address control weaknesses continued in 2015/16 with substantially improved results: no school received a 'nil' assurance rating; two schools (out of eleven) received a 'limited' assurance rating; all other schools received a 'substantial' rating. Internal Audit continued to provide training and guidance for school governors, head teachers, and school finance staff to assist in maintaining and improving their performance in 2015/16; and an escalation process for schools that are found not to have implemented recommendations was agreed by Corporate Committee in November 2015. No other significant governance issues were raised by internal audit during 2015/16.

5.3 The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2015/16. The report concluded that in most areas across the Council, with the exception of those areas receiving 'limited' assurance, there are sound internal financial control systems and corporate governance arrangements in place, and that risk management arrangements are satisfactory. All high priority recommendations were confirmed as being implemented when internal audit completed the follow up reviews.

5.4 Directors and Assistant Directors have completed a statement of assurance covering 2015/16 which is informed by work carried out by heads of service and 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 significant governance issues, apart from those identified at paragraph 4.2 were recorded.

5.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) statements on the role of the Chief Financial Officer (CFO) and the role of the Head of Internal Audit (HoA) in public service organisations have both been incorporated into the Council's overall governance arrangements. During 2015/16, the Council has been able to confirm that CFO and HoA fulfilled all the requirements set out within the CIPFA statements, and assurance on this was obtained via internal and external audit reviews. No gaps in compliance were identified for either role.

5.6 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.

5.7 The evidence provided with regards to the production of the Annual Governance Statement has been considered by the Chief Executive and officers at the Statutory Officers' Group meetings on 3 and 31 May 2016 and by the Council's Corporate Committee on 28 June 2016, who concluded that the Council has satisfactory governance systems in place and satisfactory plans to address the identified issues to ensure improvement; these arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The Chief Executive and the Statutory Officers' Group are committed to implementing the action plan, strengthening and improving controls and keeping the effectiveness of the Council's corporate governance arrangements under review during the year.

Signed by:

Councillor Claire Kober
Leader of the Council

Nick Walkley
Chief Executive

Date: 29th June 2016

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	**Total Usable Reserves** £'000	Unusable Reserves £'000	**Total Single Entity Reserves** £'000	Group Reserve £'000	**Total Group Reserves** £'000
Balance as at 31/03/2015	(25,771)	(84,116)	(38,606)	(4,740)	(38,797)	(19,021)	(2,668)	(213,719)	(564,022)	(777,741)	(26,179)	(803,920)
Movement in reserves during 2015/16												
(Surplus) or deficit on the provision of services	20,994	0	(60,735)	0	0	0	0	(39,741)	0	(39,741)	(22,631)	(62,372)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(292,584)	(292,584)	(29,285)	(321,869)
Total Comprehensive Income and Expenditure	20,994	0	(60,735)	0	0	0	0	(39,741)	(292,584)	(332,325)	(51,916)	(384,241)
Adjustments between group and single entity accounts	0	0	0	0	0	0	0	0	0	0	(18)	(18)
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,156	0	58,754	0	12,443	(2,223)	(2,413)	68,717	(68,717)	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	23,150	0	(1,981)	0	12,443	(2,223)	(2,413)	28,976	(361,301)	(332,325)	(51,934)	(384,259)
Transfers to / from Earmarked Reserves (Note 10)	(17,377)	17,377	1,268	(1,268)	0	0	0	0	0	0	0	0
Increase / Decrease in 2015/16	5,773	17,377	(713)	(1,268)	12,443	(2,223)	(2,413)	28,976	(361,301)	(332,325)	(51,934)	(384,259)
Balance as at 31/03/2016	(19,998)	(66,739)	(39,319)	(6,008)	(26,354)	(21,244)	(5,081)	(184,743)	(925,323)	(1,110,066)	(78,113)	(1,188,179)
Of which;												
Schools Balances	0	(10,751)	0	0	0	0	0	(10,751)	0	(10,751)	0	(10,751)
LB Haringey Revenue	(19,998)	(66,739)	(39,319)	(6,008)	0	0	0	(132,064)	534,203	402,139	(78,113)	324,026
LB Haringey Capital	0	0	0	0	(26,354)	(21,244)	(5,081)	(52,679)	(1,459,526)	(1,512,205)	0	(1,512,205)

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	**Total Usable Reserves** £'000	Unusable Reserves £'000	**Total Single Entity Reserves** £'000	Group Reserve (restated) £'000	**Total Group Reserves** £'000
Balance as at 31/03/2014	(20,834)	(91,939)	(26,575)	(4,238)	(16,439)	(11,046)	(1,846)	(172,917)	(503,495)	(676,412)	(34,067)	(710,479)
Movement in reserves during 2014/15												
(Surplus) or deficit on the provision of services	18,650	0	(130,830)	0	0	0	0	(112,180)	0	(112,180)	2,169	(110,011)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	10,851	10,851	8,796	19,647
Total Comprehensive Income and Expenditure	18,650	0	(130,830)	0	0	0	0	(112,180)	10,851	(101,329)	10,965	(90,364)
Adjustments between group and single entity accounts	0	0	0	0	0	0	0	0	0	0	(3,077)	(3,077)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(15,764)	0	118,297	0	(22,358)	(7,975)	(822)	71,378	(71,378)	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	2,886	0	(12,533)	0	(22,358)	(7,975)	(822)	(40,802)	(60,527)	(101,329)	7,888	(93,441)
Transfers to / from Earmarked Reserves (Note 10)	(7,823)	7,823	502	(502)	0	0	0	0	0	0	0	0
Increase / Decrease in 2014/15	(4,937)	7,823	(12,031)	(502)	(22,358)	(7,975)	(822)	(40,802)	(60,527)	(101,329)	7,888	(93,441)
Balance as at 31/03/2015	(25,771)	(84,116)	(38,606)	(4,740)	(38,797)	(19,021)	(2,668)	(213,719)	(564,022)	(777,741)	(26,179)	(803,920)
Of which;												
Schools Balances	0	(11,706)	0	0	0	0	0	(11,706)	0	(11,706)	0	(11,706)
LB Haringey Revenue	(25,771)	(84,116)	(38,606)	(4,740)	0	0	0	(153,233)	656,792	503,559	(26,179)	477,380
LB Haringey Capital	0	0	0	0	(38,797)	(19,021)	(2,668)	(60,486)	(1,220,814)	(1,281,300)	0	(1,281,300)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Single Entity	2015/16 Gross Expenditure £'000	2015/16 Gross Income £'000	2015/16 Net Expenditure £'000	2014/15 (restated) Gross Expenditure £'000	2014/15 (restated) Gross Income £'000	2014/15 (restated) Net Expenditure £'000
Adult social care	115,986	(26,196)	89,790	111,113	(19,250)	91,863
Central services to the public	10,327	(5,336)	4,991	22,371	(6,349)	16,022
Children's and education services	287,647	(244,149)	43,498	301,062	(235,211)	65,851
Corporate and democratic core	8,235	(4,396)	3,839	11,885	(7,841)	4,044
Cultural and related services	14,921	(3,924)	10,997	18,578	(4,039)	14,539
Environmental and regulatory services	26,946	(7,198)	19,748	24,981	(4,512)	20,469
Highways and transport services	49,540	(30,353)	19,187	48,244	(29,534)	18,710
Local authority housing (HRA)	80,578	(110,566)	(29,988)	(5,536)	(108,899)	(114,435)
Other housing services	331,256	(315,823)	15,433	331,940	(320,098)	11,842
Planning services	14,940	(4,873)	10,067	12,567	(3,370)	9,197
Public Health	18,568	(19,401)	(833)	18,224	(18,358)	(134)
Non distributed costs	2,975	(203)	2,772	3,497	0	3,497
Cost of Continuing Services	**961,919**	**(772,418)**	**189,501**	**898,926**	**(757,461)**	**141,465**
Other operating expenditure (Note 6)	44,719	(21,107)	23,612	41,906	(46,507)	(4,601)
Financing and investment income and expenditure (Note 7)	48,314	(24,375)	23,939	66,373	(20,058)	46,315
Taxation and Non-Specific Grant Income (Note 8)	0	(276,793)	(276,793)	0	(295,359)	(295,359)
(Surplus) or Deficit on Provision of Services			**(39,741)**			**(112,180)**
(Surplus) or deficit on revaluation of property, plant and equipment			(153,198)			(69,051)
Remeasurement of net defined benefit liability			(139,386)			79,902
Other Comprehensive Income and Expenditure			**(292,584)**			**10,851**
Total Comprehensive Income and Expenditure			**(332,325)**			**(101,329)**

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Group Amounts	2015/16 Gross Expenditure £'000	2015/16 Gross Income £'000	2015/16 Net Expenditure £'000	2014/15 (restated) Gross Expenditure £'000	2014/15 (restated) Gross Income £'000	2014/15 (restated) Net Expenditure £'000
Adult social care	115,986	(26,196)	89,790	111,113	(19,250)	91,863
Central services to the public	10,327	(5,336)	4,991	22,371	(6,349)	16,022
Children's and education services	287,647	(244,149)	43,498	301,062	(235,211)	65,851
Corporate and democratic core	8,235	(4,396)	3,839	11,885	(7,841)	4,044
Cultural and related services	26,509	(40,968)	(14,459)	28,008	(10,678)	17,330
Environmental and regulatory services	26,946	(7,198)	19,748	24,981	(4,512)	20,469
Highways and transport services	49,540	(30,353)	19,187	48,244	(29,534)	18,710
Local authority housing (HRA)	76,935	(105,268)	(28,333)	(10,322)	(103,913)	(114,235)
Other housing services	331,256	(315,823)	15,433	331,940	(320,098)	11,842
Planning services	14,940	(4,873)	10,067	12,567	(3,370)	9,197
Public Health	18,568	(19,401)	(833)	18,224	(18,358)	(134)
Non distributed costs	2,975	(203)	2,772	3,497	0	3,497
Cost of Continuing Services	**969,864**	**(804,164)**	**165,700**	**903,570**	**(759,114)**	**144,456**
Other operating expenditure (Note 6)	44,719	(21,107)	23,612	41,906	(46,508)	(4,602)
Financing and investment income and expenditure (Note 7)	48,314	(23,205)	25,109	66,373	(20,879)	45,494
Taxation and Non-Specific Grant Income (Note 8)	0	(276,793)	(276,793)	0	(295,359)	(295,359)
(Surplus) or Deficit on Provision of Services			**(62,372)**			**(110,011)**
(Surplus) or deficit on revaluation of property, plant and equipment			(166,911)			(72,345)
Remeasurement of net defined benefit liability			(154,958)			91,992
Other Comprehensive Income and Expenditure			**(321,869)**			**19,647**
Total Comprehensive Income and Expenditure			**(384,241)**			**(90,364)**

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BALANCE SHEET

	Notes	Single Entity 31st March 2016 £'000	Single Entity 31st March 2015 £'000	Group Amounts (restated) 31st March 2016 £'000	Group Amounts (restated) 31st March 2015 £'000
Property, Plant and Equipment	11	1,930,770	1,704,802	2,009,133	1,768,766
Heritage Assets		6,105	6,100	6,105	6,100
Investment Property	12	65,403	56,882	65,403	56,882
Intangible Assets		6,901	3,240	6,901	3,240
Long Term Debtors	15	8,237	3,967	6,772	2,479
Long Term Investments	13	492	429	492	429
Long Term Assets		**2,017,908**	**1,775,420**	**2,094,806**	**1,837,896**
Assets Held for Sale		1,567	1,276	1,567	1,276
Short Term Investments	13	0	19,858	0	19,858
Inventories		93	248	706	745
Debtors	15	75,099	74,671	100,388	74,985
Cash and Cash Equivalents	16	34,718	34,420	31,980	33,750
Current Assets		**111,477**	**130,473**	**134,641**	**130,614**
Short Term Borrowing	13	(45,691)	(15,449)	(45,860)	(15,449)
Creditors	17	(104,277)	(113,434)	(102,153)	(113,479)
Revenue Grants Receipts in Advance		(3,363)	(6,242)	(3,363)	(6,242)
Capital Grants Receipts in Advance		(2,815)	(1,232)	(2,815)	(1,232)
Provisions	18	(7,620)	(6,812)	(7,620)	(6,812)
Current Liabilities		**(163,766)**	**(143,169)**	**(161,811)**	**(143,214)**
Long Term Creditors	17	(1,429)	(931)	(1,732)	(952)
Provisions	18	(2,911)	(3,412)	(3,477)	(3,412)
Long Term Borrowing		(274,921)	(286,572)	(275,110)	(286,572)
Other Long Term Liabilities		(570,062)	(689,999)	(592,908)	(726,371)
Capital Grants Receipts in Advance		(6,230)	(4,069)	(6,230)	(4,069)
Long Term Liabilities		**(855,553)**	**(984,983)**	**(879,457)**	**(1,021,376)**
Net Assets		**1,110,066**	**777,741**	**1,188,179**	**803,920**
Usable Reserves	20	(184,743)	(213,719)	(165,528)	(180,097)
Unusable Reserves	19	(925,323)	(564,022)	(1,022,651)	(623,823)
Total Reserves		**(1,110,066)**	**(777,741)**	**(1,188,179)**	**(803,920)**

CASH FLOW STATEMENT

	Single Entity		Group Amounts (restated)	
	31st March 2016	**31st March 2015**	**31st March 2016**	**31st March 2015**
	£'000	£'000	£'000	£'000
Net (surplus) or deficit on the provision of services	(39,741)	(112,180)	(62,380)	(110,011)
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 21)	(39,832)	917	(15,078)	(4,254)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 21)	61,339	83,891	60,170	83,891
Net cash flows from Operating Activities	**(18,234)**	**(27,372)**	**(17,288)**	**(30,374)**
Investing Activities (Note 22)	31,875	(6,152)	32,997	(5,405)
Financing Activities (Note 23)	(13,939)	19,274	(13,939)	19,487
Net increase or (decrease) in cash and cash equivalents	**(298)**	**14,250**	**(1,770)**	**16,292**
Cash and cash equivalents at the beginning of the reporting period	34,420	20,170	33,750	17,458
Cash and cash equivalents at the end of the reporting period (all comprised of cash and bank balances)	**34,122**	**34,420**	**31,980**	**33,750**

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1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice (SERCOP) 2015/16 supported by International Financial Reporting Standards.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets (NCA) 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 Council 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 Council;
- Revenue from the provision of services is recognised when the Council 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 Council;
- 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.

Income and expenditure is accounted for in the year the activity it relates to takes place, not when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid. Accruals are generally not raised where amounts are below a threshold, although managers' discretion may be used. For revenue, the general threshold is £20,000 and for capital £50,000.

1.3 Acquired Operations

Acquired Operations are shown separately on the face of the

Consolidated Income & Expenditure Statement in the year of acquisition. In subsequent accounting periods these are shown within the relevant service expenditure line.

1.4 Agency Income and Expenditure

Under various statutory powers, a Council may agree with other local authorities, water companies and government departments to do work on their behalf. The body carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution toward administrative costs.

Haringey Council has acted as an agent on behalf of:

- Major preceptors – Greater London Authority in the collection of Council Tax.
- Central Government - Collecting National Non-Domestic Rates (NNDR) and paying the sums collected over to Central Government and the GLA less the amount retained in respect of the cost of collection allowance.

1.5 Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the second year of its second phase, which ends on 31st March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. 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 Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

The Council currently purchases allowances prospectively at a lower cost than would be charged if purchased retrospectively.

1.6 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 a 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 Council's cash management.

1.7 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 Council 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 Council 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 MiRS for the difference between the two.

1.8 Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is a planning charge collected on new builds (chargeable developments within the Council) with appropriate planning consent. Income from the levy will be used to fund a number of infrastructure projects e.g. transport and schools, to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for government grants and contributions. CIL charges will be largely used to fund capital expenditure although a small proportion of charges will fund revenue expenditure.

The Council also collects CIL 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 in the Council's primary statements beyond those costs incurred as part of collection, which the Council can recover.

1.9 Employee Benefits

Benefits Payable during Employment

The Council recognises the cost of benefits received by current employees. These 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 for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Payments for Accumulated Compensated Absences are accounted for and an accrual is made for the cost of holiday entitlements (or any form of leave e.g. 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 calculated at the wage and salary rates applicable in the following accounting year being the period in which the employee takes the benefit, with interim values on an estimated basis.

The Council has concluded that there is no material benefit in undertaking an annual determination of the accrual and has established a policy to undertake a review of the accrual every three years unless, in the intervening period, there is evidence of a change in circumstances which would materially affect the amount to be disclosed. A review was carried out in 2014/15.

To prevent fluctuations from impacting on Council Tax, the year on year change in cost generated by this accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the MiRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are usually payable as a result of a decision by the Council 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 or where applicable to the non distributed cost line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS 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.

Post Employment Benefits

Employees of the Council are eligible to be members of one of three separate pension schemes:

- the Local Government Pensions Scheme, administered by Haringey Council and
- the Teachers' Pension Scheme, administered by Capita Business Services Ltd. on behalf of the Department for Education (DfE)
- the NHS Pension Scheme, administered by the NHS Business Services Authority (BSA).

All three schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council. However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

i. The Local Government Pension Scheme

All employees (other than teachers) subject to certain qualifying criteria are able to join the Local Government Pension scheme. The Scheme is accounted for as a defined benefit scheme. The Scheme is known as the London Borough of Haringey Pension Fund and is administered by Haringey Council in accordance with the Local Government Pension Scheme (Administrator) Regulations 2008 on behalf of all participating employers.

The liabilities of the Haringey pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices.

The assets of Haringey pension fund attributable to the Council 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 pension's liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to yrs of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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 Council to the pension fund or directly to pensioners in the year not the amount calculated according to the relevant accounting standards.

In the MiRS 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 account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

ii. Teachers' Pension Scheme

This scheme is administered by Capita Business Services Ltd., on behalf of the Department for Education (DfE). Although the scheme is unfunded, the Government operates a notional fund as the basis for calculating employers' contributions. This scheme is accounted for on a defined contribution basis – no liability for future payments is recognised in the Balance Sheet and the Children's and Education Services line in the CIES is charged with the employer's contributions payable in the year. In addition, the Council is responsible for any payments relating to early retirements outside of the standard scheme. This scheme holds no assets and is accounted for on a defined benefit basis, using the same policies that are applied to the Local Government Pension Scheme.

iii. NHS Pension Scheme

This scheme is accounted for as if it were a defined contribution plan, on the recommendation of CIPFA Local Authority Accounting Panel because it is not possible to identify the underlying scheme assets and liabilities for staff transferred who are in the NHS pensions plan.

Discretionary Benefits

The Council 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.

1.10 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:

a) 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; and
b) Those that are indicative of conditions that arose after the reporting period – the financial statements are 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.

The Council will only usually disclose items where they are considered material i.e. those which carry a value in excess of £10 million.

1.11 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as debtors and creditors at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.12 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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 CIES 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 Council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES 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 CIES 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 CIES 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 CIES regulations allow the impact on the General Fund Balance to be spread over future years. The Council 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 CIES 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 MiRS.

Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the CIES 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 Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable and accrued interest, and the interest credited to the CIES is the amount receivable for the year in the loan agreement.

The Council has however made a small number of loans at less than market rates (soft loans) e.g. to employees, voluntary organisations or other entities. When material soft loans are made a loss is recorded in the CIES for the present value of the interest that will be forgone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the soft loan debtor, with the difference increasing the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account (which forms part of Unusable Reserves) in the MIRS
.
The Council has determined that the value of the notional interest forgone is immaterial 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 or Financing and Investment Income and Expenditure line in the CIES. 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 de-recognition of the asset are credited / debited to the Financing and Investment Income and Expenditure line in the CIES.

Available-for-sale assets 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 CIES 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 (e.g. dividends) is credited to the CIES when it becomes receivable by the Council.

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. 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 CIES, along with any net gain / 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 or the 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 CIES.

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 derecognising of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, 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).

The Council holds constant net asset value funds in which the unit values do not fluctuate. Although these meet the definition of available for sale assets they are not adjusted for any movement in fair value as they are held at cost.

1.13 Foreign Currency Translation

Where the Council 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 2016. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the CIES.

1.14 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 Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES 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-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MiRS.

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.

1.15 Heritage Assets

These are typically tangible assets which are held by the Council for the benefit of residents of the Borough. Heritage Assets are held for their contribution to knowledge and culture and will include assets such as historic buildings, monuments, cultural artefacts or artistic exhibits. Where an asset meets these criteria but is also used extensively to deliver a service then it will be classified as property, plant and equipment.

Heritage assets are initially measured at cost and subsequently at an approximation of current value. Due to the historic or unique nature of heritage assets it is not always possible to determine a fair value based on market valuation. A hierarchy of valuation methods is therefore utilised:

- Market valuation
- Insurance valuation
- Depreciated historic cost
- In house valuation
- No valuation

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. 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 Council’s policy on impairment.

The relevant value of Heritage Assets held by the Council is shown on the face of the Balance Sheet. Due to the immateriality of this value no further information is disclosed in the financial statements.

1.16 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. The Council 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 Council 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 if the website is solely or primarily intended to promote or advertise the Authority’s goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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 CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the CIES.

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 MiRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) to the Capital Receipts Reserve.

1.17 Interests in companies and other entities

The Council has a material financial relationship with a number of companies and so is required to prepare group accounts. All of the companies with which the Council has a relationship have been assessed against the requirements of 'accounting for collaborations' and Homes for Haringey Limited (HfH) and Alexandra Park and Palace Charitable Trust (APPCT) are deemed to be within the Haringey group. These have been produced using the acquisition method and all intra-group transactions have been removed.

1.18 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. Due to the immateriality of amounts involved no further disclosures have been made in the financial statements.

1.19 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. 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 MiRS and posted to the Capital Adjustment Account and (for any sale proceeds of £10,000 or above) the Capital Receipts Reserve.

1.20 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

1.21 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.

The Council 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 Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

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 Council at the end of the lease period).

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

ii. Operating Leases

Rentals paid under operating leases are charged to the CIES 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 (e.g. there is a rent-free period at the commencement of the lease).

The Council as lessor

i. Finance Leases

Where the Council 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 CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – 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 CIES).

The gain credited to the CIES 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 MiRS. 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 MiRS

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 MiRS.

ii. Operating Leases

Where the Council 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 CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. 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 over the lease term on the same basis as rental income.

1.22 Overheads and Support Services

The costs of overheads and support services are allocated within the Net Cost of Service section of the CIES in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) 2015/16. 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 Council's status as a multifunctional, democratic organisation, and
- non distributed costs – the cost of discretionary benefits awarded to employees retiring early

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

1.23 Prior Period Adjustments (PPA), Changes in Accounting Policies and Estimates and Errors

PPA 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 affected by the change and do not give rise to a PPA.

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 Council'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. Where changes to prior period are required, these will be set out in a separate note disclosing the impact and where material with comparative information

1.24 Property, Plant and Equipment

These are tangible assets that have a physical substance and are held for operational reasons i.e. in the production or supply of goods and services or for administrative purposes. This category excludes properties which are held solely for the purpose of generating financial return (Investment Properties and Assets for Sale) and those held primarily for their contribution to knowledge and culture (Heritage Assets).

The CIPFA Code of Practice on Transport Infrastructure Assets takes effect from 1st April 2016. The Infrastructure Code confirms that the changes in accounting do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. If the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would increase from £151 million to circa £2.7 billion.

Recognition

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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 Council 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 (i.e. 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.

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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council 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 (i.e. it will not lead to a variation in the cash flows of the Council). 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 Council.

Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES, 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 CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account through the MiRS.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings at current value, determined using the basis of existing use value for social housing (EUV-SH)
- school buildings – current value but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets at current value estimated at highest and best use from a market participant's perspective
- all other assets at current 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.

Subsequent changes in value

Assets included in the Balance Sheet at current value are re-valued 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 CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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 CIES.

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.

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 recognised for the shortfall. 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 CIES.

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

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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

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

- Council Dwellings and operational buildings – straight-line allocation over the useful life of the property as estimated by the Valuer, within the range of 20 to 60 years.
- Vehicles, plant and equipment – based on the useful economic life of the asset, within the range of 3 to 7 years.
- Infrastructure – based on the useful economic life of the asset, within the range of 2 to 88 years.

The residual value, useful life and depreciation method are reviewed on a regular basis. If expectations differ from previous estimates the changes will be accounted for as a change in accounting estimates.

Depreciation is calculated on the current value of an asset. Where this valuation is above the historic cost, the difference between depreciation as calculated on current value and that calculated on historic cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation of valuations

Where beneficial to the accuracy of the accounts the Council may opt to recognise each of the component parts of a material asset in their own right. This may be necessary to reflect the fact that some components may have an appreciably shorter useful life than the wider asset and will therefore need replacing sooner. Where assets are recognised as their component parts then each element is considered independently for future valuations, depreciation, replacement and disposal accounting. This Council will recognise the Structure, Roof, Heating & associated systems, Electrical, Lift and Externals as components.

Property, Plant and Equipment (PPE) depreciation will be calculated using the weighted average remaining useful life of the structure and associated components provided by the Council's Valuer on an annual basis. The weighted average remaining useful life satisfies the requirement for accounting for PPE assets on a component basis where each part of an item of PPE with a cost that is significant in relation to the total cost of the item is separately depreciated.

Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount. This recognition and de-recognition takes place regardless of whether the replaced part had been depreciated separately.

There are a number of circumstances where componentisation will not apply, including:

- Vehicles and Equipment will be considered immaterial and not subject to componentisation.
- Infrastructure assets are excluded pending the status of the Code of Practice on Transport Infrastructure Assets.
- Investment properties are not depreciated, but must be considered for componentisation where enhancement expenditure is incurred.
- Componentisation of HRA assets (Dwellings) will be reviewed in line with changes to guidance from DCLG.

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 CIES. 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 (SDPOS). 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 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). 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 remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MiRS. From April 2012 a proportion of receipts arising from additional RTB sales, following an increase in the maximum cash cap on discounts, is retained by the Council where it agrees to spend a sufficient level of resources on replacement social housing. The same applies to non-RTB sales where the agreement is to spend on provision of additional affordable housing or regeneration projects.

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 appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

Schools

The Code of Practice on Local Authority Accounting in the UK confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances 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 not included on the Council's Balance Sheet is treated as "REFCUS" (Revenue Expenditure Funded from Capital under Statute") and written off each year to the CIES within Education and Children's services.

1.25 Provisions, Contingent Liabilities and Contingent Assets

a) Provisions

Provisions are made where a past event has taken place that gives the Council 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 Council 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 CIES in the year that the Council 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. The Council does not unwind any discount on provision balances. 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 (e.g. 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 Council settles the obligation.

b) Contingent Liabilities

A contingent liability arises where a past event has taken place that gives the Council 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 Council. 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 to the accounts. The disclosures set out both the scale of the potential costs and the likelihood of these being realised.

c) Contingent Assets

A contingent asset arises where a past event has taken place that gives the Council 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 Council. 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.

1.26 Reserves

The Council maintains a range of reserves, reflecting both the extent to which its overall assets exceed its liabilities and any restrictions either statutory or voluntary which are placed upon the usage of these balances. The Council has discretion to set aside specific amounts as reserves to earmark available funds for future policy purposes, to cover contingencies or manage cash flow.

Reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. 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 CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

A number of reserves exist to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies and notes.

1.27 Revenue expenditure funded from capital under statute (REFCUS)

REFCUS expenditure represents expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in a Council asset being created. The expenditure may support a third party's asset (e.g. home improvement grants) or may be being capitalised based on a capitalisation order from the Government.

This expenditure is charged to the relevant service within the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing a transfer is undertaken by charging to the Capital Adjustment Account and crediting the General Fund Balance in the MiRS. The purpose of this is to enable the expenditure to be funded from capital resources rather than charged to the General Fund and impact on the level of Council Tax. This REFCUS expenditure does form part of the Council's Capital Financing Requirement.

1.28 Revenue recognition

Income received by the Council is recognised in accordance with the relevant financial regulations and accounting standards. The major income streams include Council tax, business rates and housing rents income.

Council tax and business rate income included in the CI&ES is the total of the precept on the collection funds of each billing authority and the Council's share of the actual surplus / deficit on the collection funds of each billing authority at the end of the current year, adjusted for the Council's share of the surplus / deficit on the funds at the preceding year end that has not been distributed or recovered in the current year.

Housing Rent income included in the CI&ES is the total of the all rent charged to tenants for Council Housing. The rents have been set based on a formula set by Government. The formula creates a "formula" rent for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property, and landlords are expected to move the actual rent of a property to this formula rent, over time.

1.29 Service Concession Arrangements

Private Finance Initiative (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.

The Council has a number of schools subject to PFI contracts albeit the current PFI scheme is suspended. The PFI buildings for maintained 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 are in respect of all PFI schools, regardless of the school's status, and remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator. The Council continues to receive government support in the form of grant which is used to meet current and future liabilities in respect of the PFI scheme(s).

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

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

a) *Fair value of the services received during the year* - debited to the relevant service in the CIES
b) *Finance cost* - An interest charge of 5.13% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
c) *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 CIES.
d) *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).
e) *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.

1.30 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.

2. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. In particular, there is a high degree of uncertainty about the future levels of funding for local government. The Council has however determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

3. Assumptions made about the future and other major sources of estimation uncertainty

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

There is a significant risk of material adjustment in the forthcoming financial year in respect of the following items recognised in the Council's Balance Sheet as at 31st March 2016.

<u>Property, Plant and Equipment</u>
Depreciation: Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Although the Council has a capital programme that is well managed, proactively monitored and reported to management, the current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance over the medium term, thus bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that, if the useful lives of all property assets were reduced by 10%, the annual depreciation charge would increase by £3.927 million. However since this charge is reversed out through the MiRS, there would be no impact on the General Fund balance.

In order to meet the objective of IFRS 13 (Fair Value Measurement) the valuers have worked on the basis that all reasonably available information has been taken into account. Investment property, surplus assets and assets held for sale were valued at fair value. The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

The ultimate aim to arrive at the notional 'Highest and Best use value' for the asset either as a stand-alone asset or in combination with other assets within the principal market whilst ensuring that any alternative use is physically, legally and financially possible. This has been achieved, for these purposes, by comparing the 'current use' of the asset to the notional 'alternative use' based on potential redevelopment on a land value basis for the site.

In respect of operational, non-specialised properties the current value for the assets has been interpreted as the amount that would be paid for the asset in its existing use. The valuers have met this requirement by providing a valuation on the basis of existing use value in accordance with UKVS 1.3.

In respect of specialised properties, the valuers have adopted the depreciated replacement cost method of valuation to assess current value in existing use. The valuers have provided these valuations in accordance with the Red Book under; UKVS 1.16 in addition to UKGN 2, DRC method of valuation for financial reporting.
Broadly it has been assumed for each valuation, that there are no encumbrances to title, buildings are in a 'fair' condition, building services are in working order, there are no planning or statutory constraints, there is no contamination or hazardous substances, and there are no environmental or sustainability factors that may affect the property's value

Pension Fund Liability

During 2015/16, the Council's actuaries advised that the net pension liability had decreased by £116.222 million as a result of estimates being revised and the updating of the assumptions. The liability held on the balance sheet is subject to actuarial estimation; some of the detail behind the estimates used by the actuary is shown in notes 36 and 37.

4. Material items of income and expense

In 2015/16 a revaluation gain of £141 million (£170 million in 2014/15) was credited to the CIES to reflect the increase in value of Council Dwellings.

In accordance with the relevant accounting standards, CIES comparative amounts for the prior period have been adjusted for fixed asset revaluation loses credits. The credit balances were moved from Income to Expenditure. This 2014/15 Revaluation loses have previously been classified as income on the CIES. As a result, the HRA Statement has also been adjusted. These adjustments did not result in changes to the Surplus or Deficit on the CIES.

5. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 10th June 2016. There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

Following the majority vote to end the UK's membership of the European Union (EU) in the National Referendum held on 23 June 2016, there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. Since the referendum, all three major rating agencies (S&P, Fitch and Moody's) took action on the UK's Sovereign credit rating and the sterling exchange rate has also seen a significant fall. There could be an impact on investment property valuations if investor confidence in the wider UK property market falls. We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets. Since the Referendum date it has not been possible to gauge the effect of this decision by reference to transactions in the market place.

The valuation of the Authority's defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. The valuation of the pension liabilities at 31 March 2016 had applied a discount rate of 3.5% and calculated the present value of the funded obligation at £1,339,206,000 (see note 37). The Council's actuary estimates that every 0.5% change in the discount rate would increase/decrease the pension liability by approximately 10%. In addition, the weakening of the pound means that the non-sterling pension assets will be worth more once translated into sterling.

6. Other operating expenditure

The following table provides an analysis of the "Other Operating Expenditure" line in the CIES:

	2015/16	2014/15
	£'000	£'000
Levies - North London Waste Authority (NLWA)	7,183	7,375
Levies - Others	645	631
Payments to Govt. Housing Capital Receipts Pool*	25,523	1,557
Losses / (gains) on disposal of non-current assets	(9,739)	(14,164)
	23,612	**(4,601)**

*The Council paid £15.743 million as a one-off payment of prior year retained right to buy receipts in 2015/16 and has also retained fewer receipts in 2015/16 than in 2014/15.

7. Financing and investment income and expenditure

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

	2015/16	2014/15
	£'000	£'000
Interest payable and similar charges	18,393	34,010
Net interest on the net defined benefit liability	20,698	23,379
Interest receivable and similar income	(503)	(174)
Changes in the fair values of investment properties	(15,349)	(13,954)
Other investment income and expenditure	700	3,054
	23,939	**46,315**

8. Taxation and non-specific grant income

The following table provides an analysis of the "Taxation and Non-Specific Grant Income" line in the CIES:

	2015/16	2014/15
	£'000	£'000
Council tax income	(89,240)	(84,481)
Non domestic rates	(71,609)	(68,228)
Non-ringfenced government grants	(75,362)	(105,870)
Capital grants and contributions	(40,582)	(36,780)
	(276,793)	**(295,359)**

The decrease in non-ringfenced government grants is primarily due to less Revenue Support Grant being received from central government in 2015/16.

9. Adjustments between accounting basis and funding basis under regulation

This note details the adjustments that are made to the total comprehensive income and expenditure recognised in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund into which all the Council's receipts are paid and out of which all liabilities are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The balance summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account (HRA) Balance

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure that is available to fund future expenditure in connection with the Council's landlord function or, where in deficit, that is required to be recovered from tenants in future years.

Capital Receipts Reserve (CRR)

The CRR holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied Reserve (CGUR)

The CGUR holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Major Repairs Reserve (MRR)

The Council is required to maintain the MRR, which controls the application of the resource arising from depreciation on HRA assets or the financing of historical capital expenditure. The balance shows the resource that has yet to be applied at the year-end.

Movement during 2015/16	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
- Pensions costs (transferred to / from the Pensions Reserve)	(22,864)	(301)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	92	(189)	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	4,111	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	1,076	1	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	25,574	3,534	0	0	(42,494)
Total Adjustments to Revenue Resources	7,989	3,045	0	0	(42,494)
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the CRR	5,371	16,228	(21,599)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(85)	(408)	493	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(25,523)	0	25,523	0	0
- Posting of HRA resources from revenue to the MRR	0	18,130	0	(18,130)	0
- Statutory provision for the repayment of debt (transfer from the CAA)	13,211	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	1,193	21,759	0	0	0
Total Adjustments between Revenue and Capital Resources	(5,833)	55,709	4,417	(18,130)	0
Adjustments to Capital Resources					
- Use of the CRR to finance capital expenditure	0	0	8,049	0	0
- Use of the MRR to finance capital expenditure	0	0	0	15,717	0
- Application of capital grants to finance capital expenditure	0	0	0	0	40,271
- Cash payments in relation to deferred capital receipts	0	0	(23)	0	0
Total Adjustments between Revenue and Capital Resources	0	0	8,026	15,717	40,271
Total Adjustments	**2,156**	**58,754**	**12,443**	**(2,413)**	**(2,223)**

Movement during 2014/15	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
- Pensions costs (transferred to / from the Pensions Reserve)	(19,113)	(493)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	(14,664)	(189)	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	(7,216)	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	573	7	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	(14,447)	71,045	0	0	(40,739)
Total Adjustments to Revenue Resources	(54,867)	70,370	0	0	(40,739)
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the CRR	23,874	23,255	(47,129)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(45)	(621)	666	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(1,557)	0	1,557	0	0
- Posting of HRA resources from revenue to the MRR	0	17,108	0	(17,108)	0
- Statutory provision for the repayment of debt (transfer from the CAA)	12,732	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	6,373	8,185	0	0	0
Total Adjustments between Revenue and Capital Resources	41,377	47,927	(44,906)	(17,108)	0
Adjustments to Capital Resources					
- Use of the CRR to finance capital expenditure	(2,274)	0	22,585	0	0
- Use of the MRR to finance capital expenditure	0	0	0	16,286	0
- Application of capital grants to finance capital expenditure	0	0	0	0	32,764
- Cash payments in relation to deferred capital receipts	0	0	(37)	0	0
Total Adjustments between Revenue and Capital Resources	(2,274)	0	22,548	16,286	32,764
Total Adjustments	**(15,764)**	**118,297**	**(22,358)**	**(822)**	**(7,975)**

10. 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 2015/16.

	Note	Balance at 01/04/14	Transfer In 2014/15	Transfer Out 2014/15	Balance at 31/03/15	Transfer In 2015/16	Transfer Out 2015/16	Balance at 31/03/16
		£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
General Fund:								
Schools reserve	i	(11,719)	0	13	**(11,706)**	(50)	1,005	**(10,751)**
Services reserve	ii	(10,255)	(2,851)	2,623	**(10,483)**	(1,112)	6,043	**(5,552)**
Insurance reserve	iii	(9,029)	(1,297)	109	**(10,217)**	(1,031)	1,244	**(10,004)**
PFI lifecycle reserve	iv	(9,542)	(1,420)	892	**(10,070)**	(1,417)	1,715	**(9,772)**
IT infrastructure reserve	v	(2,468)	(500)	1,952	**(1,016)**	(710)	728	**(998)**
Accommodation strategy reserve	vi	(591)	0	149	**(442)**	0	0	**(442)**
Transformation reserve	vii	(8,015)	(92)	3,230	**(4,877)**	(6,513)	3,623	**(7,767)**
Financing reserve	viii	(14,938)	(257)	463	**(14,732)**	(146)	9,068	**(5,810)**
Debt repayment reserve	ix	(5,133)	(2,273)	1,401	**(6,005)**	(1,502)	2,249	**(5,258)**
Community infrastructure reserve	x	(3,000)	0	0	**(3,000)**	0	0	**(3,000)**
Urban renewal reserve	xi	(2,500)	0	0	**(2,500)**	0	1,097	**(1,403)**
Public health reserve	xii	(501)	0	98	**(403)**	0	403	**0**
Unspent grants reserve	xiii	(3,396)	(1,879)	978	**(4,297)**	(888)	1,392	**(3,793)**
Collection fund equalisation reserve	xiv	(8,367)	0	8,112	**(255)**	0	255	**0**
Labour market growth resilience reserve	xv	(2,000)	0	95	**(1,905)**	0	116	**(1,789)**
NHS social care agreement reserve	xvi	(485)	0	485	**0**	0	0	**0**
Risk reserve	xvii	0	(2,208)	0	**(2,208)**	(400)	2,208	**(400)**
Sub-Total		**(91,939)**	**(12,777)**	**20,600**	**(84,116)**	**(13,769)**	**31,146**	**(66,739)**
Housing Revenue Account:								
HRA Smoothing reserve	xviii	(4,238)	(802)	300	**(4,740)**	(1,268)	0	**(6,008)**
Sub-Total		**(4,238)**	**(802)**	**300**	**(4,740)**	**(1,268)**	**0**	**(6,008)**
Total Single Entity Earmarked Reserves		(96,177)	(13,579)	20,900	(88,856)	(15,037)	31,146	(72,747)
Group Entity Reserves		21,892	(62,330)	14,259	(26,179)	(54,767)	2,825	(78,121)
Total Group Amounts		**(74,285)**	**(75,909)**	**35,159**	**(115,035)**	**(69,804)**	**33,971**	**(150,868)**

i. The Secretary of State for Education allows 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 primary or special schools, 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;
- funds held in relation to a school's exercise of powers under section 27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Council
- funds assigned by the governing body for specific permitted purposes, held for a stipulated period.

These requirements have been fully taken account of in Haringey's scheme for financing schools, and applied since April 2008.

ii. It is Council policy that service under and over spends are retained by the relevant service subject to approval by the Cabinet in the year-end financial outturn report. This reserve earmarks those funds to either be carried forward to the following financial year or retained.

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

iv. The PFI reserve is 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.

v. The Council 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 IT infrastructure reserve spreads the charge to revenue for this type of expenditure.

vi. This reserve is used in support of the Council's smart working policy which seeks to maximise the efficiency of operational buildings.

vii. This reserve is earmarked for the costs associated with the Council's Transformation programmes including the investment necessary to deliver longer term efficiencies and change, together with the associated costs of redundancies and decommissioning.

viii. 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.

ix. The debt repayment / capital reserve represents funds the Council has set aside for the potential repayment of debt and for funding of future capital expenditure.

x. The Council has recognised the need to grow its revenue base as government funding reduces; this will be achieved by increasing the Council Tax and Business Rate base. Resources are likely to be needed to support the community infrastructure and facilitate growth in housing and businesses and this reserve will be used to fund such developments.

xi. It is beneficial for the Council to support local businesses so they can share in the benefits of growth. This could include supporting town centres and business improvement districts, and maintaining retail business; this reserve will be used to support this activity.

xii. The Health and Social Care Act 2012 transferred substantial health improvement duties to local authorities from 2013/14 and the Council received a ring-fenced public health grant to discharge its' new public health responsibilities. This reserve was utilised during 2015/16.

xiii. International Financial Reporting Standards require grants and other income to be recognised in the CIES as the right to the monies is earned rather than to match when expenditure is incurred. This reserve holds grant income included within the CIES which will finance related expenditure in future years.

xiv. This reserve was created to equalise fluctuations around the collection of Council Tax and Business Rates and to improve financial reporting for 2014/15. This reserve is no longer required.

xv. It is beneficial for the Council to support people into work and this reserve will support activities which achieve that aim.

xvi. The Council received funding from the NHS Commissioning Board via an agreement under Section 256 of the 2006 NHS Act to support adult social care services that also have a health benefit. This reserve was utilised during 2015/16.

xvii. The Council has previously maintained earmarked reserves to provide the resources required to bring about the transformational changes set out in its Corporate Plan. However, given the scale of challenges implicit in reducing its resource base by a further £70 million over the period to 2018 and the uncertainty associated with a new government, the Chief Financial Officer has created this reserve to limit the Council's exposure to unexpected financial costs as it delivers the Corporate Plan 2015-2018.

xviii. Under HRA Self financing any downward or upward revaluations of fixed assets charged or credited to the HRA, which can be volatile movements, have a bottom line effect as currently there is no legislation to reverse them out, as was the case in the past; this reserve is designed to equalise these fluctuations.

11. Property, plant and equipment

	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Surplus Assets	**Total Property, Plant and Equipment**	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or Valuation at 1st April 2015	1,138,118	380,724	216,428	22,270	18,348	1,117	9,946	**1,786,951**	85,289
Additions	58,889	11,979	12,160	985	679	2,952	1,453	**89,097**	512
Revaluation increases / (decreases) recognised in the Revaluation Reserve	28,021	94,972	0	0	0	0	1,850	**124,843**	29,124
Revaluation increases / (decreases) recognised in SDPOS	1,160	32,843	0	0	0	0	(603)	**33,400**	15,413
Derecognition - disposals	(9,026)	(363)	0	(5,077)	(375)	0	0	**(14,841)**	0
Reclassifications and transfers	0	0	0	10	0	(143)	0	**(133)**	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	(669)	**(669)**	0
At 31st March 2016	**1,217,162**	**520,155**	**228,588**	**18,188**	**18,652**	**3,926**	**11,977**	**2,018,648**	**130,338**
Accumulated Depreciation at 1st April 2015	0	(776)	(69,703)	(11,652)	0	0	(18)	**(82,149)**	0
Depreciation charge	(17,992)	(10,446)	(8,091)	(2,707)	0	0	(37)	**(39,273)**	(2,704)
Depreciation written out to the Revaluation Reserve	17,887	10,432	0	0	0	0	37	**28,356**	2,704
Derecognition - disposals	105	6	0	5,077	0	0	0	**5,188**	0
At 31st March 2016	**0**	**(784)**	**(77,794)**	**(9,282)**	**0**	**0**	**(18)**	**(87,878)**	**0**
Net Book Value at 31st March 2016	**1,217,162**	**519,371**	**150,794**	**8,906**	**18,652**	**3,926**	**11,959**	**1,930,770**	**130,338**

	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Surplus Assets	**Total Property, Plant and Equipment**	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or Valuation at 1st April 2014	990,237	354,784	203,522	21,290	16,475	161	14,242	**1,600,711**	83,864
Additions	32,642	20,410	12,906	1,635	1,873	956	715	**71,137**	306
Revaluation increases / (decreases) recognised in the Revaluation Reserve	36,345	6,701	0	0	0	0	739	**43,785**	(380)
Revaluation increases / (decreases) recognised in SDPOS	92,170	817	0	0	0	0	(2,246)	**90,741**	1,499
Derecognition - disposals	(13,276)	(1,988)	0	(655)	0	0	(3,504)	**(19,423)**	0
At 31st March 2015	**1,138,118**	**380,724**	**216,428**	**22,270**	**18,348**	**1,117**	**9,946**	**1,786,951**	**85,289**
Accumulated Depreciation at 1st April 2014	0	(1,191)	(61,862)	(9,435)	0	0	(30)	**(72,518)**	0
Depreciation charge	(17,185)	(7,855)	(7,841)	(2,479)	0	0	(71)	**(35,431)**	(1,919)
Depreciation written out to the Revaluation Reserve	16,968	8,269	0	0	0	0	30	**25,267**	1,919
Derecognition - disposals	217	1	0	262	0	0	53	**533**	0
At 31st March 2015	**0**	**(776)**	**(69,703)**	**(11,652)**	**0**	**0**	**(18)**	**(82,149)**	**0**
Net Book Value at 31st March 2015	**1,138,118**	**379,948**	**146,725**	**10,618**	**18,348**	**1,117**	**9,928**	**1,704,802**	**85,289**

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Since 2012/13 the Council has instructed external valuers Wilks, Head & Eve (an independent partnership of Chartered Surveyors and Town Planners) to carry out full valuations as at 1st April and desktop valuation as at 31st March each year on the whole of the Council's property portfolio. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

HRA 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 the Department of Communities and Local Government.

Capital commitments

At 31st March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years, budgeted to cost £34 million. Similar commitments at 31st March 2015 were £48 million. The major commitments as at 31st March 2016 were:

- Decent Homes Programme – £13.868 million
- HRA Mechanical and electrical works - £1.986 million
- HRA Lift renewals - £1.891 million

12. Investment properties

The fair value for investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy. The values at 31st March are analysed as follows.

	31/03/16	31/03/15
	£'000	£'000
Office units	4,658	3,191
Commercial units	47,200	49,048
Land	13,132	4,051
Other investment property	413	543
Total	**65,403**	**56,833**

There were no transfers between any of the three levels during 2015/16 or the preceding year.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use. There has been no change in the valuation techniques used during the year for investment properties.

The following items have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

	2015/16	2014/15
	£'000	£'000
Rental income from investment property	(7,583)	(7,392)
Direct operating expenses arising from investment property	1,958	1,206
Net (gain) / loss	**(5,625)**	**(6,186)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on its right to the remittance of income and the proceeds of disposal.

The following table summarises the movements in fair value of investment properties over the year.

	2015/16	2014/15
	£'000	£'000
Balance at start of the year	56,882	59,045
Additions - Purchases	10	1,213
Disposals	(1,213)	(11,144)
Net gain / (losses) from FV adjustments	9,724	7,768
Balance at the end of the year	**65,403**	**56,882**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out externally by Wilkes Head and Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

13. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial liabilities

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

The Council's non derivative liabilities held during the year are measured at amortised cost and comprised:

- Long term loans from the Public Works Loans Board and commercial lenders
- Short term loans from other local authorities
- Finance leases detailed in note 34
- Private Finance Initiative contracts detailed in note 35
- Trade payables for goods and services received

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 financial assets held by the Council during the year are held under the following classifications:

- Loans and Receivables
- Available for Sale

The Council does not hold any financial assets or liabilities at fair value through profit and loss.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- Cash in hand
- Bank current and deposit accounts with Barclays Bank

- Impaired investments in Icelandic banks
- Loans to other local authorities
- Loans made to community organisations and other bodies for service purposes (including soft loans)
- Lease receivables detailed in note 34
- Trade receivables for goods and services delivered

Available for sale financial assets are those that are quoted in an active market. The Council has money market funds and other collective investment schemes which meet this definition but are classed as cash and cash equivalents due to their highly liquid nature.

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

	Long Term		Short Term	
	31/03/16	31/03/15	31/03/16	31/03/15
Financial liabilities:	£'000	£'000	£'000	£'000
Loans at amortised cost				
- principal sum borrowed	(274,921)	(286,572)	(40,619)	(10,832)
- accrued interest	0	0	(5,072)	(4,617)
Total borrowing	**(274,921)**	**(286,572)**	**(45,691)**	**(15,449)**
- PFI liabilities	(27,473)	(30,005)	0	0
- finance lease liabilities	(13,796)	(14,481)	0	0
Total Other LT Liabilites	**(41,269)**	**(44,486)**	**0**	**0**
Liabilities at amortised cost				
- trade payables	(1,429)	(931)	(73,904)	(29,529)
- PFI liabilities	0	0	(2,532)	(2,409)
- finance lease liabilities	0	0	(1,220)	(1,270)
Total included in creditors	**(1,429)**	**(931)**	**(77,656)**	**(33,208)**
Total Financial Liabilities	**(317,619)**	**(331,989)**	**(123,347)**	**(48,657)**

The short term creditors line in the Balance Sheet includes £26.621 million (2015: £80.226 million) of items that do not meet the definition of a financial liability and are therefore not included in the above table. See note 17 for further information.

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

	Long Term		Short Term	
	31/03/16	31/03/15	31/03/16	31/03/15
Financial assets:	£'000	£'000	£'000	£'000
Loans and receivables				
- principal at amortised cost	492	429	0	19,809
- accrued interest	0		0	49
Total investments	**492**	**429**	**0**	**19,858**
Loans and receivables				
- cash (including bank accounts)	0	0	17,090	18,230
- cash equivalents at fair value	0	0	17,628	16,190
Total cash and cash equivalents	**0**	**0**	**34,718**	**34,420**
- Trade receivables	8,237	4,210	48,993	52,345
- Lease receivables	35,365	35,734	1,723	1,795
- Loans made for service purposes	1,753	1,210	103	103
Total included in debtors	**45,355**	**41,154**	**50,819**	**54,243**
Total Financial Assets	**45,847**	**41,583**	**85,537**	**108,521**

The short term debtors line in the Balance Sheet includes £24.280 million (2015: £20.428 million) of items that do not meet the definition of a financial asset and are therefore not included in the above table. See note 15 for further information.

The Council has a legally enforceable right to set off its bank accounts in credit against its bank overdraft balance. This is reflected on the Balance Sheet

Soft loans

Soft loans are those advanced at below market rates in support of the Council's service priorities.

	Haringey Credit Union	Bernie Grant Centre	Move 51	Other soft loans
	£'000	£'000	£'000	£'000
Balance at 1st April 2015	750	460	0	103
Cash value of new loans made	0	0	303	436
Amounts repaid to the Council	0	0	0	(196)
Balance at 31st March 2016	**750**	**460**	**303**	**343**

	Haringey Credit Union	Bernie Grant Centre	Move 51	Other soft loans
	£'000	£'000	£'000	£'000
Balance at 1st April 2014	750	460	0	116
Cash value of new loans made	0	0	0	209
Amounts repaid to the Council	0	0	0	(222)
Balance at 31st March 2015	**750**	**460**	**0**	**103**

The Council carries a 100% allowance in case of non-collection of the Haringey Credit Union loan. The Council has determined that the value of the notional interest foregone on its soft loans is immaterial and so has not adjusted the entries to the CIES in respect of interest receivable.

Financial instruments – gains and losses

The gains and losses recognised in the CIES in relation to financial instruments consist of the following items.

	Liabilities measured at amortised cost	Assets, Loans and receivables	Assets Available for sale	Total
2015/16	£'000	£'000	£'000	**£'000**
Interest expense	18,393	0	0	**18,393**
Total expense in SDPOS	18,393	0	0	**18,393**
Interest and investment income	11	(385)	(105)	**(479)**
Interest accrued on impaired assets	0	(24)	0	**(24)**
Total income in SDPOS	11	(409)	(105)	**(503)**
Net (gain) / loss for the year	**18,404**	**(409)**	**(105)**	**17,890**

	Liabilities measured at amortised cost	Assets, Loans and receivables	Assets Available for sale	Total
2014/15	£'000	£'000	£'000	**£'000**
Interest expense	16,059	0	0	**16,059**
Total expense in SDPOS	16,059	0	0	**16,059**
Interest and investment income	0	(136)	(67)	**(203)**
Interest accrued on impaired assets	31	26	0	**57**
Total income in SDPOS	31	(110)	(67)	**(146)**
Net (gain) / loss for the year	**16,090**	**(110)**	**(67)**	**15,913**

Financial instruments – fair values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows as at 31st March 2016, using the following methods and assumptions

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- The value of 'Lender's Option Borrower's Option' (LOBO) loans has been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate
- The fair values of other long term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield
- No early repayment or impairment is recognised for any financial instrument
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the tables below, split by their level in the fair value hierarchy as follows

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Level	Fair Value		Carrying Amount	
		31/03/16	31/03/15	31/03/16	31/03/15
		£'000	£'000	£'000	£'000
PWLB loans	2	(201,906)	(202,336)	(160,703)	(171,681)
LOBO loans	2	(208,728)	(209,139)	(130,906)	(130,340)
Lease payables	2	(3,801)	(4,092)	(15,015)	(15,751)
PFI liability	2	(31,478)	(35,300)	(30,005)	(32,414)
Total		**(445,913)**	**(450,867)**	**(336,629)**	**(350,186)**
Liabilities for which fair value is not disclosed				(104,336)	(30,460)
Total financial liabilities				**(440,965)**	**(380,646)**
Recorded on balance sheet as:					
- short term creditors				(73,904)	(29,529)
- short term borrowing				(45,691)	(15,449)
- long term creditors				(1,429)	(931)
- long term borrowing				(274,921)	(286,572)
- other long term liabilities				(45,020)	(48,165)
Total financial liabilities				**(440,965)**	**(380,646)**

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

	Level	Fair Value		Carrying Amount	
		31/03/16	31/03/15	31/03/16	31/03/15
		£'000	£'000	£'000	£'000
Money market funds	1	7,600	16,190	7,600	16,190
Bank deposits	1	0	6,840	0	6,840
Loans to local authorities	2	10,000	12,200	10,000	12,200
Loans to companies	2	0	0	0	0
Lease receivables	2	0	0	37,088	37,529
Total		**17,600**	**35,230**	**54,688**	**72,759**
Assets for which fair value is not disclosed				76,696	77,345
Total financial assets				**131,384**	**150,104**
Recorded on balance sheet as:					
- short term debtors				50,819	54,243
- short term investments				0	19,858
- long term debtors				45,355	41,154
- long term investments				492	429
- cash and cash equivalents				34,718	34,420
Total financial assets				**131,384**	**150,104**

14. Nature and extent of risks arising from financial instruments

The Council has adopted the latest CIPFA Code of Practice on Treasury Management and complies with the Prudential Code of Capital Finance for Local Authorities.

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 maintains Treasury Management

Practices specifying the practical arrangements to be followed to manage these risks. The 2015/16 Treasury Management Strategy can be found on the Council's website www.haringey.gov.uk.

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 Council's activities expose it to a variety of financial risks. The main risks covered are:

- **Credit Risk** is the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council
- **Liquidity Risk** is the possibility that the Council might not have funds available to make contractual payments on time
- **Market Risk** is the possibility that unplanned financial loss will materialise as a result of changes in market variables such as interest rates and stock market movements

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £20 million is placed on the amount of money that can be invested with a single counterparty (other than the UK government/Local Authorities). The Council also sets limits on investments in certain sector and group limits. The Investment Strategy sets out the full details of counterparties along with details of term and investment limits.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies (nil value at 31st March 2016) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. There is a risk that the Council will not be able to recover it deposits, but there was no evidence at the 31st March 2016 that this was likely to happen.

The Council still has not received full credit from Icelandic banks going into default in 2008/09. These are detailed below.

	Heritable Bank	Landsbanki Islands	Glitnir	Total
	£000	£000	£000	£000
Nominal value of original deposits	19,800	15,157	2,000	**36,957**
Distributions to LBH bank account by 31/03/2015	(19,495)	(14,401)	(1,678)	**(35,574)**
Distributions to escrow: 31/03/2016	0	0	492	**492**
Outstanding Deposits	305	756	(170)	**891**
Estimated recoverable balance	0	0	492	**492**

The nominal value of the Council's investment portfolio at 31st March 2016 was £17.600 million with nil deposit with UK banks

(£36.477 million and £6.840 million respectively at 31st March 2015). All investments were made in line with the Council's approved credit rating criteria. The outstanding claim relating to Landsbanki was sold via an auction during 2013/14 and no further proceeds will be received. Glitnir escrow balances are held in Iceland due to exchange control restrictions.

The table shows the distributions received directly into the Council's bank account up to 31st March 2016, in addition to which an element of the distribution due remained in escrow on 31st March 2016 – the nominal value of these are shown in the table above and under short term investments on the balance sheet. These balances did not change during 2015/16.

The amount of the Icelandic related investments that will not be repaid to the Council under current predictions is £0.569 million, although the recovery may still exceed predictions. 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. On receipt of a capitalisation direction the Council capitalised £11 million of the impairment in 2009/10. The full value of this impairment has now been reversed as distributions have been received.

As the Council has a statutory duty to provide a wide range of services there is no credit checking of individuals or businesses. The Council does however ensure that debts are collected as quickly and cost effectively for each service, as appropriate. When bills are raised a payment due date is triggered and customers have a grace period of 21 to 28 days in which to make payment. Thereafter all debts are considered overdue and debt collection procedures commence. Levels of debt arrears, allowances for non collection of debt and debt write off are closely monitored.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 40% of the Council's borrowing matures in any one financial year.

The maturity analysis of the nominal value of the Council's debt at 31st March 2016 was as follows.

Maturing within (years)	**31/03/2016**	**31/03/2015**
	£'000	£'000
Public Works Loans Board	160,703	175,020
Market debt	130,906	127,001
Local government	29,003	0
	320,612	**302,021**
Less than 1 year	45,691	15,481
Between 1 and 2 years	12,366	12,621
Between 2 and 5 years	29,018	33,564
Between 5 and 10 years	32,059	38,826
Between 10 and 20 years	12,750	618
Between 20 and 30 years	914	23,007
Between 30 and 40 years	85,225	52,525
Between 40 and 50 years	27,561	50,297
More than 50 years	75,028	75,082
	320,612	**302,021**

This analysis includes £125 million of LOBO loans, which are currently in their call period. These are shown according to their final maturity date as it is unlikely the lender will revise the terms of the loan in the next year as PWLB rates are currently considerably below LOBO interest rates.

Market Risk

Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

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 31st March 2016, 98.6% of the debt portfolio was held in fixed rate instruments and 1.4% 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 as follows.

	£'000
Increase in interest recievable on variable rate investments	203
Impact on Surplus or Deficit on Provision of Services	203
Increase in interest payable on variable rate borrowings	(19)
Decrease in fair value of fixed rate borrowing liabilties	41,422

These assumptions are based on the same methodology as used in the ‘Fair Value’ disclosure note.

Foreign Exchange Risk: The Council currently has approximately £0.5 million in Icelandic Krona remaining in escrow in Iceland. The Council is therefore exposed to the risk of adverse movements in the sterling/Icelandic Krona exchange rate. The Council is currently working with the Local Government Association, legal advisers and other affected authorities to research ways of converting the Icelandic Krona into sterling. The exchange rate gain in 2015/16 was £0.063 million, following an exchange rate loss in 2014/15 of £0.034 million.

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 this class of financial instruments).

15. Debtors

The following tables provide an analysis of money owed to the Council by other bodies as at 31st March 2016 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.

	Long Term		Short Term	
	31/03/16	31/03/15	31/03/16	31/03/15
	£'000	£'000	£'000	£'000
Central Govt bodies	0	0	18,833	10,714
Other local authorities	0	0	17,584	15,765
NHS bodies	0	0	4,700	9,160
Other entities and individuals	8,237	3,967	33,982	39,032
Total	**8,237**	**3,967**	**75,099**	**74,671**

	Single Entity		Group Amounts	
	31/03/16	31/03/15	31/03/16	31/03/15
	£'000	£'000	£'000	£'000
Central Govt bodies	18,833	10,714	18,833	10,714
Other local authorities	17,584	15,765	17,584	15,765
NHS bodies	4,700	9,160	4,700	9,160
Other entities and individuals	42,219	42,999	66,043	41,825
Total	**83,336**	**78,638**	**107,160**	**77,464**

Allowance for non collection of debts

Where recovery of debt is doubtful provisions are created within the accounts to reflect past experience and professional judgement based on the particular circumstances relating to each debt or debtor type.

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

16. Cash and cash equivalents

The net balance of cash and cash equivalents is made up of the following elements at the balance sheet date.

	31/03/16	31/03/15
	£'000	£'000
Cash in hand and at bank	17,090	18,230
Short-term investments	17,628	16,190
Total	**34,718**	**34,420**

17. Creditors

The following tables provide an analysis of money owed by the Council as at 31st March 2016.

	Long Term		Short Term	
	31/03/16	31/03/15	31/03/16	31/03/15
	£'000	£'000	£'000	£'000
Central Govt bodies	0	0	(14,011)	(14,603)
Other local authorities	0	0	(7,292)	(5,348)
NHS bodies	0	0	(2,319)	(3,445)
Public corporations / trading funds	0	0	(6)	
Other entities and individuals	(1,429)	(931)	(80,649)	(90,038)
Total	**(1,429)**	**(931)**	**(104,277)**	**(113,434)**

	Single Entity		Group Amounts	
	31/03/16	31/03/15	31/03/16	31/03/15
	£'000	£'000	£'000	£'000
Central Govt bodies	(14,011)	(14,603)	(14,011)	(14,603)
Other local authorities	(7,292)	(5,348)	(7,292)	(5,348)
NHS bodies	(2,319)	(3,445)	(2,319)	(3,445)
Public corporations / trading funds	(6)	0	(6)	0
Other entities and individuals	(82,078)	(90,969)	(80,257)	(91,035)
Total	**(105,706)**	**(114,365)**	**(103,885)**	**(114,431)**

18. Provisions

Provisions are analysed on the face of the Balance Sheet as either short term or long term. The amounts below are estimates based on the best information available, in accordance with best practice.

The **insurance provision** is required because some of the Council's insurance policies are met by deposit premiums under which insurers ask for additional sums some years after the original claim. Furthermore balances are accrued each year to meet future known claims where the Council self-insures. Depending on the claims these payments may be made over a period of a number of years.

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

The **Non Domestic Rates (NDR) provision** reflects the potential liabilities of the repayments to businesses based on current outstanding appeals and an estimate of any future appeals.

The **NHS property provision** relates to ongoing dispute over rental charges for an older person day centre.

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

	Insurance	Redundancy	NDR appeals	NHS property	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April 2015	(5,623)	(610)	(2,536)	(655)	(800)	**(10,224)**
Provisions made in 2015/16	(213)	(714)	(1,479)	0	(155)	**(2,561)**
Amounts used in 2015/16	1,244	343	0	0	158	**1,745**
Unused amounts reversed	0	267	0	0	242	**509**
Balance at 31st March 2016	**(4,592)**	**(714)**	**(4,015)**	**(655)**	**(555)**	**(10,531)**
Of which:						
Long Term	(2,911)	0	0	0	**0**	(2,911)

19. Unusable reserves

	31/03/16	31/03/15
	£'000	£'000
Financial Instruments Adjustment	4,731	4,635
Collection Fund Adjustment	(3,970)	141
Accumulated Absences	4,205	5,282
Revaluation Reserve	(364,346)	(220,916)
Capital Adjustment Account	(1,095,087)	(998,512)
Pensions Reserve	529,238	645,460
Deferred Capital Receipts	(94)	(112)
Total	**(925,323)**	**(564,022)**

Financial instruments adjustments account

The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the CIES in accordance with proper accounting practices under the Code of Practice, but which statutory provisions allow or require to be deferred over future years.

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	**4,635**	**4,486**
Amounts by which finance costs charged to the CIES differ from finance costs chargeable in the year in accordance with statute	96	149
Balance as at 31st March	**4,731**	**4,635**

Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of Council tax income in the CIES 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.

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	**141**	**(7,074)**
Movement in year	(4,111)	7,215
Balance as at 31st March	**(3,970)**	**141**

Accumulated absences account

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, e.g. annual leave entitlement carried forward at 31st March 2016. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

	General Fund		HRA	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Balance as at 1st April	**5,258**	**5,830**	**24**	**31**
Settlement / cancellation of accrual made at the end of the preceding year	(5,258)	(5,830)	(24)	(31)
Amounts accrued at the end of the current year	4,182	5,258	23	24
Amount by which officer remuneration charged to the CIES on an accruals basis is different from charges in accordance with statute	(1,076)	(572)	(1)	(7)
Balance at 31st March	**4,182**	**5,258**	**23**	**24**

Revaluation reserve

The revaluation reserve contains the gains made by the Council since April 2007 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.

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	**(220,916)**	**(164,022)**
Upward revaluation of assets	(178,134)	(78,816)
Downward revaluation of assets and impairment losses not charged to SDPOS	24,936	9,766
Difference between fair value depreciation and historical cost depreciation	7,834	6,131
Revaluation balances on disposed assets	1,934	6,025
Balance as at 31st March	**(364,346)**	**(220,916)**

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 therefore represents amounts set aside to finance expenditure on fixed assets or for the repayment of external loans and certain other financing transactions.

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.

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	(998,512)	(888,558)
Reversal of items relating to capital expenditure debited or credited to CIES		
- charges for depreciation and impairment of NCA	39,273	35,431
- revaluation losses and reversals of losses on PPE	(33,351)	(90,101)
- amortisation of intangible assets	733	244
- REFCUS	5,510	12,699
- amounts of NCA written off on disposal or sale as part of the gain/loss on disposal to CIES	11,368	32,299
	23,533	**(9,428)**
Adjusting amounts written out of the Revaluation Reserve	(9,769)	(12,156)
Net written out amount of the cost of NCA consumed in the year	**13,764**	**(21,584)**
Capital financing applied in the year		
- use of the Capital Receipts Reserve to finance new capital expenditure	(8,049)	(2,311)
- use of the Major Repairs Reserve to finance new capital expenditure	(15,717)	(16,286)
- application of grants to capital financing from Capital Grants Unapplied account	(40,271)	(31,271)
- statutory provision for financing of capital investment charged against GF and HRA balances	(13,211)	(16,028)
- capital expenditure charged against the GF and HRA balances	(24,462)	(14,559)
	(101,710)	**(80,455)**
Movements in the market value of Investment Properties debited or credited to CIES	(8,629)	(7,905)
Movements in donated assets credited to CIES	(4)	(18)
Other adjustments	4	8
Balance as at 31st March	**(1,095,087)**	**(998,512)**

Pension 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 Council accounts for post employment benefits in the CIES 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 Council makes employer's contributions to the pension fund or eventually pay 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	**645,460**	**545,952**
Remeasurements recognised in Other Comprehensive Income and Expenditure	(139,386)	79,902
Reversal of items relating to retirement benefits debited or credited to SDPOS	23,164	19,606
Balance as at 31st March	**529,238**	**645,460**

20. Usable reserves

Movements in the Council's usable reserves are detailed in the MiRS and in Notes 9 and 10.

21. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

Interest related items	2015/16	2014/15
	£'000	£'000
Interest received	(533)	(119)
Interest paid	22,564	34,841
Total	**22,031**	**34,722**

The cash flows for operating activities have been adjusted for the following non-cash movements.

Investing and financing activities	2015/16	2014/15
	£'000	£'000
Proceeds from investments	(9,809)	0
Proceeds from the sale of PPE, investment property and intangible assets	21,107	47,129
Capital grants credited to SDPOS	50,041	36,762
Total	**61,339**	**83,891**

Other non cash movements	2015/16	2014/15
	£'000	£'000
Depreciation	(39,273)	(35,431)
Impairment and downward revaluations	32,083	90,604
Amortisation	(733)	(244)
Movement in creditors	5,137	(16,514)
Movement in debtors	(9,436)	5,097
Movement in inventories	(151)	130
Movement in pension liability	(23,164)	(19,606)
Carrying amount of non-current assets	(11,368)	(32,299)
Other non-cash items charged to SDPOS	7,073	9,180
Total	**(39,832)**	**917**
Adjustments for intra-group transactions	23,809	(2,990)
Homes For Haringey	2,569	**(732)**
Alexandra Park and Palace Charitable Trust	(1,624)	(1,449)
Group Total	**(15,078)**	**(4,254)**

22. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2015/16	2014/15
	£'000	£'000
Purchase of PPE, investment property and intangible assets	102,636	68,000
Purchase of investments	82	9,767
Proceeds from the sale of PPE, investment property and intangible assets	(21,125)	(47,157)
Capital grants and other investments received	(49,718)	(36,762)
Total	**31,875**	**(6,152)**

23. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

	2015/16	2014/15
	£'000	£'000
Cash receipts from borrowing	(59,700)	0
Other receipts from financing activities	(909)	(706)
Cash payments for the reduction of finance lease and PFI outstanding liabilities	5,074	6,886
Repayments of borrowing	41,596	13,094
Total	**(13,939)**	**19,274**

24. Members allowances

The total of Members' allowances paid in 2015/16 was £1.105 million compared to £1.093 million in 2014/15. These figures are included in the Corporate Democratic Core line of the CIES.

25. External audit costs

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Council's external auditors.

	BDO	Grant Thornton	Grant Thornton
	2015/16		2014/15
	£'000	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	206	0	247
Fees payable for the certification of grant claims and returns for the year	33	22	45
Fees payable in respect of other services provided by Grant Thornton during the year	0	9	11
Total	**239**	**31**	**303**

26. Pooled budgets

The Council has entered into two partnership agreements under Section 75 of the Health Act 2006.

The Learning Disabilities partnership consists of Haringey Clinical Commissioning Group, Whittington Health and the Barnet, Enfield and Haringey Mental Health Trust for the provision of services for people with Learning Disabilities. The partnership spent £7.535 million in 2015/16 of which £5.779 million was met by the Council and £1.756 million by other partners (£5.848 million and £1.850 million respectively in 2014/15). The Council's share of transactions related to this pooled budget is included within the Adult Social Care line in the CIES.

The Better Care Fund (BCF) was introduced nationally in 2015/16 to ensure a transformation in integrated health and social care. This partnership consists of Haringey Clinical Commissioning Group (CCG) and Haringey Council and is for the provision of services to facilitate closer integration of health and social care for local people. Haringey CCG, as the host body, held the revenue element whilst the Council held the capital element of the pooled budget.

The aims of and benefits to the partners in entering into this agreement are to:

- Improve the quality and efficiency of the services
- Meet the national conditions and local objectives
- Make more effective use of resources through the establishment and maintenance of a pooled fund for expenditure on the services
- Work together to achieve the Haringey shared vision for integrated care.

The BCF partnership spent £17.317 million in 2015/16 of which £1.323 million was met by the Council and £15.994 million by the CCG. In addition to the pooled budget the Council made a non-pooled voluntary contribution of £4.013 million to the social care locality team throughout the duration of the agreement.

27. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the CIES is that specified by SERCOP. However decisions about resource allocation are taken by Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure which is assumed to be at budgeted levels
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to directorates

The Council reports income and expenditure for each directorate as a separate operating segment, regardless of its' actual level of income or expenditure. This is to reflect each type of service provided by that directorate. Full details of services provided by each directorate are shown in the 2015/16 Budget Book, available on the Council's website – http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-budget/council-budget-2015-16.

The subjective analysis reconciliation of directorates' income and expenditure to cost of services gives a clear indication of where each directorate derives its revenue.

The following reconciliation shows how the figures in the analysis of directorate income and expenditure (as recorded in the budget reports for the year) relate to the amounts included in the CIES.

	Single Entity		Group Amounts	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Net exp: directorate analysis	948	12,507	948	12,507
Net exp: subsidiaries	0	0	(23,801)	2,991
Not reported to management	(56,472)	(110,810)	(56,472)	(123,416)
Not included in CIES	245,025	239,768	245,025	252,374
Cost of Services	**189,501**	**141,465**	**165,700**	**144,456**

NOTES TO THE STATEMENTS

Directorate Income and Expenditure	Leader and Chief Executives Office	Chief Operating Officer	Deputy Chief Executive	Director of Regeneration, Planning and Development	Non Service Revenue	HRA	Total
2015/16	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Fees, charges and other service income	(12,634)	(59,437)	(31,485)	(6,756)	(108,445)	(111,974)	**(330,731)**
Government Grants & Contributions	(798)	(281,700)	(224,703)	(3,158)	(164,009)	0	**(674,368)**
Total Income	(13,432)	(341,137)	(256,188)	(9,914)	(272,454)	(111,974)	**(1,005,099)**
Employee Expenses	6,783	55,548	216,155	10,148	7,046	2,940	**298,620**
Other Service Expenses	4,467	382,873	191,273	15,010	(24,678)	56,027	**624,972**
Precepts & Levies	0	0	0	0	7,828	0	**7,828**
Capital & Financing Charges	0	(44,570)	9,570	0	2,921	27,144	**(4,935)**
Interest Payable	0	0	0	0	18,393	0	**18,393**
Support Service Recharges	4,566	19,357	21,484	2,228	8,535	4,999	**61,169**
Total Expenditure	15,816	413,208	438,482	27,386	20,045	91,110	**1,006,047**
Net Expenditure	**2,384**	**72,071**	**182,294**	**17,472**	**(252,409)**	**(20,864)**	**948**
2014/15	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Fees, charges and other service income	(13,286)	(109,568)	(21,621)	(4,768)	(104,672)	(19,296)	**(273,211)**
Government Grants & Contributions	(658)	(287,281)	(227,867)	(2,652)	(186,538)	0	**(704,996)**
Total Income	(13,944)	(396,849)	(249,488)	(7,420)	(291,210)	(19,296)	**(978,207)**
Employee Expenses	7,065	55,668	212,425	8,888	5,776	2,671	**292,493**
Other Service Expenses	3,376	399,424	195,091	4,394	1,057	55,865	**659,207**
Precepts & Levies	0	0	0	0	8,006	0	**8,006**
Capital & Financing Charges	0	5,839	6,813	0	1,761	(64,326)	**(49,913)**
Interest Payable	0	0	0	0	34,010	0	**34,010**
Support Service Recharges	2,004	17,152	11,538	1,762	10,369	4,086	**46,911**
Total Expenditure	12,445	478,083	425,867	15,044	60,979	(1,704)	**990,714**
Net Expenditure	**(1,499)**	**81,234**	**176,379**	**7,624**	**(230,231)**	**(21,000)**	**12,507**

NOTES TO THE STATEMENTS

Reconciliation to Subjective Analysis	Service Analysis	Not reported to management	Not included in Net Cost of Services	Net Cost of Services	Net cost of Group not in	Group Total
2015/16	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(330,731)	0	7,583	(323,148)	(64,226)	(387,374)
Interest and investment income	0	0	(197)	(197)	(5)	(202)
Income from council tax	0	0	89,240	89,240	0	89,240
Government grants and contributions	(674,368)	(51,497)	187,552	(538,313)	(27,973)	(566,286)
Group consolidation adjustments	0	0	0	0	60,458	60,458
Total Income	(1,005,099)	(51,497)	284,178	(772,418)	(31,746)	(804,164)
Employee expenses	298,620	(35,374)	0	263,246	32,139	295,385
Other service expenses	624,972	53,087	(1,957)	676,102	29,892	705,994
Support Service recharges	61,169	0	0	61,169	5,908	67,077
Depreciation, amortisation and impairment	(4,935)	(51,432)	9,723	(46,644)	464	(46,180)
Interest Payments	18,393	8,046	(18,393)	8,046	0	8,046
Precepts & Levies	7,828	0	(7,828)	0	0	0
Pension Related	0	20,698	(20,698)	0	0	0
Group consolidation adjustments	0	0	0	0	(60,458)	(60,458)
Total Expenditure	1,006,047	(4,975)	(39,153)	961,919	7,945	969,864
Surplus or deficit on the provision of services	**948**	**(56,472)**	**245,025**	**189,501**	**(23,801)**	**165,700**
2014/15	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(315,575)	0	7,392	(308,183)	(59,771)	(367,954)
Interest and investment income	0	0	(2,879)	(2,879)	(5)	(2,884)
Income from council tax	0	0	84,481	84,481	0	84,481
Government grants and contributions	(704,996)	(36,762)	210,878	(530,880)	(493)	(531,373)
Group consolidation adjustments	0	0	0	0	58,616	58,616
Total Income	(1,020,571)	(36,762)	299,872	(757,461)	(1,653)	(759,114)
Employee expenses	292,493	(580)	0	291,913	26,826	318,739
Other service expenses	667,212	8,286	(1,203)	674,295	30,454	704,749
Support Service recharges	46,912	0	0	46,912	5,531	52,443
Depreciation, amortisation and impairment	(7,549)	(101,360)	6,494	(102,415)	449	(101,966)
Interest Payments	34,010	0	(34,010)	0	0	0
Precepts & Levies	0	0	(8,006)	(8,006)	0	(8,006)
Pension Related	0	19,606	(23,379)	(3,773)	0	(3,773)
Group consolidation adjustments	0	0	0	0	(58,616)	(58,616)
Total Expenditure	1,033,078	(74,048)	(60,104)	898,926	4,644	903,570
Surplus or deficit on the provision of services	**12,507**	**(110,810)**	**239,768**	**141,465**	**2,991**	**144,456**

28. Officers remuneration

The following table sets out the remuneration disclosures for senior officers whose salary is more than £50,000 but less than £150,000.

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		**Remuneration (excluding employer pension contribution)**		Employer Pension Contribution		**Total Remuneration**	
		2015/16 £	2014/15 £	2015/16 £	2014/15 £	**2015/16 £**	**2014/15 £**	2015/16 £	2014/15 £	**2015/16 £**	**2014/15 £**
Director of Children's Services (until 9th February 2015)	1	0	67,559	0	1,611	**0**	**69,170**	0	15,762	**0**	**84,932**
Director of Children's Services (since 1st February 2015)	2	123,535	105,352	0	0	**123,535**	**105,352**	30,143	24,707	**153,678**	**130,059**
Assistant Director Corporate Governance (Monitoring Officer)		104,097	106,799	0	0	**104,097**	**106,799**	24,844	24,995	**128,941**	**131,794**
Financial Officer (until 8th November 2015)	3	66,064	111,793	97,303	0	**163,367**	**111,793**	184,079	26,172	**347,446**	**137,965**
Director of Public Health		136,986	121,023	0	0	**136,986**	**121,023**	18,258	15,590	**155,244**	**136,613**
Director of Regeneration Planning and Development		138,881	142,606	0	0	**138,881**	**142,606**	32,735	32,937	**171,616**	**175,543**
Director of Adults and Housing Services (until 30th June 2014)	4	0	34,057	0	123,401	**0**	**157,458**	0	8,009	**0**	**165,467**
Director of Adult Social Services		123,038	117,325	0	0	**123,038**	**117,325**	30,097	27,982	**153,135**	**145,307**
Deputy Chief Executive		135,000	135,000	0	0	**135,000**	**135,000**	32,940	32,265	**167,940**	**167,265**
Policy and Business Manager (since 11th May 2014)	5	76,864	67,430	0	0	**76,864**	**67,430**	18,204	15,630	**95,068**	**83,060**

Notes

(1) The reduced salary in 2014/15 was due to a period of unpaid leave and the 2014/15 annualised salary is £120,000
(2) The 2014/15 salary includes amounts relating to the previous role as Assistant Director for Schools and annualised salary was £120,000
(3) The 2015/16 annualised salary is £109,097
(4) The 2014/15 annualised salary is £136,616

(5) The 2014/15 annualised salary is £76,865

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

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
		2015/16	2014/15	2015/16	2014/15	**2015/16**	**2014/15**	2015/16	2014/15	**2015/16**	**2014/15**
		£	£	£	£	**£**	**£**	£	£	**£**	**£**
Chief Executive - Nick Walkley		200,313	206,595	0	0	**200,313**	**206,595**	48,269	48,874	**248,582**	**255,469**
Chief Operating Officer - Tracie Evans	1	151,506	75,000	0	0	**151,506**	**75,000**	0	0	**151,506**	**75,000**

Notes

(1) The 2014/15 annualised salary is £150,000 and the 2014/15 figure reflects a start date of 1st October 2014 prior to which the post was filled on an agency basis.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the below tables.

2015/16 Exit Package Cost Band	No of compulsory redundancies	No of other agreed departures	Total number	Total cost
				£
£0 - £20,000	7	88	**95**	**844,228**
£20,001 - £40,000	6	42	**48**	**1,277,443**
£40,001 - £60,000	0	11	**11**	**530,121**
£60,001 - £80,000	1	7	**8**	**565,805**
£80,001 - £100,000	0	5	**5**	**433,636**
£100,001 - £150,000	1	2	**3**	**319,064**
£250,001 - £300,000	0	2	**2**	**559,436**
Total	**15**	**157**	**172**	**4,529,733**

2014/15 Exit Package Cost Band	No of compulsory redundancies	No of other agreed departures	Total number	Total cost
				£
£0 - £20,000	10	42	**52**	**456,055**
£20,001 - £40,000	4	17	**21**	**615,262**
£40,001 - £60,000	1	9	**10**	**469,971**
£60,001 - £80,000	1	4	**5**	**353,191**
£80,001 - £100,000	1	4	**5**	**430,832**
£100,001 - £150,000	0	3	**3**	**385,509**
£150,000 or more	1	0	**1**	**240,012**
Total	**18**	**79**	**97**	**2,950,832**

The number of employees whose gross pay (excluding employers' pension and NI contributions) and benefits were more than £50,000 but less than £150,000 in 2015/16 is detailed in the table below.

	2015/16	**2014/15**
	No. of employees	No. of employees
£50,000 - £54,999	280	232
£55,000 - £59,999	130	112
£60,000 - £64,999	71	63
£65,000 - £69,999	40	50
£70,000 - £74,999	38	29
£75,000 - £79,999	30	27
£80,000 - £84,999	14	13
£85,000 - £89,999	4	7
£90,000 - £94,999	6	3
£95,000 - £99,999	6	9
£100,000 - £104,999	6	7
£105,000 - £109,999	3	4
£110,000 - £114,999	3	4
£115,000 - £119,999	0	3
£120,000 - £124,999	4	2
£125,000 - £129,999	1	2
£130,000 - £134,999	1	0
£135,000 - £139,999	3	1
£140,000 - £144,999	0	1
£145,000 - £149,999	1	2
Total	**641**	**571**

29. Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16 incurring liabilities of £4.530 million in redundancy costs and payments to the pension fund (£2.951 million in 2014/15). Included in this amount is a provision of £0.714 million (£0.410 million in 2014/15) in respect of approved redundancies yet to be finalised.

30. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded by DSG, a specific grant provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget (ISB), which is divided into a budget share for each school.

Details of the deployment of DSG receivable for 2015/16 are as follows.

	Central Expenditure	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2015/16			**239,889**
Academy figure recouped for 2015/16			**51,482**
Total DSG after academy recoupment for 2015/16			**188,407**
Brought forward from 2014/15			**3,834**
Carry forward to 2016/17 as agreed in advance			**(3,834)**
Agreed initial budget distribution in 2015/16	33,521	154,886	**188,407**
In year adjustments	0	0	**0**
Final budgeted distribution for 2015/16	**33,521**	**154,886**	**188,407**
Less actual central expenditure	34,103		**34,103**
Less actual ISB deployed to schools		154,886	**154,886**
Plus Council contribution for 2015/16	0	0	0
Carry forward to 2016/17 as agreed in advance	**(582)**	**0**	**3,252**

31. Grant income

The Council credited the following grants, contributions and donations to the CIES in 2015/16.

	2015/16	2014/15
	£'000	£'000
Credited to Services		
Benefit Subsidy	(268,605)	(274,681)
Dedicated Schools Grant	(188,407)	(190,880)
Local Taxation Admin Grants	(2,830)	(3,074)
Pupil Premium	(12,168)	(12,313)
Public Health	(19,336)	(18,189)
PFI Revenue	(5,669)	(5,669)
Universal Infant Free School Meals	(2,736)	(1,407)
Better Care Fund (Dept of Health via CCG)	(5,626)	0
Discretionary Housing Payments	(1,486)	(2,663)
Adult Learning Grant	(1,831)	(2,299)
16 + Grant	(4,899)	(4,714)
Social Fund	0	(1,335)
Tackling Troubled Families	(1,062)	(1,280)
Communities for Local Government grants	(2,594)	(810)
Department for Education grants	(1,087)	(2,566)
Home Office miscellaneous grants	(1,192)	(1,139)
Other miscellaneous revenue grants	(6,217)	(6,122)
Capital Grants treated as revenue	(5,691)	(3,977)
Other contributions and reimbursements	(18,498)	(16,249)
Total	**(549,934)**	**(549,367)**

	2015/16	2014/15
	£'000	£'000
Credited to Taxation and Non-Specific Income		
Revenue Support Grant	(64,061)	(88,201)
Local Services Support Grant	(54)	(171)
Education Services Grant	(3,066)	(3,834)
Council Tax Freeze Grant	(1,049)	(1,032)
New Homes Bonus Grant	(4,497)	(5,326)
Business Rate and Retail Relief Grants	(2,617)	(2,042)
Other miscellaneous general grants	(18)	(5,263)
Other contributions and reimbursements	(54,763)	(53,737)
Capital Grants	(40,578)	(36,762)
Donations	(4)	(18)
Total	**(170,707)**	**(196,386)**

The Council has received a number of revenue and capital grants and contributions that have yet to be recognised as income as they have unmet conditions attached to them that may require the money or property to be returned. The balances at the year-end are as follows.

	31/03/16	31/03/15
	£'000	£'000
Capital Grants and Contributions Received in Advance		
Community Infrastructure Levy	0	(583)
Planning Gains (S106 & S278)	(7,539)	(4,110)
Heritage Lottery Fund	(202)	(331)
Community Capacity Grant	(474)	(199)
Other	(830)	(78)
Total	**(9,045)**	**(5,301)**

	31/03/16	31/03/15
	£'000	£'000
Revenue Grants and Contributions Received in Advance		
DECC Heat Network Delivery Unit (HNDU)	(171)	0
Enterprising Libraries	0	(6)
Green Lanes Outer London Fund	0	(49)
Green Deal Communities Fund	(2,344)	(6,120)
New Burden Inspire Annex	(8)	(8)
Mayor's Street Tree Initiative	0	(10)
FSF Partnership Initiative	(50)	(50)
New Homes Bonus	(790)	0
Total	**(3,363)**	**(6,243)**

32. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in note 31 'Grant income'.

Pooled Budgets

The Council has entered into two partnership agreements under Section 75 of the Health Act 2006. The specific details of these partnerships are shown in note 26 relating to Pooled Budgets.

Pension Fund

The pension fund accounts are set out in the penultimate section of these statements. The pension fund operates a separate bank account and makes investments separately from the Council. The Council owed the Pension Fund £1.475 million as at 31/03/16 and the Council charged the Fund £0.571 million for administering the fund in 2015/16 (£0.068 million and £0.505 million respectively in 2014/15).

Homes for Haringey Limited and Alexandra Park and Palace Charitable Trust Limited

Both are wholly owned subsidiaries of Haringey Council and have been consolidated into the Council's Group Account; see note 41 for further information.

North London Waste Authority (NLWA)

NLWA has seven participating boroughs and each borough can appoint up to 2 members to the board which Haringey has done. The value of the levy paid is disclosed in note 6.

Members and Senior Officers

Members of the Council including the Mayor have direct control over the Council's financial and operating policies. The total of members allowances paid in 2015/16 is shown in note 24. Members of the Council and senior officers participate in and are members of a variety of other public bodies and community groups either in a personal capacity or appointment by the Council.

In 2015/16 Haringey has provided financial support to, or purchased services from eighteen (thirteen in 2014/15) charitable or voluntary organisations in which twenty-five (seventeen in 2014/15) members have declared an interest. Sixteen (eleven in 2014/15) of these instances were as a representative of the Council and nine (six in 2014/15) instances were in a personal capacity. The total value of payments made in 2015/16 was £1.710 million (£1.337 million in 2014/15) and the total value of receipts in 2015/16 was £0.397 million (nil in 2014/15).

The only related balance due to Haringey at the end of the year was in respect of a soft loan made to Bernie Grant Centre, a registered charity and performing arts centre in Tottenham set up in memory of MP Bernie Grant. Further details of soft loans are included in note 13.

The Council has well established mechanisms and procedures for preventing undue influence in awarding of contracts or grant funding to organisations. Supporting these mechanisms 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 N22 8HQ. This note has been compiled using this register and individual declarations made by elected members and senior officers. Eight members and one senior officer (current and leavers during 2015/16) did not submit declarations.

33. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under PFI contracts), together with the resources that have been used to finance it. The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow to fund capital expenditure; it will increase where capital expenditure is to be financed in future years by charges to revenue as assets are used.

	2015/16	2014/15
	£'000	£'000
Opening CFR	549,397	543,859
- Property, Plant and Equipment	88,887	70,379
- Investment Properties	9	1,213
- Intangible Assets	4,261	2,437
- REFCUS	6,110	12,259
- Assets acquired under finance leases	212	758
Capital investment	**99,479**	**87,046**
- Capital receipts	(8,050)	(2,311)
- Government grants and other contributions	(40,270)	(32,324)
- Major Repairs Allowance	(15,717)	(16,286)
- Direct revenue contributions	(24,462)	(14,559)
- Minimum Revenue Provision	(13,211)	(16,028)
Sources of finance	**(101,710)**	**(81,508)**
Closing CFR	**547,166**	**549,397**
Explanation of movements in year		
Increase / (decrease) in underlying need for supported borrowing	(2,443)	4,780
Assets acquired under finance leases	212	758
Increase / (decrease) in CFR	**(2,231)**	**5,538**

34. Leases

Authority as Lessee

Finance leases

The Council holds a number of assets 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.

	31/03/16	31/03/15
	£'000	£'000
Other Land and Buildings	7,629	7,740
Vehicles, Plant, Furniture and Equipment	3,940	4,597
Total	**11,569**	**12,337**

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

	31/03/16	31/03/15
	£'000	£'000
Finance lease liabilities (NPV of minimum lease payments)		
- current	1,220	1,270
- non-current	13,796	14,481
Finance costs payable in future years	23,258	23,889
Total	**38,274**	**39,640**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Less than one year	1,934	2,027	1,220	1,270
Between one and five years	5,693	6,172	3,445	3,717
Later than five years	30,647	31,441	10,351	10,764
Total	**38,274**	**39,640**	**15,016**	**15,751**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents are payable on either of the leased properties and the rents for vehicles, plant and equipment have not changed from the original agreements.

Operating leases

The Council 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 as follows.

	31/03/16	31/03/15
	£'000	£'000
Not later than one year	656	654
Later than one year and not later than five years	2,579	2,616
Later than five years	552	5,618
Total	**3,787**	**8,888**

There are no material contingent rents or sub-leases in relation to these operating leases. There were no subleases in relation to these operating leases at the Balance Sheet date

The expenditure on the minimum lease payments was recharged to the CIES during the year; predominantly to Children's and Education Services and Adult Social Care.

Authority as Lessor

Finance leases

The Council has leased out a number of assets on a finance lease basis. In most cases, the Council received a lease premium upon inception such that the gross investment in the lease has been settled in full. The minimum lease payments are negligible.

Operating leases

The Council leases out property and equipment under operating leases for the following purposes:

- Community services, such as sports facilities, tourism services and community centres
- Economic development to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are as follows.

	31/03/16	31/03/15
	£'000	£'000
Not later than one year	1,723	1,795
Later than one year and not later than five years	5,372	5,388
Later than five years	29,993	30,346
Total	**37,088**	**37,529**

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.

35. Service Concession Arrangements

In 2000 the Council entered into a PFI contract that encompassed 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 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.

The Council receives a £5.669 million 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 of £4.252 million (£4.249 million in 2014/15) a contribution to the PFI lifecycle reserve was made of £1.417 million (£1.420 million in 2014/15), costs were funded by a drawdown from the PFI reserve of £1.215 million (£0.892 million in 2014/15) and a year end rebalancing of reserves adjustment was made of £0.500 million, bringing the reserve balance to £9.772 million.

Future payments to be made

Future payments to be made in respect of the PFI arrangement are shown 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 2011 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 Exp	Interest	Total
	£'000	£'000	£'000	**£'000**
Payable in 2016/17	153	2,532	1,539	**4,224**
Payable within 2 to 5 years	614	11,495	4,789	**16,898**
Payable within 6 to 10 years	691	15,978	2,342	**19,011**
Total	**1,458**	**30,005**	**8,670**	**40,133**

36. Pension schemes accounted for as defined contribution schemes

Teachers

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

In 2015/16 the Council paid £7.346 million (2014/15 £6.413 million) to Teachers' Pensions in respect of teachers' pension costs which represented 14.1% from April to August and 16.48% from September 2015 of teachers' pensionable pay. Expected contributions for 2016/17 are £7.421 million. The Council is responsible for additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 37.

Ex-NHS Staff

Under the new arrangements for Public Health, some staff performing public health functions were compulsorily transferred from Primary Care Trusts to the Council. Those who had access to the NHS Pension Scheme on 31st March 2013 retained access to that Scheme on transfer at 1st April 2013.

The NHS pension scheme is an unfunded defined benefit scheme but is accounted for as if it were a defined contribution scheme. During 2015/16 the Council made employer contributions of £0.079 million to the NHS pension scheme which represents a 14.3% contribution rate (2014/15: £0.091 million and 14.0% respectively). Expected contributions for 2016/17 are £0.078 million.

37. Defined benefit pension schemes

Participation in the Local Government Pension Scheme (LGPS)

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

The Council participates in the Local Government Officers' Pension Fund administered by Haringey Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Where appropriate, the following disclosures include group amounts in respect of Homes for Haringey and some employees of Alexandra Palace and Palace Charitable Trust. Homes for Haringey is an admitted body of the Council's Pension Fund and pension obligations were transferred to the limited company on 1st April 2006.

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement (added years) are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. Included within the present value of unfunded liabilities detailed in the following notes is £18.854 million (£21.015 million in 2014/15) in respect of Teachers unfunded pensions. At 31st January 2016 the Scheme had 1,263 members in respect of LGPS and 480 members in respect of Teachers unfunded pensions (1,302 and 486 respectively as at 31st January 2015).

Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the Cost of Services on Continuing Operations when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis & funding basis under regulations line, in the Movement in Reserves Statement.

The following transactions have been made in the CIES.

	LGPS		Unfunded	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Cost of Services				
- current service cost	31,390	24,874	0	0
- past service cost	682	614	0	0
Total	**32,072**	**25,488**	**0**	**0**
Financing and Investment Income and Expenditure				
Total	**18,871**	**20,930**	**1,827**	**2,449**
Other Comprehensive Income and Expenditure				
- return on plan assets	17,045	(94,114)	0	0
- actuarial gains / losses (changes in financial assumptions)	(131,370)	185,022	(1,024)	1,717
- other	(20,610)	(12,712)	(3,427)	(11)
Total	**(134,935)**	**78,196**	**(4,451)**	**1,706**

The following transactions have been made in the adjustments between accounting basis & funding basis under regulations line, in the MiRS during the year.

	2015/16	2014/15
	£'000	£'000
Reversal of net IAS 19 charges	(52,770)	(48,867)
Actual amount charged for pensions in the year	29,606	29,261

Pensions assets and liabilities recognised in the Balance Sheet

	LGPS		Unfunded	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Present value of obligation	(1,339,206)	(1,445,494)	(52,461)	(59,074)
Fair value of plan assets	862,429	859,108	0	0
Net liability	**(476,777)**	**(586,386)**	**(52,461)**	**(59,074)**

	Single Entity		Group Amounts	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(1,391,667)	(1,504,568)	(1,548,646)	(1,671,478)
Fair value of plan assets	862,429	859,108	996,562	989,646
Net liability	**(529,238)**	**(645,460)**	**(552,084)**	**(681,832)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Scheme Assets	LGPS		Unfunded	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Opening fair value	859,108	741,016	0	0
Interest income	27,380	31,678	0	0
Remeasurement gain / (loss)				
- the return on plan assets	(17,045)	94,114	0	0
Employer contributions	25,374	25,196	3,989	4,065
Contributions from employees into the scheme	6,970	6,806	0	0
Benefits paid	(39,358)	(39,702)	(3,989)	(4,065)
Other	0	0	0	0
Closing fair value	**862,429**	**859,108**	**0**	**0**

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	Single Entity		Group Amounts	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	859,108	741,016	989,646	851,153
Interest income	27,380	31,678	31,586	31,678
Remeasurement gain / (loss)				
- the return on plan assets	(17,045)	94,114	(19,663)	100,796
Employer contributions	29,363	29,261	33,017	33,026
Contributions from employees into the scheme	6,970	6,806	7,988	7,811
Benefits paid	(43,347)	(43,767)	(46,012)	(47,049)
Other	0	0	0	12,231
Closing fair value of scheme assets	**862,429**	**859,108**	**996,562**	**989,646**

	Single Entity		Group Amounts	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,504,568)	(1,286,968)	(1,671,478)	(1,422,279)
Current service cost	(31,390)	(24,874)	(35,903)	(28,475)
Past service cost	(682)	(614)	(692)	(614)
(Losses) on curtailments	0	0	0	(115)
Interest cost	(48,078)	(55,057)	(53,461)	(60,896)
Contributions from scheme participants	(6,970)	(6,806)	(7,988)	(7,811)
Remeasurement gain / (loss)				
- financial assumptions	132,394	(186,739)	149,543	(211,686)
- other experience changes	24,280	12,723	25,321	13,349
Benefits paid	43,347	43,767	46,012	47,049
Balance as at 31st March	**(1,391,667)**	**(1,504,568)**	**(1,548,646)**	**(1,671,478)**

Reconciliation of Present Value of Defined Benefit Obligation

Scheme Liabilities	LGPS		Unfunded	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,445,494)	(1,227,984)	(59,074)	(58,984)
Current service cost	(31,390)	(24,874)		0
Past service cost	(682)	(614)		0
Interest cost	(46,251)	(52,608)	(1,827)	(2,449)
Contributions from scheme participants	(6,970)	(6,806)	0	0
Remeasurement gain / (loss)				
- demographic	0	0	0	0
- financial assumptions	131,370	(185,022)	1,024	(1,717)
- other experience changes	20,853	12,712	3,427	11
Benefits paid	39,358	39,702	3,989	4,065
Balance as at 31st March	**(1,339,206)**	**(1,445,494)**	**(52,461)**	**(59,074)**

Analysis of Scheme Assets

2015/16 - Quoted Prices:	In active markets	Not in active markets	Total	% of Total Assets
	£'000	£'000	**£'000**	%
Cash and cash	8,066	0	**8,066**	1
Private equity	0	35,232	**35,232**	4
Debt securities	39,225	0	**39,225**	5
Real estate: UK property	0	91,620	**91,620**	10
Real estate: Overseas	0	448	**448**	0
Investment funds and unit transfers				
- equities	557,241	0	**557,241**	65
- bonds	119,923	0	**119,923**	14
- infrastructure	0	10,674	**10,674**	1
Sub-total	677,164	10,674	**687,838**	80
Total assets	**724,455**	**137,974**	**862,429**	**100**

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2014/15 - Quoted Prices:	In active markets	Not in active markets	Total	% of Total Assets
	£'000	£'000	**£'000**	%
Cash and cash	9,836	0	**9,836**	1
Private equity	0	32,213	**32,213**	4
Debt securities	38,893	0	**38,893**	5
Real estate - UK property	0	78,342	**78,342**	9
Real estate - Overseas	0	1,007	**1,007**	0
Investment funds and unit transfers				
- equities	559,472	0	**559,472**	65
- bonds	124,640	0	**124,640**	15
- infrastructure	0	14,705	**14,705**	2
Sub-total	684,112	14,705	**698,817**	81
Total assets	**732,841**	**126,267**	**859,108**	**100**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Liabilities are discounted to their value at current prices using a discount rate of 3.5% (3.2% in 2014/15).

The Council's Pension Scheme liabilities as at 31st March 2016 have been assessed by Hymans Robertson, an independent firm of actuaries, and are projections based on data pertaining to the latest full valuation of the scheme as at 31st March 2013. There are risks and uncertainties associated with whatever assumptions are adopted as these are in effect projections of future investment returns and demographic experience many years into the future. The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute as described in the accounting policies note.

The significant assumptions used by the actuary are as follows.

	2015/16	2014/15
Mortality assumptions		
- Longevity at 65 for male current pensioners	21.9 years	21.9 years
- Longevity at 65 for female current pensioners	24.1 years	24.1 years
- Longevity at 65 for male future pensioners	24.2 years	24.2 years
- Longevity at 65 for female future pensioners	26.5 years	26.5 years
Rate of increase in salaries	4.2%	4.3%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%

An allowance is included within the above assumptions for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e.

on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The impact on the liability of these changes would be as follows.

	Approximate increase to liability	Approximate value
	%	£'000
0.5% decrease in real discount rate	10	138,477
1 year increase in member life expectancy	3	41,750
0.5% increase in salary increase rate	2	31,701
0.5% increase in pension increase rate	8	105,304

Investment Strategy

The Pensions Committee of London Borough of Haringey has implemented an investment strategy that is designed to generate a return sufficient to pay the promised benefits and to address the funding deficit. The strategy is 85% invested in growth assets, which are assets anticipated to achieve a return in excess of that on UK index linked gilts. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range of asset classes. Of the Fund's total assets, 67% is invested in equities and 21% in bonds and multi-sector credit.

Impact on the Council's Cash Flows

The objectives of the scheme are to achieve and maintain full funding on an ongoing basis and to seek stability of employers' contributions. At its last triennial valuation the Council and the Fund's actuary agreed a strategy designed to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31st March 2016, during 2016/17.

To mitigate the existing funding deficit, the Council anticipates paying contributions of £25.543 million for the period to 31st March 2017. The weighted average duration of the funded defined benefit obligation for scheme members is 18.0 years for 2015/16 and the previous year.

38. Contingent assets

The Council has undertaken a construction project to expand a local primary school. The construction was undertaken in 3 phases under a traditional construction contract, for a fully designed scheme. Under its existing framework contract, the Council procured professional consultancy resources to undertake the full design and cost consultancy services related to the scheme. During Phases 1 and 2 various issues arose on the project which the Council considers may be the subject of a legitimate claim against the parties involved on the contract. The Council has employed claim consultants and external solicitors to assist with assembling the details and background to the case. Following an unsuccessful attempt to settle the dispute by mediation, consideration is being given to pursuing a claim against the contractors which could be for £7.187 million excluding officer costs.

39. Contingent liabilities

Municipal Mutual Insurance Limited (MMIL)
MMIL 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 MMIL Scheme of Arrangement. Following the Supreme Court judgement, which was handed down on 28 March 2012, in the Employers Liability Policy relating to mesothelioma claims, the levy was triggered and the percentage levy on claims payments was set at 15%. Following a review by the Scheme Administrator of the financial position of MMI and the continuing high level of new claims being reported to MMI a decision was made to increase the levy, this will now be set at 25%. The change in rate of levy will apply to qualifying claims payments on or after 1 April 2016.

Employment Tribunal
A former Council employee who was employed as a teacher has brought an Employment Tribunal claim in which she is seeking some £800,000. The Tribunal found in her favour on some of her complaints, and the hearing to decide how she is to be compensated will take place in July 2016. The Council has appealed against the Tribunal's adverse findings, and a final hearing of that appeal will take place after the July hearing.

Rosebery Industrial Estate
The Council is freeholder of the estate and manages it on behalf of the head-leaseholder. The head leaseholder has communicated potential claims for failure to repair the estate, and for under-recovery of rent, totalling just in excess of £1.5 million.

Thames Water
The Council entered into a contract in 2000, whereby it collected water charges from its tenants on behalf of Thames Water and was paid a commission. The High Court has found that a similar contract between LB Southwark and Thames Water is a contract for resale of water under which the recovery of commission is limited by law. The decision is being appealed. The potential liability if the appeal is lost would equate to about £3 million.

Third Party Employer Pension Fund Contribution
Three Pension Fund employers have negotiated a cap on their employer contribution rate payable to the Fund with Haringey Council. Any additional cost over and above the cap will fall on the Council. The employer contribution is determined independently by the Pension Funds Actuary Consultant Hymans Robertson. Any increase in the employer contribution by 3% or more will have to be borne by the Council. However, due to the uncertainty in estimating a number of variables it is not possible to accurately reflect the potential employers' future contribution liability.

Alexandra Park and Palace Charitable Trust
The Council has agreed to underwrite the sum of £1 million being the unfunded element of the Palace's East Wing Restoration Programme. The amount has been set aside in earmarked reserves although the Palace continues to work towards achieving its' fundraising target.

Techno Park
During 2014/15 the Council sold Techno Park for £9 million of which £7 million was received as cash and £2 million is held as a debtor on the Council's Balance Sheet. This will be paid to the Council upon completion of the Ashley Road Depot sale agreement currently being negotiated. If this sale agreement does not take

place by February 2017 the purchaser of Techno Park has a contractual right to require the Council to buy back the property for the original consideration.

Virgin Media

Virgin Media has applied to the Valuation Office Agency for their rateable value assessments across the UK to be merged into one and held by a single billing authority, as set out in the Cross Boundary Property Regulations. Should this appeal be allowed the impact on the Council would be a cost of £2.134 million, representing the Council's 30% share of the £7.115 million billed between 2010 and 2016.

40. Accounting standards issued not adopted

The 2015/16 Code of Practice introduced the following new standards that were issued on or before 1st January 2016 but not adopted until 2016/17

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010–2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis – this represents a change in accounting policy that will require the publication of a third Balance Sheet as at 1st April 2015, in the 2016/17 financial statements (if material)
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

None of these changes has a material impact on the information provided in the 2015/16 financial statements.

41. Adjustments between group and single entity accounts

The Council uses different forms of service delivery and in some cases it has created separate companies with its partners to deliver those services. The use of separate companies and Trusts means that the Council's single entity financial statements on their own may not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The aim of the Group Accounts is to give an overall picture of the activities of the Council and the resources used to carry out those activities. The Group Accounts also provide further information on the material financial risks and benefits of all entities over which the Council exercises control, significant influence or joint control.

The Group Accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

To give a full picture of the financial activities of the Council, Group Accounts have been prepared which include those organisations where the Council's interest is considered material. This information is still subject to audit by each organisation's own auditor. Accordingly the Group Accounts consolidate the Council's accounts with the following subsidiaries:

- Homes for Haringey Ltd; and
- Alexandra Park and Palace Charitable Trust.

Both entities have prepared their accounts in line with UK GAAP and:

- the Charity SORP 2005, as amended, in the case of Alexandra Park and Palace Charitable Trust
- FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland, in the case of Homes for Haringey.

With the exception of the Alexandra Park and Palace valuation, there are no material areas where these accounting standards conflict with the Council's accounting policies. Consequently no adjustments have been required to realign the accounts of the Group entities with those of the Council. The accounting policies applied to the Group financial statements are consistent with those set in note 1 to the single entity statements.

Both subsidiaries have been consolidated on a full line by line basis with the financial transactions and balances of the Council.

Key information on a group basis has been included alongside the single entity disclosure notes for reserves, debtors, creditors, segmental reporting and defined benefit schemes. The following notes provide additional details of the Council's involvement in the entities consolidated to form the Group Accounts.

Homes for Haringey Ltd (Registered Company No. 05749092)

HfH Limited is an Arms Length Management Organisation (ALMO) set up in March 2006 to manage the Council's stock of council dwellings including carrying out improvements. The ALMO also provides amenities and services for residents and carries out activities contributing to regeneration and development of the area. The ALMO is wholly owned by the Council. The company has no share capital and is limited by guarantee. The Council can appoint one third of the board, with the balance of directors being drawn from Council tenants (including leaseholders) and members of the wider community.

In April 2015 Move 51 Degrees North was established to deliver a private lettings and property management agency. The company is a wholly owned subsidiary of Homes for Haringey Limited.

The financial performance of Homes for Haringey Limited is summarised below.

	2015/16	2014/15
	£000	£000
Turnover	(51,269)	(50,162)
*(Surplus) / Deficit for the year	2,825	1,113
Accumulated deficit	22,880	35,470

*The 2014/15 reported surplus for the year of £0.621 million has been revised to a deficit of £1.113 million following Home for Haringey's adoption of FRS 102, which aims to provide entities with succinct financial reporting requirements. The accumulated deficit largely reflects the pension deficit of £22.525 million (£35.869 million in 2014/15).

A full copy of the company's accounts can be obtained from The Company Secretary, Homes for Haringey Ltd, 4th Floor 48 Station Road, Wood Green, London N22 7TY. The accounts are audited by PricewaterhouseCoopers LLP.

Alexandra Park and Palace Charitable Trust (Charity No. 281991)

The principal activity of Alexandra Park and Palace Charitable Trust is to maintain and operate the park and palace for the free use and recreation of the public forever as defined in the Alexandra Park and Palace Act 1985. The Council is custodian trustee of the charity. The accounts have been consolidated on the basis that the Council has the power to govern the financial and operating policies of the entity so as to benefit from its activities.

The financial performance of the Trust is summarised below.

	2015/16	2014/15
	£000	£000
Turnover	(40,921)	(61,139)
(Surplus) / Deficit for the year	(25,621)	(48,258)
Accumulated (surplus) / deficit	(28,033)	(2,412)

A full copy of the Trust's accounts can be obtained from the Chief Executive, Alexandra Park and Palace, Alexandra Palace Way, Wood Green, London N22 7AY. The accounts are audited by Deloitte LLP.

42. Prior Period Adjustment (Group Accounts)

Alexandra Park and Palace Charitable Trust carries its main asset, the Park and Palace, at nil value on its Balance Sheet as allowed under the Charity SORP. Upon consolidation however, the Council is required to value this as an operational asset. The Council did not adjust for the revised valuation basis in its original published 2014/15 group accounts and this error has been corrected in these financial statements.

The Group Balance Sheet as at 31st March 2016 therefore includes £72.966 million (£59.253 million restated as at 31st March 2015, £55.959 million restated as at 1st April 2014) in Property, Plant and Equipment in respect of this asset, the main elements of which are the Exhibition Hall, Ice Rink and BBC Rooms. The basis of valuation is mainly Depreciated Replacement Cost with some elements valued using the Existing Use Value method.

The following table sets out the changes made to the group statement comparative disclosures for 2014/15.

	Revised 31/03/15	Original 31/03/15	Change
	£'000	£'000	£'000
Other Comprehensive Income and Expenditure in CIES			
- (Surplus) / Deficit on revaluation of PPE	(72,345)	(69,051)	(3,294)
Balance Sheet			
- Property, Plant and Equipment	1,712,807	1,709,513	3,294
- Unusable Reserves (Revaluation Reserve)	(567,864)	(564,570)	(3,294)

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OPENING GROUP BALANCE SHEET

Original - 31st March 2014 £'000		Revised - 1st April 2014 £'000
1,532,594	***Property, Plant and Equipment***	1,588,553
6,081	Heritage Assets	6,081
59,045	Investment Property	59,045
1,048	Intangible Assets	1,048
645	Long Term Debtors	645
1,599,413	**Long Term Assets**	**1,655,372**
3,541	Assets Held for Sale	3,541
10,496	Short Term Investments	10,496
587	Inventories	587
68,995	Debtors	68,995
17,458	Cash and Cash Equivalents	17,458
101,077	**Current Assets**	**101,077**
(18,056)	Short Term Borrowing	(18,056)
(90,535)	Creditors	(90,535)
(187)	Revenue Grants Receipts in Advance	(187)
(152)	Capital Grants Receipts in Advance	(152)
(7,538)	Provisions	(7,538)
(116,468)	**Current Liabilities**	**(116,468)**
(1,027)	Long Term Creditors	(1,027)
(5,042)	Provisions	(5,042)
(297,435)	Long Term Borrowing	(297,435)
(621,277)	Other Long Term Liabilities	(621,277)
(4,721)	Capital Grants Receipts in Advance	(4,721)
(929,502)	**Long Term Liabilities**	**(929,502)**
654,520	**Net Assets**	**710,479**
(150,458)	Usable Reserves	(150,458)
(504,062)	***Unusable Reserves***	(560,021)
(654,520)	**Total Reserves**	**(710,479)**

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HRA Statements

31st March 2015	HRA Income & Expenditure Statement	31st March 2016	
£'000		£'000	£'000
	Expenditure		
22,628	Repairs and maintenance	22,462	
39,774	Supervision and management	40,826	
1,154	Rents, rates, taxes and other charges	1,114	
25,013	Depreciation and impairment of non-current assets	20,172	
23	Debt Management Costs	22	
897	Movement in the allowance for bad debts	(747)	
89,489	**Total Expenditure**		**83,849**
	Income		
(85,599)	Dwelling rents	(86,774)	
(377)	Non-dwelling rents	(372)	
(22,721)	Charges for services and facilities	(22,853)	
(2,418)	Contributions towards expenditure	(2,505)	
(92,673)	Revaluation (gains) / losses	(1,333)	
(203,788)	**Total Income**		**(113,837)**
(114,299)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(29,988)**
	HRA service share of Corporate and Democratic Core		
634	HRA service share of other amounts not allocated to specific services	679	
(113,665)	**Net (Income) / Cost for HRA Services**		**(29,309)**
	HRA share of operating income and expenditure included in the Comprehensive I&E Statement		
(6,124)	(Gain) or loss on sale of HRA non-current assets		(15,553)
10,973	Interest payable and similar charges		10,325
(2,085)	Interest and net investment income		(3,364)
467	Net interest on the net defined benefit liability		207
(20,396)	Capital grants and contributions receivable		(23,041)
(130,830)	**(Surplus) or deficit for the year on HRA services**		**(60,735)**

HOUSING REVENUE ACCOUNT

31st March 2015	Movement on the HRA Statement	31st March 2016	
£'000		£'000	£'000
(26,575)	**Balance on the HRA at the end of the previous year**		**(38,606)**
(130,830)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(60,735)
	Adjustments between accounting basis and funding basis under statute		
(189)	- Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	(189)	
104,913	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	21,932	
6,124	- Reversal of gain or (loss) on sale of HRA non-current assets	15,553	
(493)	- HRA share of contributions to or from the Pensions Reserve	(301)	
8,185	- Capital expenditure funded by the HRA	21,759	
17,108	- Transfer to/(from) Major Repairs Reserve	18,130	
(17,351)	- Transfer to/(from) Capital Adjustment Account	(18,130)	
118,297	Net (increase) or decrease before transfers to or from reserves		58,754
	Transfers to or (from) reserves		
502	- HRA Smoothing Reserve		1,268
(12,031)	(Increase) or decrease in year on the HRA		(713)
(38,606)	**Balance on the HRA at the end of the year**		**(39,319)**

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HOUSING REVENUE ACCOUNT

1. Vacant possession

As at 31st March 2016 the vacant possession value of dwellings within the HRA was £4,868.648 million (£4,552.472 million as at 31st March 2015). The difference of £3,651.486 million between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to Government of providing Council housing at less than open market rents, net of the impairment to the value of the Housing Stock.

2. Number and types of dwellings in the housing stock

	2015/16 No.	2014/15 No.
Hostels	127	127
Houses and bungalows	5,097	5,135
Flats and maisonettes	10,342	10,437
Stock at 31st March	**15,566**	**15,699**

3. Value of assets held on the balance sheet

	2015/16	2014/15
Value of assets	£'000	£'000
Dwellings	1,217,162	1,138,118
Other land and buildings	8,335	7,745
Investment properties	26,708	25,944
Values at 31st March	**1,252,205**	**1,171,807**

4. Revenue expenditure funded from capital under statute (REFCUS)

HRA REFCUS for 2015/16 was £2.269 million (£7.661 million in 2014/15) and relates primarily to capital expenditure on improvement works to Council estates e.g. bin stores, play areas and signage.

5. Impairment charges and revaluation losses

The HRA was charged with £1.220 million of downward revaluations on investment properties during 2015/16 (£0.299 million in 2014/15).

6. Capital expenditure

The following summarises HRA capital expenditure on land, houses and other property during the financial year and the sources of funding used.

	2015/16	2014/15
	£'000	£'000
Expenditure on dwellings	62,982	40,935
Funded by		
Usable capital receipts	0	198
Revenue contributions	21,759	8,185
Grants and contributions	25,506	16,266
Major Repairs Reserve	15,717	16,286
	62,982	**40,935**

7. Capital receipts

The following is a summary of capital receipts from disposals of land, dwellings and other property within the HRA during the financial year.

	2015/16	2014/15
	£'000	£'000
Dwellings	(15,501)	(21,344)
Land and other property	(727)	(1,289)
	(16,228)	**(22,633)**

8. Depreciation

	2015/16	2014/15
	£'000	£'000
Operational assets		
Dwellings	17,992	17,185
Other land and buildings	139	166
	18,131	**17,351**

9. Major repairs reserve

The HRA capital asset charges are based on building values and asset lives of the property held.

	2015/16	2014/15
	£'000	£'000
Balance at 1st April	**(2,668)**	**(1,846)**
Amount transferred to Major Repairs Reserve during financial year	(18,130)	(17,108)
Capital expenditure on dwellings during financial year	15,717	16,286
Balance at 31st March	**(5,081)**	**(2,668)**

10. Rent Arrears

The arrears as at 31st March 2016 are set out below.

	2015/16	2014/15
	£'000	£'000
Type of tenancy		
Permanent (including licences)	8,708	10,257
Temporary	689	1,072
Total arrears	9,397	11,329
Less Provision for bad and doubtful debts	(7,957)	(9,907)
Net Arrears	**1,440**	**1,422**

The average rent for permanent tenants was £105.79 per week in 2015/16, an increase of £2.66 (2.6%) over the 2014/15 average rent of £103.13 per week.

The total provision included in the Balance Sheet in respect of all HRA uncollectable debts is £9.010 million (£11.931 million as at 31st March 2015).

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COLLECTION FUND

2014/15		Note	2015/16
£000			£000
	Amounts required by statute to be credited to the Collection Fund		
(109,831)	Council Tax (net of benefits, discounts and transitional relief)		(112,736)
(62,808)	Non-domestic rates (NDR) (net of discretionary and mandatory reliefs)		(63,081)
(1,329)	Income collectable in respect of Business Rate Supplements		(1,435)
0	Contributions towards previous year's Collection Fund deficit - Council Tax		0
0	Contributions towards previous year's Collection Fund deficit - NDR		(15,131)
	Amounts required by statute to be debited to the Collection Fund		
	Precepts and demands from major preceptors and the Council - council tax		
79,457	- London Borough of Haringey		83,862
20,060	- Greater London Authority		20,889
	Shares of non-domestic rating income to major preceptors and the Council - NDR		
19,215	- London Borough of Haringey		19,305
12,810	- Greater London Authority		12,870
32,025	- Central Government		32,175
1,487	Non-domestic rates transitional protection payments		32
1,322	Business Rates Supplement - Payment to levying authorities revenue account		1,367
7	Business Rates Supplement - Administration costs		6
	Impairment of debts and appeals - council tax		
0	- Write-offs of uncollectable amounts		0
4,026	- Allowance for impairment		1,291
	Impairment of debts and appeals - NDR		
815	- Write-offs of uncollectable amounts		0
11,891	- Allowance for impairment		6,652
309	Charge to General Fund for allowable collection costs for NDR		307
9,137	Contribution towards previous year's estimated surplus - Council Tax		4,182
827	Contribution towards previous year's estimated surplus - NDR		0
19,420	**Movement on fund balance**		**(9,445)**
(8,578)	Accumulated balance brought forward at 1st April	1	10,842
10,842	**Accumulated balance at 31st March**	1	**1,397**

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COLLECTION FUND

1. Fund Balance

The balances on the Collection Fund at the start and the end of the year are comprised as follows.

	Council Tax	Non-domestic Rates	Business Rates Supplement	Total
	£'000	£'000	£'000	£'000
As at 1st April 2015	(6,217)	17,059	0	10,842
Movement on fund balance	(2,513)	(6,932)	0	(9,445)
As at 31st March 2016	**(8,730)**	**10,127**	**0**	**1,397**

2. Income from Business Rates

Under the Business Rates Retention Scheme the business rates collected by the Council are distributed so that the government receives 50 percent, the Council receives 30 percent and the GLA receives 20 percent.

The Council collects business rates for its area based on local rateable values and multipliers set by central government. There are two multipliers:

(i) The small business multiplier was 48.0 pence (47.1 pence in 2014/15); and

(ii) The standard multiplier was 49.3 pence (48.2 pence in 2014/15).

The total business rateable value for the Council at 31st March 2016 was £165.082 million (£165.675 million in 2014/15) of which £48.689 million related to small businesses. The total rateable value reduced during 2015/16 largely due to the effect of successful appeals.

3. Council Tax

In 2015/16 the tax base for Haringey was 70,810 properties (67,091 in 2014/15) which was used to calculate the Band D Council Tax of £1,479.32 (£1,487.32 in 2014/15), sufficient to generate the income required to cover the net expenditure of the two authorities which precept on the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties after allowing for non-collection (the tax base).

Band	Ranges from/to		No. Of Chargeable Dwellings		Proportion	Band D Equivalent No.	
	£	£	2015/16	2014/15		2015/16	2014/15
A	up to	40,000	3,690	2,910	0.67	2,460	2,231
B	40,001	52,000	10,467	8,829	0.78	8,141	7,401
C	52,001	68,000	22,622	19,727	0.89	20,108	18,908
D	68,001	88,000	18,710	17,070	1.00	18,710	18,060
E	88,001	120,000	8,251	7,820	1.22	10,084	9,795
F	120,001	160,000	4,627	4,458	1.44	6,684	6,631
G	160,001	320,000	4,255	4,183	1.67	7,091	7,083
H	320,001	and above	630	602	2.00	1,259	1,264
			73,252	65,599		74,537	71,373
Collection rate after allowance for non-collection						95%	94%
Council Tax base used to calculate Band D						**70,810**	**67,091**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF HARINGEY

[TO BE INSERTED AT END OF AUDIT]

2015/16	Pension Fund Account	Note	2014/15
£000			£000
	Dealings with members, employers and others directly involved in the fund		
43,851	Contributions	6	42,518
1,741	Transfers in from other pension funds	7	3,058
45,592			45,576
(44,321)	Benefits	8	(43,060)
(3,790)	Payments to and on account of leavers	9	(3,722)
(48,111)			(46,782)
(2,519)	**Net dealings with those involved in the fund**		**(1,206)**
(4,415)	Management expenses	10	(3,236)
	Returns on Investments:		
4,675	Investment Income	11	4,322
(25)	Taxes on income	12	(112)
3,206	Profit and losses on disposal of investments and changes in market value of investments	15b	146,243
7,856	**Net return on investments**		**150,453**
922	**Net (increase) / decrease in the net assets available for benefits during the year**		**146,011**
1,045,355	**Opening net assets of the scheme**		**899,344**
1,046,277	**Closing net assets of the scheme**		**1,045,355**

31/03/16	Net Asset Statement	Note	31/03/15
£000			£000
1,024,883	Investment assets	13a	1,032,791
20,694	Cash deposits	13b	13,150
1,045,577			1,045,941
2,290	Current assets	19	727
(1,590)	Current liabilities	20	(1,313)
1,046,277	**Net assets of the fund available to fund benefits at the period end**		**1,045,355**

Introduction

Haringey Local Government Pension Fund is part of the Local Government Pension Scheme and is administered by Haringey Council. The Council is the reporting entity for this pension fund. However, the Fund is separately managed by the Council acting in its role as Administering Authority and its accounts are separate from the Council's accounts. The following description of the fund is for summary only. For more detail, reference should be made to Haringey Council Annual Pension Fund Report and Accounts.

The financial statements have been prepared in accordance with the Public Service Pensions Act 2013 (as amended) and Local Government Pension Scheme Regulations and with the guidelines set out in the *Code of Practice on Local Authority Accounting in the UK 2015/16*, which is based on International Financial Reporting Standards as amended for the UK public sector. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)

- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

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 (as amended).

The Pensions Committee is 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 required for the payment of benefits , which is managed internally. The Fund did not award any new mandates during 2015/16, although passive mandate portfolio was transferred from Black Rock to Legal and General.

Fund administration and membership

At 31st March 2016, there were 6,229 (2015: 5,958) employees contributing to the Fund and 7,304 (2015: 7,080) pensioners and dependents receiving benefits. There were also 8,519 (2015: 8,678) deferred pensioners.

Employees in the following organisations, in addition to Council staff contribute to and accordingly benefit from the fund.

<u>Transferee Admission Bodies:</u>
- Cofely Workplace Limited
- Churchill Contract Services
- Fusion Lifestyle
- TLC Limited
- Urban Futures London Limited
- Veolia Environmental Services (UK) PLC
- Lunchtime UK Limited (six school contracts)
- ABM (two school contracts)
- Caterlink (four school contracts)
- Absolutely Catering
- The Octagon

<u>Community Admission Bodies:</u>
- Alexandra Palace Trading Co Limited
- Haringey Age Concern (in liquidation)
- Haringey Citizens Advice Bureau

<u>Scheduled Bodies:</u>
- Homes for Haringey
- College of Haringey, Enfield & North East London
- Greig City Academy
- Fortismere School
- John Loughborough School
- Alexandra Park Academy
- Woodside Academy

- Eden Free School
- Harris Academy Coleraine
- Harris Academy Philip Lane
- AET Trinity Primary
- AET Noel Park
- Haringey 6th Form Centre
- St Paul's & All Hallows Infant Academy
- St Paul's & All Hallows Junior Academy
- St Michael's Academy
- St Ann CE Academy
- Holy Trinity CE Academy
- Heartlands High School
- Brook House Primary
- Millbrook Primary School

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.

Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2016

1. Description of the fund and effect of any changes during the period

The Fund is a defined benefit scheme and was established on 1st 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 above. The Fund's income is derived from employees, contributions from employing organisations and income from investments.

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee. Details of the individuals who served on the Pensions Committee during 2015/16 are shown below.

The terms of reference for Pensions Committee are set out in the Council's constitution. The Committee consists of six elected Councillors with full voting rights and three representatives. Councillors are selected by their respective political groups and their appointment was confirmed at a meeting of the full Council. They were not appointed for a fixed term but the membership is reviewed regularly, normally annually, by the political groups. The three representatives were appointed by their peer groups. The membership of the Committee during the 2015/16 year was:

Cllr Clare Bull	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Dhiren Basu	-	Member
Cllr Sheila Peacock	-	Member
Cllr Reg Rice	-	Member
Cllr Viv Ross	-	Member
Roger Melling	-	Employee representative
Michael Jones	-	Pensioner representative
Keith Brown	-	Admitted and Scheduled

2. Significant accounting policies

The principal accounting policies of the Fund are set out below.

<u>Contributions</u>
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.

Transfers in and out

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

Investment income

Interest on 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. Income retained within pooled funds is accounted for as part of the change in the market value of investments.

Benefits

Benefits are shown on an accruals basis relating to the date on which they become payable. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and years of eligible service. Pensions increase each year in line with CPI.

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 for as an expense as it arises.

Management expenses

Administrative, governance and oversight 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. Charges paid to HMRC in respect of scheme members breaching the Pensions Lifetime allowance are disclosed under administrative 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.

Financial assets and liabilities

Financial assets and liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the net assets statement on the date the fund became party to the contractual acquisition of the asset or party to the liability. From this date any gains or losses from changes in the fair value of the asset or liability are recognised by the Fund.

Investments – valuation

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
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or single price advised by the fund manager

The value of these holdings is based on the Fund's share of the net

assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers adjusted for draw-downs paid and distributions received in the period from the date of the private equity financial statements to 31st March 2016. Infrastructure holdings are valued by third parties appointed by the fund manager using mark to market modelling.
The valuation of securities denominated in overseas currencies is calculated by using the overseas bid or mid price current at the year-end date and the exchange rate for the appropriate currency at the year-end to express the value as a sterling equivalent.

Foreign currency transaction
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

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 investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 IAS 19 and relevant actuarial standards.

As permitted under IAS 26, 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 21 to the financial statements.

3. Critical judgements in applying accounting policies

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

Private Equity valuations – the value of the Fund’s private equity holdings is calculated by the General Partners of the fund using valuations provided by the underlying partnerships. The variety of valuation bases adopted and quality of management data of the underlying investments in the partnership means that there are inherent difficulties in determining the value of these investments. Given the long term nature of these investments, amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference may be material.

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.

4. Assumptions made about the future and other major sources of estimation uncertainty

Items	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: - 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £167m - 0.50% increase in assumed earnings inflation would increase the value of liabilities by approximately £48m, - 0.50% increase in assumed pension earnings inflation would increase the the value of liabilities by approximately £117m, and - a one year increase in assumed life expectancy would increase the liability by approximately £48m.
Private equity	Private equity investments are valued at fair value in accrodance with Internation Private Equity and Venture Capital Valuation Guidelines. These investments are not publicly listed and as such there is a degree of estimation	The total private equity investments in the financial statements are £46m. There is a risk that this investment may be under or overstated in the accounts.

5. Events after the reporting date

In May 2016, after the reporting period, Haringey Age Concern, an admitted body, went into liquidation. At the reporting date, the total actuarial assessment of unfunded liability in the Fund attributable to Age Concern was £881k. As a preferential creditor to Age Concern, the council is working closely with the appointed liquidator to ensure that 100% of residual cash balances held by Age Concern after outstanding payroll and liquidation cost is paid to the Fund.

6. Contributions receivable

2015/16		2014/15
£000	**By category**	£000
9,122	Employee contributions	8,938
	Employer contributions	
24,224	- Normal contributions	23,842
9,014	- Deficity recovery contributions	8,137
1,491	- Augmentation contributions	1,601
34,729	Total employers' contributions	33,580
43,851	**Total**	**42,518**

2015/16		2014/15
£000	**By authority**	£000
32,249	- Administering authority	31,094
9,705	- Scheduled bodies	9,679
1,897	- Admitted bodies	1,745
43,851	**Total**	**42,518**

7. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2015/16 of £1.741 million (£3.058 million in 2014/15) and these all related to individuals.

8. Benefits payable

2015/16		2014/15
£000	**By category**	£000
36,387	- Pensions	34,843
7,107	- Commutation and lump sum retirement benefits	7,107
827	- Lump sum death benefits	1,111
44,321	**Total**	**43,061**

2015/16		2014/15
£000	**By authority**	£000
39,585	- Administering authority	40,184
3,480	- Scheduled bodies	2,582
1,256	- Admitted bodies	295
44,321	**Total**	**43,061**

9. Payments to and on account of leavers

2015/16		2014/15
£000		£000
73	Refunds to members leaving service	36
3,717	Individual transfers	3,686
3,790	**Total**	**3,722**

At 31st March 2016 there are potential liabilities of a further £1.8 million in respect of individuals transferring out of the pension fund upon whom the fund is awaiting final decisions.

10. Management expenses

2015/16		2014/15
£000		£000
722	Administrative costs	686
3,325	Investment management expenses	2,326
368	Oversight and governance costs	224
4,415	**Total**	**3,236**

This analysis of the costs of managing the Haringey Pension Fund during the period has been prepared in accordance with CIPFA guidance.

The Fund does not compensate fund investment managers on a performance- related fee basis. However, any indirect costs that are incurred through bid-offer spread on investments sales and purchases are reflected in the cost of investment acquisitions and in the proceeds from the sales of investment.

11. Investment income

2015/16		2014/15
£000		£000
4,654	Pooled investments - unit trusts and other managed funds	3,899
21	Interest on cash deposits	423
4,675	**Total**	**4,322**

11a. Property income

Rental income was £4.252 million in 2015/16 (£3.740 million in 2014/15) and no contingent rents were recognised as income during the period.

12. Taxes on income

The income tax shown on the face of the Pension Fund Account relates to withholding tax (pooled).

13. Investments

13a. Reconciliation of movements in investment assets and liabilities

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.

2015/16	Value at 1st April 2015	Purchase at cost / derivative payments	Sales proceeds & derivative receipts	Change in market value	Value at 31st March 2016
	£000	£000	£000	£000	£000
Pooled investments	1,032,723	57,541	(69,269)	1,305	1,022,300
Cash deposits	13,150	14,786	(9,145)	1,903	20,694
Other assets	68	3,872	(1,355)	(2)	2,583
Total	**1,045,941**	**76,199**	**(79,769)**	**3,206**	**1,045,577**

2014/15	Value at 1st April 2014	Purchase at cost / derivative payments	Sales proceeds & derivative receipts	Change in market value	Value at 31st March 2015
	£000	£000	£000	£000	£000
Pooled investments	888,404	91,863	(93,874)	146,330	1,032,723
Cash deposits	5,282	11,291	(3,337)	(86)	13,150
Other assets	72	52	(55)	(1)	68
Other liabilities	(12,606)	12,606	0	0	0
Total	**881,152**	**115,812**	**(97,266)**	**146,243**	**1,045,941**

13b. Analysis of investments

31/03/2016	By category	31/03/2015
£000		£000
	Pooled Investment Vehicles	
103,149	Unit Trusts: - Property - UK	94,058
310,647	Unitised Insurance Policies - UK	315,264
499,971	Unitised Insurance Policies - Overseas	520,901
420	Other managed funds - Property - Overseas	54
21,611	Other managed funds - Other - UK	17,328
89,085	Other managed funds - Other - Overseas	85,186
1,024,883		**1,032,791**
	Cash Deposits	
19,393	Sterling	9,657
1,301	Foreign Currency	3,493
20,694		**13,150**
1,045,577	**Total Investments**	**1,045,941**

13c. Analysis by Fund Managers

31/03/2016		By fund manager	31/03/2015	
£000	%		£000	%
0	0.0	BlackRock Investment Mngt	546,809	52.3
9	0.0	Capital International	15	0.0
810,619	77.5	Legal and General	289,641	27.7
111,024	10.6	CBRE Global Investors	96,579	9.2
21,621	2.1	Allianz Global Investors	20,357	1.9
46,529	4.5	CQS	45,750	4.4
44,110	4.2	Pantheon	42,868	4.1
11,665	1.1	In house cash deposits	3,922	0.4
1,045,577	**100.0**	**Total**	**1,045,941**	**100.0**

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

The following investments represent more than 5% of the net assets of the scheme.

31/03/2016		Name of holding	31/03/2015	
£000	%		£000	%
0	0.0	BlackRock Aquila Life UK Equity Index Fund	142,686	13.7
0	0.0	BlackRock Aquila Life US Equity Index Fund	213,629	20.5
0	0.0	BlackRock Aquila Life Over 5 Years Index Linked	119,135	11.4
102,915	9.8	Legal & General World Emerging Equity Index	103,138	9.9
160,204	15.3	Legal & General UK Equities Index	0	0.0
240,793	23.0	Legal & General North American Equities	0	0.0
79,217	7.6	Legal & General European (ex UK) Equities	0	0.0
150,733	14.4	Legal & General Index Linked Gilts	0	0.0

13d. Property holding

The Fund's investment in property portfolio comprises only of investments in pooled property funds – there were no directly owned properties during the reporting period.

14. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2016.

15. Financial Instruments

15a. 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.

31/03/2016		Name of holding	31/03/2015	
Carrying Value	Fair Value		Carrying Value	Fair Value
£000	£000		£000	£000
		Financial assets at fair value through profit or loss		
1,022,302	1,022,302	- Pooled investment vehicles	1,032,723	1,032,723
2,581	2,581	- Other investment balances	68	68
1,024,883	**1,024,883**		**1,032,791**	**1,032,791**
		Loans and receivables		
20,694	20,694	- Cash deposits	13,150	13,150
2,290	2,290	- Debtors	727	727
22,984	**22,984**		**13,877**	**13,877**
		Financial liabilities at amortised cost		
(1,467)	(1,467)	- Creditors	(1,129)	(1,129)
(123)	(123)	- Cash overdrawn	(184)	(184)
(1,590)	**(1,590)**		**(1,313)**	**(1,313)**
1,046,277	**1,046,277**	**Net Assets**	**1,045,355**	**1,045,355**

15b. Net gains and losses on financial instruments

31/03/2016		31/03/2015
£000		£000
	Financial Assets	
1,305	Fair value through profit or loss	146,330
1,901	Loans and receivables	(87)
3,206		**146,243**

The Council has not entered into any financial guarantees that are required to be accounted for as financial instruments.

15c. Financial instruments carried at fair value

In accordance with IFRS 7 Financial Instruments, the valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Criteria utilised in the instrument classifications are detailed below.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities, cash and short term investment debtors and creditors and pooled funds whose value is derived wholly in such investments.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Property is treated as level 2.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments (private equity and infrastructure), and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets:				
- At FV through Profit and Loss	886,233	91,959	44,110	1,022,302
- Loans and receivables	2,581	0	0	2,581
Net financial assets at 31st March 2016	**888,814**	**91,959**	**44,110**	**1,024,883**
Net financial assets at 31st March 2015	**881,982**	**94,112**	**56,697**	**1,032,791**

16. 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 fully meet the cost of benefits and to ensure stability of employer's contribution rates. Achieving the investment objectives requires a high allocation to growth assets in order to improve the funding level without increasing contribution rates, although this leads to a potential higher volatility of future funding levels and contribution rates.

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 SIP which sets out the Fund's approach to investment including the management of risk. The latest version is attached to the Pension Fund Annual Report and 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 safeguarded against loss and misstatement.

The listed equity and index linked portfolios, representing 75% of the fund's strategy, are managed on a passive basis to minimise the volatility of returns compared with market indices and to reduce the fees and governance requirements.

b) Market price risk

The key risk for the Pension Fund is market risk, which is the risk that the values of the investments fluctuate due to changes in market prices. The majority of the Fund is invested in pooled funds with underlying assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last there years. The value for total assets adjusts for correlations across asset classes and therefore the increase / decrease for the asset classes will not sum to the total asset figure.

As at 31/03/2016	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	159,980	10.3	176,458	143,502
Overseas equities	499,971	9.3	546,468	453,474
UK bonds	197,196	9.1	215,141	179,251
Cash	20,496	0.0	20,496	20,496
Property	100,989	2.7	103,716	98,262
Alternatives	66,945	6.5	71,296	62,594
Total Assets	**1,045,577**		**1,133,575**	**957,579**

As at 31/03/2015	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	167,209	10.3	184,365	150,054
Overseas equities	520,901	9.3	569,449	472,353
UK bonds	165,314	9.1	180,358	150,271
Cash	13,218	0.0	13,219	13,217
Property	94,113	2.7	96,644	91,581
Alternatives	85,186	6.5	90,732	79,641
Total Assets	**1,045,941**	7.0	**1,119,262**	**972,621**

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. Five (2014/15: six investment managers) 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 Pensions Committee.

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 49% of the Fund value on 31st March 2016, equivalent to £509 million (2014/15: £595 million). These arise from passive pooled equities, private equity, property, multi-sector credit and cash. Foreign currency exposures are not hedged.

The main non-sterling currency exposures at 31st March 2016 were US dollars. Other major exposures were the Euro, Asian and emerging market countries and the Canadian $.

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The table below is derived on a currency basket based on the Fund's currency mix. The weight of each currency is multiplied by the change in its exchange rate relative to GBP. The volatility shown for total currencies incorporates the impact of correlations across the currencies, which dampens volatility and therefore the value of increase / decrease for the currencies will not sum to the total currency figure. The cash balances managed internally are only permitted to be in sterling.

As at 31/03/2016	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	499,971	6.0	529,969	469,973
Overseas property	420	6.0	445	395
Multi-sector credit	0	6.0	0	0
Private equity	6,904	6.0	7,318	6,490
Cash	1,301	6.0	1,379	1,223
Total Assets	**508,596**		**539,111**	**478,081**

As at 31/03/2015	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	520,901	6.0	552,321	489,481
Overseas property	54	6.0	57	51
Multi-sector credit	31,024	6.0	32,893	29,154
Private equity	39,436	6.0	41,813	37,060
Cash	3,493	6.0	3,703	3,282
Total Assets	**594,908**	6.0	**630,763**	**559,052**

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	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits: 2015/16	68	160	0
Cash deposits: 2014/15	454	1,362	0

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 non-sovereign bonds (including those held in pooled funds) 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 2016 and 31st March 2015. The majority of bonds (2016: £197 million) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

	Market value 31/03/2016	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment	197,196	76	3	1	20
Total / Weighted Average	**197,196**	**76**	**3**	**1**	**20**

	Market value 31/03/2015	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment	210,364	70	3	9	18
Total / Weighted Average	**210,364**	**70**	**3**	**9**	**18**

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.

31/03/2016 Exposure	31/03/2016 Credit rating		31/03/2015 Exposure	31/03/2015 Credit rating
£000			£000	
9,029	AA-	Northern Trust	9,228	AA-
0	A	Barclays Bank	762	A
11,665	AAAm	Money Market Funds	3,160	AAAm
20,694			**13,150**	

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. All of the internally managed cash held on 31st March 2016 was in money market funds and bank accounts with the main bank or custodian, 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 pooled funds whose underlying holdings are listed equities or bonds. These funds have regular (at least monthly) trade dates, which ensure it is possible to realise the investments easily if necessary.

17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2013. The next valuation will take place as at 31st March 2016.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering body considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the tax payer from an employer defaulting on its pension obligations.

The market value of the Fund at the time of the last triennial valuation as at 31st March 2013 was £863 million. Against this sum liabilities were identified of £1,232 million equivalent to a funding deficit of £369 million. The movement in the actuarial deficit between 2010 and the last valuation in 2013 is analysed below:

Reason for change	£m
Interest on deficit	(58)
Contributions greater than cost of accrual	23
Investment returns higher than expected	51
Change in demographic assumptions	(4)
Experience items	51
Change in financial assumptions	(136)
Total	**(73)**
Deficit brought forward	**(296)**
Deficit carried forward	**(369)**

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is 5 years but in some cases a maximum period of eighteen years can be granted. Solvency is achieved when the funds held, plus future expected investments returns and future contributions, are sufficient to meet expected future pension benefits payable. When an employer's funding is less than 100% of the funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2013 actuarial valuation, the fund was assessed as 70% funded (69% at the 31st March 2010 valuation). This corresponds to a deficit of £369m (2010 valuation: £296m) at that time.

Contribution increases were phased in over the three-year period ending 31 March 2017 for both scheme employers and admitted bodies. The actuary agreed that the Council's contribution rate could increase by 2% over a three year period from April 2014, from 22.9% of pensionable salaries to 24.9% in March 2017. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit. The 2015/16 contribution rate was split between 7.8% for the past service adjustment to fund the deficit over 20 years and the future service rate of 17.1%.

Individual employer's rates will vary depending on the demographic and actuarial factors particular to each employer in the Fund. Full details of contribution rates payable can be found in the 2013 actuarial valuation report.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows.

Future assumed rates as at 31st March 2013	%
Discount rate (annual nominal return rate)	4.6
Pay increase (annual change)*	4.3
Pay increase - Pension (annual change)	2.5

*Salary increases assumed to be 1% p.a. until 31st March 2016, reverting to the long term assumption shown thereafter. The next actuarial valuation will be carried out as at 31st March 2016.

18. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions from those used for funding purposes. The actuary has also used valued ill health and death benefits in line with IAS 19.

31/03/16		31/03/15
£m		£m
(1,391)	Present Value of promised retirement benefits	(1,504)
862	Fair Value of scheme assets	859
(529)	**Net Liability**	**(645)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2013 triennial valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

19. Current assets

2015/16		2014/15
£000		£000
	Debtors	
105	- Contributions due - employees	418
1,830	- Contributions due - employers	274
355	- Sundry debtors	35
2,290	**Total**	**727**

The below is an analysis of debtors.

2015/16		2014/15
£000		£000
32	Central government bodies	33
233	Public corporations and trading funds	0
2,025	Other entities and individuals	694
2,290	**Total**	**727**

20. Current liabilities

2015/16		2014/15
£000		£000
(1,467)	Sundry creditors	(1,129)
(123)	Benefits payable	(184)
(1,590)	**Total**	**(1,313)**

The below is an analysis of creditors.

2015/16		2014/15
£000		£000
(154)	Other local authorities	(245)
(731)	Public corporations and trading funds	0
(705)	Other entities and individuals	(1,068)
(1,590)	**Total**	**(1,313)**

21. 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 as follows:

31/03/2016	Equitable Life Assurance Society	31/03/2015
£		£
344,177	Value as at 6 April	331,682
2,123	Contributions received	2,945
(89,391)	Retirement benefits and changes	(9,188)
(179)	Changes in market value	18,738
256,730	**Value as at 5 April**	**344,177**
138,298	Equitable with profits	138,639
45,572	Equitable with deposit account fund	134,469
72,860	Equitable unit linked	71,069
256,730	**Total**	**344,177**
2	Number of active members	5
35	Number of members with preserved benefits	37

31/03/2016	Prudential Assurance	31/03/2015
£		£
844,895	Value as at 1 April	891,664
136,436	Contributions received	125,066
(272,722)	Retirement benefits and changes	(237,091)
45,053	Changes in market value	65,256
753,662	**Value as at 31 March**	**844,895**
466,261	Prudential with profits cash accumulation	493,359
86,977	Prudential deposit fund	194,059
200,424	Prudential unit linked	157,477
753,662	**Total**	**844,895**
77	Number of active members	76
26	Number of members with preserved benefits	28

31/03/2016	Clerical and Medical	31/03/2015
£		£
40,860	Value as at 1 April	35,429
1,800	Contributions received	2,017
(632)	Changes in market value	3,414
42,028	**Value as at 31 March**	**40,860**
5,593	Clerical Medical with profits	5,561
36,435	Clerical Medical unit linked	35,299
42,028	**Total**	**40,860**
2	Number of active members	2
3	Number of members with preserved benefits	3

22. Related party transactions

Haringey Council

In 2015/16 the Pension Fund paid £0.509 million to the Council for administration and legal services (£0.518 million in 2014/15). As at 31st March 2016 an amount of £1.48 million was due from the Council to the Fund (£0.247 million in 2014/15).

Governance

During 2015/16 no Council members who served on the Pensions Committee were also members of the Pension Fund. Committee members are required to declare their interests at the beginning of each Committee meeting.

Key Management Personnel

Local Authorities are exempt from the key management personnel requirements of IAS 24, on the basis of the disclosures required by the Accounts and Audit (England) Regulations. This also applies to the Haringey Pension Fund. The disclosures prepared in line with the Regulations can be found in the main accounts of Haringey Council. The key management person is Tracie Evans, Chief Operating Officer, who was "Scheme Administrator" during the year.

There were no other material related party transactions.

23. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £81.5 million (£51.8 million with Pantheon – Private Equity and £29.6 million with Allianz – Infrastructure debt and £0.1 million with CBRE Property at 31st March 2015 (2014: £40.4 million). The commitments relate to outstanding call payments due in relation to the private equity and property and infrastructure debt portfolios.

24. Contingent assets

Seven admitted body employers in the Haringey Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

25. Impairment losses

The Fund did not incur any impairment losses during 2015/16.

Annex 1 to the Financial Statements

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2015/16 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS 26 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 IAS 19. 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, IAS 26 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 IAS 19 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.

Present Value of Promised Retirement Benefits

Present value of Promised Retirement Benefits	Year ended 31/03/2016	Year ended 31/03/2015
Active members	719	734
Deferred pensioners	371	419
Pensioners	501	555
Total	**1590**	**1708**

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. 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.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted 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 IAS 19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £158 million.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2016 % p.a.	31 Mar 2015 % p.a.
Inflation/Pensions Increase Rate	2.2	2.4
Salary Increase Rate	4.2	4.3
Discount Rate	3.5	3.2

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.9 years	24.1 years
Future Pensioners*	24.2 years	26.5 years

*Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31 March 2013.

Please note that the assumptions are identical to the previous IAS 26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below.

Change in assumptions for the year ended 31 March 2016	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	11	167
1 year increase in member life expectancy	3	48
0.5% increase in salary increase rate	3	48
0.5% increase in pensions increase rate	7	117

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2016 for accounting purposes’. The covering report identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Douglas Green FFA
April 2016

Accounting Policies are those principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are to be reflected in financial statements. Accounting policies define the process whereby transactions and other events are reflected in the financial statements.

Amortisation is the loss in value of an intangible asset due to age, wear and tear, deterioration or obsolescence through technological or other changes.

Assets are all items of significant economic value owned by the Council, including those which can be converted to cash and those held for cultural and other reasons (heritage assets).

Capital expenditure is expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital financing describes the method of financing capital expenditure, the principal methods now being loan and revenue financing and government grants.

Creditors are amounts owed by the Council for goods and services supplied, but for which payment has not been made at the end of the financial year

Debtors are amounts owed to the Council but not received at the end of the financial year.

Defined benefit pension scheme is a type of pension scheme which promises a certain level of retirement income to its members. The amount of retirement income is usually a fraction of the worker's yearly earnings for each year they have been a member of the scheme. For example, it might be 1/49th of final pay for each year.

Defined contribution pension scheme is a type of pension scheme where the retirement income a member gets depends on how much has been contributed, investment returns and the amount of charges over time.

Depreciation is the loss in value of a tangible asset due to age, wear and tear, deterioration or obsolescence through technological or other changes. Depreciation is a 'non-cash' charge as it merely reflects accounting assessments of the loss in value.

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Finance and Operating Leases are financing arrangements with a third party. A finance lease substantially transfers all of the risks and rewards of ownership of a fixed asset to the lessee. Such assets have been valued and included under non-current assets in the Balance Sheet. With an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the relevant service account.

General Fund is the Council's main revenue account that covers the net cost of all services other than the provision of Council housing for rent.

Impairment describes a reduction in the value of a non current asset below its carrying amount on the Balance Sheet.

International Financial Reporting Standards (IFRS) are the accounting standards adopted by the International Accounting Standards Board (IASB). Councils are required to produce their accounts using IFRS.

Materiality of an item is determined by whether its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

Medium Term Financial Strategy (MTFS) is the Council's document which sets out the estimated financial impact of changes to our resources and costs of service provision, taking into account agreed principles and priorities. Typically spanning 3 to 5 years it allows the Council to adopt a strategic approach to planning its finances in the context of significant change.

Minimum Revenue Provision (MRP) is the minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

Non-Domestic Rate (NDR) is a levy on businesses, based on a national rate in the pound set by the Government, multiplied by the 'rateable value' of the premises they occupy. It is also known as 'business rates'. The new Business Rate Retention Scheme allows Council's to retain a proportion of the income received.

OFSTED is the Office for Standards in Education, Children's Services and Skills.

Outturn is the actual income and expenditure in a financial year.

Precept is an amount which the Council is required to collect from the Council Tax on behalf of other (non-billing) authorities, such as the Greater London Authority in London, to finance their net expenditure.

Provision is an amount, which is set aside for a liability or loss in respect of a past event, which is likely to be incurred, but where the exact amount and date on which it will arise is uncertain.

Reserves (Unusable) are reserves that cannot be released to spend on services. For example, the Revaluation Reserve records the effect of revaluing fixed assets and is not available for general use in the financing of capital expenditure.

Reserves (Usable) are those reserves that can be released to spend on services or added to for future spending on services.

Service Reporting Code of Practice (SeRCOP) sets out the financial reporting guidelines for Councils. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Code), by establishing practice for consistent reporting.

Soft Loans are loans made by the Council at less than the prevailing market rate of interest.

Weighted Average an average resulting from the multiplication of each component by a factor reflecting its importance.

LONDON OF BOROUGH OF HARINGEY

REPORT TO THE CORPORATE COMMITTEE

Audit for the year ended 31 March 2016 - Issued to the Corporate Committee - 15 September 2016

BDO

PURPOSE AND USE OF THIS REPORT

We present our report to the Corporate Committee which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which 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 and providing our value for money conclusion. As the purpose of the audit is for us to express an opinion on the financial statements and provide a value for money conclusion, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Corporate Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

CONTENTS

SUMMARY

AUDIT SCOPE AND OBJECTIVES

- We have completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to the resolution of matters set out in the outstanding matters section of this report.
- There were no significant changes to our planned audit approach nor were any restrictions placed on our work.
- No additional significant audit risks were identified during the course of our audit procedures subsequent to our audit planning report to you dated February 2016.
- Our materiality levels have not required reassessment since our audit planning referred to above.

AUDIT OPINION

- Subject to the successful resolution of matters set out in the outstanding matters section of this report, which are largely procedural, we anticipate issuing an unqualified opinion on the financial statements for the year ended 31 March 2016.
- We have no matters to report in relation to the annual governance statement.
- We are satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and we anticipate issuing an unqualified value for money conclusion for the year ended 31 March 2016.

KEY AUDIT AND ACCOUNTING MATTERS

- The key matters that have arisen in the course of our audit are summarised below:

  i. The surplus on the provision of services is overstated by an estimated £2.3 million as a result of:
     - an estimated understatement of £4.35 million in the depreciation charged to the Housing Revenue Account (reducing the surplus)
     - an estimated understatement of £2.01 million in the housing benefit overpayments debtor (increasing the surplus)

  ii. The value of Alexandra Park and Palace have now been correctly recognised in the group financial statements, including reporting the prior period adjustment

  iii. The treatment of internal recharges and revaluation gains and losses have been amended resulting in changes to the both the gross income and expenditure figures that offset each other overall.

OTHER MATTERS FOR THE ATTENTION OF THE CORPORATE COMMITTEE

- Our review of the Council's Whole of Government Accounts (WGA) data collection tool is still in progress
- We have received an objection in respect of the borrowing incurred by the Council in the form of Lender Offer, Borrower Offer (LOBOs) and we will be unable to provide our certificate of closure of the audit until this issue has been satisfactorily resolved.
- Our observations on the quality of the audit and our audit independence and objectivity and related to matters are set out in Appendices VIII and V below.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT AUDIT RISKS

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered significant audit risks, in the 2015/16 audit planning report dated February 2016. These significant risks have been highlighted in red and findings have been reported in the following table.

We have since undertaken a more detailed assessment of risk following the completion of our review of the Council's internal control environment and draft financial statements, and we have not identified any additional significant risks.

NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
MANAGEMENT OVERRIDE OF CONTROLS	Auditing standards presume that a risk of management override of controls is present in all entities. By its nature, there are no controls in place to mitigate the risk of management override.	We reviewed the appropriateness of journal entries and other adjustments to the financial statements. We also reviewed accounting estimates for evidence of possible bias.	We identified a number of journals with no header description. Management investigated this issue and identified 4,499 journals with no header or description of what the purpose of the journal is. Therefore we investigated these items with management and identified that 4,259 of them were automatic journals with no option to add a header or description, whereas 240 of the items were items that a header or description should have been added to. All of these journals were tested and were found to be appropriate journals. We have raised a recommendation to address this weakness. Our work on accounting estimates has not identified any evidence of bias.
REVENUE RECOGNITION	Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue. We considered there to be a significant risk over completeness and existence of fees and charges revenue in the Comprehensive Income & Expenditure Statement (CIES). We also consider there to be a significant risk over existence (recognition) of revenue and capital grants income in the CIES there are subject to performance and / or conditions before these may be recognised as revenue.	During our interim visit, we documented the procedures to gain an understanding of the Council's internal control environment for the significant income streams. Our review of revenue recognition has focused on testing completeness and existence of fees and charges, as well as the recognition of revenue and capital grants income, across all service areas within the Comprehensive Income and Expenditure Statement.	No significant control deficiencies were identified within our documentation of system notes and walkthrough of key controls. No issues have been identified from our testing of income streams and year end cut off with regard to the recognition of revenue in the correct financial year.

KEY AUDIT AND ACCOUNTING MATTERS

Continued

OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ **Normal risk** ■ **Other issue**

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
PROPERTY, PLANT AND EQUIPMENT (PPE) VALUATIONS	Councils are required to undertake additional work to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the current value (or fair values for surplus assets) at the balance sheet date. In order to address this, the Council has obtained year end desktop reviews from its valuers, Wilks, Head and Eve (WHE) to provide indices of the expected movement in its property prices through the year. We have reviewed management's use of these indices and compared them to expected movements using other available information to 31 March 2016 (Gerald Eve report commissioned by the NAO). We assessed WHE's competence, independence and objectivity and we reviewed the valuations provided and the valuation methodology applied. We reviewed the Council's assertion that the non-componentisation of HRA assets does not have a material impact on the depreciation charge for the year, and we compared the potential component allocations and component lives used by other local authorities to estimate depreciation charged on a full componentised basis.	**Valuation of council dwellings** The Council correctly accounted for revaluations as at 1 April 2015. The year-end desktop valuation by WHE indicated that house prices increased by 11.5%. The Council has applied indexation of 11% to be prudent. The concept of prudence does not apply to the valuation of PPE and therefore we consider the valuation to be understated by £5.779 million when compared to the information provided by the valuers (being the additional 0.5% price movement). However we do accept that the estimate is within a tolerable range and therefore do not consider this to represent an error in the financial statements. We agreed with management's assertion that the non-componentisation of HRA assets does not have a material impact on the HRA depreciation charge, resulting in an estimated understatement of £6.6million. Management have subsequently produced an alternative estimate using a different split of land and buildings that is not consistent with the information provided by the valuer. Using this estimate indicates that the understatement of depreciation is lower at £2.1 million. We do not consider this variance to be trivial, therefore we have included this as an unadjusted misstatement in Annex II, in the middle of this range at £4.35 million. Although this potential error is not material, there is a risk that it could become material in future years, and will become more important after the ending of the transitional period when depreciation will become a proper charge that will impact on rents. Management should fully document evidence to support that the depreciation charge for HRA assets remains materially accurate despite the non-componentisation, and this calculation should be reviewed on an annual basis. **Valuation of other land and buildings** The Council correctly accounted for revaluations as at 1 April 2015. The year-end desktop valuation by WHE indicated that other land and buildings valued on a Depreciated Replacement Cost basis increased by 15.7% and that other land and buildings valued on a current value (Existing Use Value) or Fair Value had not changed in value significantly. We are satisfied that these movements are in line with regional movements.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
INVESTMENT PROPERTY VALUATIONS	The Code has introduced a change in the basis of valuation of investment properties (IFRS 13) from a market value to a 'highest and best use' valuation. The Council instructed their valuers, Wilks, Head and Eve (WHE) to carry out the annual valuation of the investment property portfolio having regard to the possibility of significant changes in valuations under the highest and best use approach. We applied the work stated above under PPE valuations relating to WHE's competence, independence and objectivity and to their valuations and valuation methodology.	We determined that the basis of valuation for assets valued in year is appropriate based on Code requirements and that the valuation movements are in line with expectations. Following the advice of WHE, the Council has classified all Fair Value properties as categorised at Level 2 in the fair value hierarchy under IFRS 13. We consider this to be appropriate because quoted prices are not available for these assets, but other direct or indirect observable inputs are. We note that the European Public Real Estate Association (EPRA), a leading trade association, has suggested that in the majority of cases investments property valuations are likely to be level 3 valuations due to the extent of unobservable inputs or individual assumptions for each property. We will keep this under review as generally accepted practice develops. The Council correctly accounted for revaluations as at 1 April 2015. The year-end desktop valuation by WHE indicated that investment properties had not changed in value significantly by the 31 March 2016. We are satisfied that these movements are in line with regional movements.
ALEXANDRA PALACE RECOGNITION	We reviewed the valuations reports from Wilks, Head and Eve for the valuation for the Alexandra Palace land and buildings for inclusion in the group financial statements. We reviewed the accounting treatment of capital improvements on the building within the Alexandra Park and Palace Charitable Trust financial statements.	The value of Alexandra Park and Palace as at 1 April 2014, 31 March 2015 and 31 March 2016 are correctly recognised in the group financial statements (at £55.959 million, £59.253 million and £72.966 million respectively). This adjustment has been correctly treated as a prior period adjustment with a third balance sheet presented within the accounts. We suggested to management some minor presentational changes to the prior period adjustments (note 42) which have been amended in the revised financial statements. Management should include this material asset within its rolling programme of formal valuations, and consider annual desktop reviews when the asset is not formally valued, to provide evidence that the carrying value remains materially accurate at the year-end date.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
RESTRUCTURING OF THE COUNCIL	We reviewed the new arrangements in place and assessed the controls over the new shared service centre as part of our interim testing.	We did not identify any significant deficiencies of internal control from our walkthrough of key financial systems performed as part of our interim testing.
HIGHWAYS NETWORK ASSETS	We reviewed the 'new standards adopted but not yet implemented' disclosure note to ensure that the potential impact (where quantified) on the 2016/17 financial statements caused by the change of basis of the valuation of the highways network asset from depreciated historic cost to depreciated replacement cost is disclosed.	These disclosures are not included in the 'new standards adopted but not yet implemented' note, however as a result of CIPFA confirming that the change of basis of valuation of the highways network asset is going to be on a 'prospective' basis and therefore not requiring changes to prior year figures, we accept this as appropriate. Accounting policy 1.24 (Property, Plant and Equipment) refers to the Infrastructure Code, and that if the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would increase from £151 million to circa £2.7 billion.
RELATED PARTY TRANSACTIONS	We reviewed the Council's procedures for identifying related party transactions for disclosure in the related parties note, including signed declaration forms from members and senior officers. We carried out Companies House checks for a sample of members and senior officers and checked the completeness of interests included in the declaration forms. We also considered the completeness of related party disclosures based on knowledge gained from our other audit work. The Council has disclosed the total value of community grants paid to organisations in which members have interests. No other interests have been identified that require disclosure.	The Council has adequate procedures for identifying related party transactions, however the declaration of interests form does not explicitly require members to declare directorships in companies, which means that the Council is less easily able to identify related party transactions in respect of companies that members are directors of. As a result a total of 12 undeclared company directorships were found during the audit. This did not result in the identification of any additional related party transactions that needed to be disclosed in the financial statements. Our audit identified that a related charitable organisation for which receipts had been disclosed, did not have £20,527 of payments to the Council disclosed. In addition the three members who were trustees of this charitable organisation had not been included in the relevant disclosure. No other inaccuracies in the related parties note in the financial statements were identified.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
INTERNAL RECHARGES	Our testing of income identified transactions recorded as income that appeared to be the recharging of expenditure between services. The correct treatment for these transactions would be to net the recharge from the originating services expenditure. As a result both income and expenditure are overstated by an equal amount, but there is no overall impact on the financial position of the Council. Further investigation as part of the audit, and then by management, identified that there was a total of £48.763 million of transactions that have been incorrectly treated in this way.	We have agreed with management that the financial statements will be amended to reflect the correct accounting treatment for the expenditure that is being recharged between Council services for both 2014/15 and 2015/16.
HOUSING BENEFIT OVERPAYMENTS DEBTOR	The total housing benefit overpayments debtor per the Academy OVR310 report as at 31 March 2016 is £28.94 million, of which £14.375 million relates to former claimants (and has been invoiced) and £14.565 million to current claimants (and is being recovered from ongoing entitlement). The Authority has recognised a debtor for the former tenants only, with a corresponding bad debt provision of £11.076 million (giving a net debtor of £3.299 million). The Authority has not recognised any year-end debtor balance or corresponding bad debt provision for housing benefit overpayments which are being recovered through the benefits system, for claimants who are still in receipt of benefits from the authority. The authority does not consider this to be a year-end debtor as invoices are not raised against these outstanding balances. From the OVR310, we calculated that a total of £5.029 million had been recovered during 2015/16, being 18% of the total opening balance of £27.414 million. We consider the gross debtor and income to be understated by £14.565 million, and the bad debt provision and corresponding expense by £12.555 million, if the same rate of provision is applied across the whole housing benefit overpayment debtor. This means the net debtor is understated by £2.010 million. The impact on the net surplus is an understatement of £2.010 million.	Following discussion, management agreed that the housing benefit overpayment debtor in respect of current claimants that is being recovered from ongoing entitlement should be recorded as a debtor. However, as the net result is not material, management have chosen not to amend the 2015/16 accounts, but to introduce this change from 2016/17. We agree that the non-recording of the net housing benefit overpayment debtor in respect of current claimants is not material, with an estimated variance of £2.010 million, but we do not consider it to be trivial. We have therefore included this as an unadjusted misstatement in Annex II.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
CLASSIFICATION OF REVALUATION GAINS AND LOSSES IN THE CIES	We identified that revaluation gains (which are impairment reversals and are therefore recognised in the CIES rather than through the revaluation reserve), had been incorrectly classified as income rather than negative expenditure to reverse expenditure charged in previous years, for both 2014/15 and 2015/16. The amounts reclassified are as followed: - £92.673 million HRA revaluation gains in 2014/15 - £1.333 million HRA revaluation gains in 2015/16 - £5.732 million GF revaluation gains in 2014/15 - £56.851 million GF revaluation gains in 2015/16	Management agreed to reclassify this income to expenditure for both housing revenue account and general fund balances, for 2014/15 and 2015/16. These adjustments have no impact on the net expenditure recognised in the CIES.
CREDITORS: FUNDS HELD ON BEHALF OF OTHERS	The Council holds a number of funds held of behalf of individuals who are in care. Within our sample of short-term creditors, we selected a balance of £38,516 relating to one individual however no supporting information could be provided for this balance. We selected an additional two items relating to personal fund creditors and no information could be provided in respect of these cases either.	The total creditor included within the client personal funds general ledger code is £2.533 million which is not material.
CLASSIFICATION OF CASH EQUIVALENTS AND SHORT TERM INVESTMENTS	Our testing of short term investments identified a balance of £5 million with a maturity of two months. This short-term asset therefore meets the definition of cash equivalents rather than short term investments as the maturity date was less than 3 months. Management then identified a further balance of £5 million which also needed reclassifying to cash equivalents as the maturity date was three months.	Management agreed to reclassify the £10 million in the balance sheet, cash and cash equivalents note, cash flow statement and financial instruments note.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
SCHOOLS RECONCILIATION	The reconciliation of the schools cash book total balances with the balances recorded by the Council includes a reconciling item of £3.5 million, increasing the schools cash balances recognised in the financial statements. Further investigation identified that the Council consider this to be debtors that are owed to them by the schools that have not been recognised as creditors in the schools accounts, causing the difference to arise. Therefore the Council have included this in the schools cash balances recognised in the financial statements.	Our view is that this would have been more appropriately treated by reducing the schools creditor balances included in the Council's accounts, rather than increasing the school's cash balances, which would have no overall effect on the balance sheet. We have therefore included this as an unadjusted misstatement in Annex II.
GROUP CONSOLIDATION	Some errors of classification were noted in the group consolidation workings relating to the subsidiary Alexandra Park & Palace Charitable Trust. The most significant of these was that the charity's unrestricted funds had been included in the group's unusable reserves rather than the group's usable reserves . Additionally, some trivial adjustments were made to this subsidiary's audited financial statements that management have agreed to reflect in the final version of the Council's group accounts.	Management have agreed to amend the Council's group accounts for the errors identified and the changes made to the Charitable Trust's audited financial statements. The correction of these consolidation errors results in an increase to the Council group's usable reserves of £1.454 million.
NARRATIVE REPORTING	We compared the narrative report against the Code requirements to ensure that all elements of the narrative report are correctly included. We reviewed the narrative report to ensure consistency with our understanding of the entity and the financial statements.	Our review of the narrative report has not identified any significant omissions or inconsistencies from the statement of accounts.
FRAUD AND ERROR	We enquired of management regarding any instances of fraud in the period, and considered throughout the audit the possibility of material misstatements due to fraud or error. We are not aware of any instances of fraud other than trivial levels of housing benefit and housing tenancy fraud committed against the Council.	Our audit procedures have not identified any material errors due to fraud.

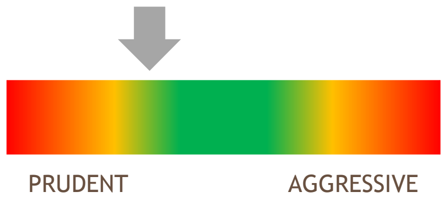
KEY AUDIT AND ACCOUNTING MATTERS
Continued

ACCOUNTING ESTIMATES

Our views on significant estimates, including any valuations of material assets and liabilities, arrived at in the preparation of your financial statements are set out below.

We have assessed how prudent or aggressive the estimate is based on the level of caution applied by management in making the estimate under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenditure are not understated.

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY VALUATIONS Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) and investment properties is not materially different to the current value or fair value at the Balance Sheet date. The valuation for housing dwellings and land and buildings included in PPE is a management estimate based on market values or depreciated replacement cost (DRC). Management uses external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation. The indices available to management to assess valuation changes are produced independently and are based on observable data (asset sales and building contract prices). The Code of Practice on Local Authority Accounting 2015/16 (the Code) introduced a change in the basis of valuation of surplus assets and investment properties under International Financial Reporting Standard (IFRS) 13, from existing use value (in the case of surplus assets) or market value (in the case of investment properties) to a ‘highest and best use’ valuation. This means that valuations may be significantly different in certain circumstances.	The Council engaged an external valuer to value its council dwellings, offices, car parks, public conveniences, surplus assets and investment properties as at 1 April 2015, and a further review to identify any further material movements during the year. This resulted in a net upwards revaluation movement of £158.243 million in the year for PPE and a loss of £9.724 million for investment properties. We assessed the valuer’s competence, independence and objectivity and determined we could rely on the management expert. We reviewed the valuations provided and the valuation methodology applied, and confirmed that the basis of valuation for assets valued in year is appropriate based on Code requirements. The Council has applied indexation of 11% to be prudent. The concept of prudence does not apply to the valuation of PPE and therefore we consider the valuation to be understated by £5.779 million when compared to the information provided by the valuers (being the additional 0.5% price movement). However we do accept that the estimate is within a tolerable range and therefore do not consider this to represent an error in the financial statements.. We compared the valuations to expected movements using available market information and concluded that the movements are within expectations.



KEY AUDIT AND ACCOUNTING MATTERS
Continued

ESTIMATES

PENSION LIABILITY ASSUMPTIONS

The pension liability comprises the Council's share of the market value of assets held in the London Borough of Haringey Pension Fund and the estimated future liability to pay pensions.

An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements.

We have reviewed the reasonableness of the assumptions applied by comparing these to the expected ranges provided by an independent consulting actuary report.

AUDIT FINDINGS AND CONCLUSIONS

As at 31 March 2016 net pension liabilities disclosed in the Balance Sheet decreased by £116.222 million compared to the balance at 31 March 2015.

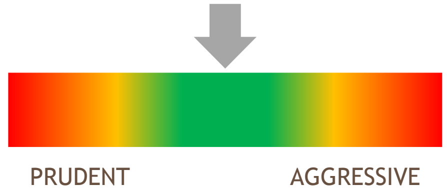
It should be noted that these retirement benefits (liabilities) will not actually be payable until employees retire but because the Council has a commitment to make the payments (for those benefits) there is a requirement to disclose the information in the accounts at the time employees earn their future entitlement.

The last formal valuation of the Fund was carried out as at 31 March 2013. In order to assess the value of the Council's liabilities as at 31 March 2016 the actuary has rolled forward the value of the liabilities calculated at the latest formal valuation, allowing for up to date financial assumptions.

The key changes to the financial assumptions relate to:

- a reduction in the pension increase rate from 2.4% to 2.2%
- a reduction in the salary increase rate from 4.3% to 4.2%
- an increase in the discount rate from 3.2% to 3.5% (to place a current value on the future liabilities through the use of a market yield of corporate bonds).

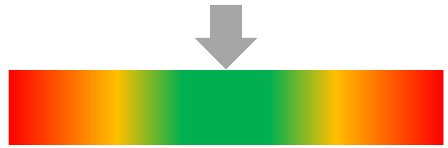
These changes have resulted in the significant decrease in the present value of the scheme liabilities at 31 March 2016. We have compared the assumptions used by the actuary to calculate the present value of future pension liabilities with the expected ranges provided by the independent consulting actuary. All of the significant assumptions listed in note 37 are consistent with the PwC expected ranges for Hymans Robertson with the exception of the longevity at 65 for female future pensioners. The value disclosed in the note and the Hymans Robertson report is 26.5 years, compared to the PwC ranges of 26.6 – 27 years. We do not consider this variance to have a material impact on the net liability calculation as at 31 March 2016.



KEY AUDIT AND ACCOUNTING MATTERS

Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES The Council's largest allowances for impairment of receivables relate to housing benefit overpayments, collection fund receivables for council tax, housing rent arrears and parking penalty charge notice debtors. The Council estimates the housing benefits overpayments impairment allowance using collection rate data. For Collection Fund debtors, the impairment allowances are based on write off rates, as credit control processes are robust and amounts are only written out after all recovery procedures are exhausted, which can take many years. We have reviewed management's calculations and considered the reasonableness of the estimates against collection rates calculated for the current aged debt profile.	Overall we have concluded that the impairment allowances for receivables are reasonable. **Housing benefit overpayments (former tenants)** The impairment allowance at 31 March 2016 is £11,076,000, a decrease of £2,168,000 from the prior year, against an overpayments balance of £14,375,000, due to a reduction in the value of outstanding debt at year end. The bad debt provision was calculated at 100% for balances over three years, 90%, 70% and 55% for two, one and current year balances, however limited information could be provided to support the collection rates used by management. **Council tax arrears** The total impairment allowance for the Collection Fund at 31 March 2016 is £21,549,000, a decrease of £4,229,000 from the prior year, against total arrears of £26.5 million, due to a reduction in the value of outstanding debt at year end, partially caused by writing off almost £6m of outstanding debt. The Council has a 81.4% share in these balances. We are satisfied that the impairment calculation is based on actual collection rates in recent years and is reasonable. **Housing rent payers** The impairment allowance at 31 March 2016 is £15,756,000 (£7,957,000 for HRA and £7,799,000 for GF), a decrease of £4,967,000 from the prior year, against a total balance of £17,417,000, due to a reduction in the value of outstanding debt at year end, partially caused by writing off £2m of outstanding debt. We are satisfied that the impairment calculation is based on actual collection rates in recent years and is reasonable. **Parking penalty charge notices arrears** The impairment allowance at 31 March 2016 is £15,187,000, a decrease of £1,410,000 from the prior year, against a total balance of £16,532,000, due to a reduction in the value of outstanding debt at year end. We are satisfied that the impairment calculation is based on actual collection rates in recent years and is reasonable.



PRUDENT AGGRESSIVE

KEY AUDIT AND ACCOUNTING MATTERS
Continued

FINANCIAL STATEMENT DISCLOSURES
Our views on the sufficiency and content of your financial statements' disclosures are set out below:

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
IMMATERIAL DISCLOSURES	As part of our review of the draft statement of accounts, we identified a limited number of immaterial disclosures which we recommended to management to remove. These are: - Accounting policy on donated assets - Soft loans in the financial instruments note Management has decided not to remove any of these immaterial disclosures.
FINANCIAL INSTRUMENTS	We identified a number of presentation misstatement in the financial instruments note. The following have been amended in the revised financial statements: - Inclusion of rental debtors in both financial assets and liabilities as these balances are contractual rather than under statute - Exclusion of prepayments and deferred income as these are not balances which are settled in cash and so do not meet the definition of a financial instrument - £2 million adjustment to reduce the fair value of the PWLB loans as this did not agree to the valuation received from Arlingclose - Adjusted the negative balance of £492,000 for the Glitnir outstanding deposit to reconcile to the balance sheet We also identified that the liquidity risk note has not been prepared on an undiscounted cash flow basis, which has not been adjusted for in the revised statement of accounts.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
OTHER DISCLOSURES	Management have amended for the following our audit: - Inclusion in the property, plant and equipment accounting policy (note 1.24) that HRA assets (dwellings) are not componentised - Inclusion of a post balance sheet events note following the majority vote to end the UK's membership of the European Union (EU) in the National Referendum held on 23 June 2016, and the heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK - Adjustments to the statement of cash flows to ensure consistency of positive and negative values within the statement - Inclusion of the cash flow statement operating activities note for the group position and the differences between the single entity and group values are material - Amendments to the note setting out employees receiving more than £50,000 remuneration for the year to include one individual who was incorrectly excluded from the table, and to amend one employee from the £70,000 - £74,999 band to £75,000 - £79,999 band - A "restated" header for the single entity and group CIES and balance sheet, HRA account and supporting notes - Adjusted for a number of trivial casting differences and internal inconsistencies.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

OTHER MATTERS

We are required to communicate certain other matters to you. We deal with these below, either directly or by reference to other communications.

	MATTER	COMMENT
1	Our responsibility for forming and expressing an opinion on the financial statements	See our audit planning report to you dated February 2016.
2	An overview of the planned scope and timing of the audit	See our audit planning report to you dated February 2016.
3	Significant difficulties encountered during the audit	We have no matters to report.
4	Significant matters arising from the audit that were discussed with management or were the subject of correspondence with them, and any other matters arising from the audit that in our judgment are significant to the oversight of the financial reporting process	We have no matters to report.
5	Written representations which we seek	These are reproduced at Appendix VII.
6	Any fraud or suspected fraud issues	We have no matters to report.
7	Any suspected non-compliance with laws or regulations	We have no matters to report.
8	Uncorrected misstatements, including those relating to disclosure	These are reproduced at Appendix II.
9	Significant matters in connection with related parties	We have no matters to report.

SUMMARY OF AUDIT FINDINGS

	STATUS	REPORTING LEVEL
🔴	Not started	Significant issue
🟡	In progress	Raised for your attention
🟢	Complete	No issue identified

AUDIT WORK STATUS		REPORTING LEVEL	ISSUE TO REPORT	ADJUSTMENTS MADE	UNADJUSTED ITEMS	REPRESENTATION REQUIRED
🟢	Journals	🔴	Y	N	N	N
🟡	Property, plant and equipment	🟡	Y	Y	Y	Y
🟡	Debtors	🟡	N	N	N	N
🟡	Cash and cash equivalents	🔴	N	N	N	N
🟢	Short and long term investments	🟢	N	N	N	N
🟢	Creditors	🟡	Y	Y	N	N
🟢	Short and long term borrowing	🟡	N	N	N	N
🟢	Employee benefits	🟢	N	Y	N	N
🟡	Other expenditure	🟢	N	N	N	N
🟢	Grant income	🟢	N	N	N	N
🟡	Other income	🟡	Y	N	N	N
🟢	Collection fund	🟢	N	N	N	N
🟢	Housing Revenue Account	🟢	Y	Y	Y	N
🟢	Related party transactions	🟡	N	N	N	N
🟢	Financial instruments	🟡	N	N	N	N
🟢	Cash Flow Statement	🟢	N	Y	N	N

SUMMARY OF AUDIT FINDINGS
Continued

STATUS	REPORTING LEVEL
Not started	Significant issue
In progress	Raised for your attention
Complete	No issue identified

AUDIT WORK STATUS		REPORTING LEVEL	ISSUE TO REPORT	ADJUSTMENTS MADE	UNADJUSTED ITEMS	REPRESENTATION REQUIRED
	Whole of Government Accounts		N	N	N	N
	Annual Governance Statement		N	N	N	N
	Narrative Report		N	N	N	N
	Use of resources		N	N	N	N

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2016, and anticipate issuing an unqualified opinion on the financial statements.

The following matters are outstanding at the date of this report. We will update you on their current status at the Corporate Committee at which this report is considered:

1. Clearance of outstanding issues on the audit queries tracker currently with management
2. Receipt of bank confirmations from Barclays for the Council's accounts, various banks for 34 schools accounts, three local authority temporary loan confirmations and two short term deposit investment confirmations
3. Review and agreement of the WGA data collection tool against the final set of financial statements
4. Technical clearance
5. Subsequent events review
6. Management representation letter, as attached in Appendix VII to be approved and signed

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	The draft financial statements, within the Statement of Accounts, was prepared and provided to us for audit on 13 June 2016. As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.	We have no matters to report. We were provided with the draft statement of accounts well ahead of the 30 June 2016 deadline, and we were also provided with a comprehensive set of detailed working papers. These working papers were in line with our records required listing issued to the Council ahead of the audit, and were well organised, detailed and comprehensive.
2	We are required to review the draft Annual Governance Statement and be satisfied that it meets the disclosure requirements in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. We are also required to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Councils review of effectiveness and our knowledge of the Council.	We have no matters to report.
3	We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	We have no matters to report.

CONTROL ENVIRONMENT

Significant deficiencies

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

SIGNIFICANT DEFICIENCIES

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
POSTING OF JOURNALS WITH NO HEADER DESCRIPTION	Within our review of journals, we identified a number of transactions where there is no description in the header text and this was not identified by management. A further review by management following our findings, identified that there were 4,499 journals posted during 2015/16 with no header description. Of these it was confirmed that that 4,259 of them were automatic journals with no option to add a header or description, whereas 240 of the items were items that a header or description should have been added to.	There is a risk that inappropriate journals could be posted and this would not be identified by management, as there is no description indicating what the transaction is for and that it is an appropriate transaction.	Management should ensure that all journals posted have a clear description of the nature of the journal. Journals should be reviewed regularly to ensure that naming policies are adhered to.	

CONTROL ENVIRONMENT

Significant deficiencies

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
BANK RECONCILIATIONS	Management was unable to provide us with a breakdown of the reconciling items within the bank reconciliations. There are a large number of items included within the reconciling items of the bank reconciliation which have cleared on the bank statement before year end, but are netted off on different clearing codes. For a number of these unmatched items, the corresponding equal and opposite entry is included within a different bank account clearing code making it difficult to trace corresponding entries in order to identify the net position of reconciling items at the year-end.	A bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling item should relate to timing differences. If the Council is unable to determine the reconciling items to verify that these are appropriate timing differences, then there is a risk that the cash balance is materially misstated.	We recommend that management review their processes for preparing bank reconciliations. They should aim to clear down any balances within the clearing codes with equal and opposite entries, to identify the total population of reconciling items in order to appropriately prepare the monthly bank reconciliations.	

CONTROL ENVIRONMENT
Other deficiencies and observations

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
SIGNED EMPLOYMENT CONTRACTS	Of the 39 employees tested as part of our sample, signed employment contracts were not available for seven (three of these related to schools personnel, and the remaining four are Council employees).	Without signed contracts in place there is a potential risk that the Council is not protected if any employment dispute arose and there is no evidence to support the validity of the employee.	Management should undertake a review of all staff (including schools personnel) to ensure that there is a signed contract in place.	
BALANCES HELD ON BEHALF OF OTHERS	The Council holds a number of funds on behalf of individuals who are in care. Within our sample of short-term creditors, we selected a balance relating to one individual however no supporting information could be provided for this balance. Further work on this type of creditor indicated that no supporting evidence could be provided for this class of items, the total value of which was £2.5m.	Without any formal procedures to monitor the balances held by others, there is a risk of misappropriation of cash balances and that the year-end liability may be materially misstated.	Management should review the controls in place for the management of these funds held on behalf of others and ensure that supporting documentation is maintained for all year-end liabilities.	
SINGLE PERSON DISCOUNTS	Our test of control on single person discounts identified three incidences where there was no evidence to support the single person discount awarded for 2015/16, and there are no checks in place to test the eligibility for ongoing claims.	Without any ongoing monitoring of council tax discounts, there is a risk over the appropriateness of the discounts awarded, which would understate the Council's Council Tax collection fund income.	Management should review the control procedures in place for obtaining evidence for single person discounts and annual monitoring of ongoing claims.	
DECLARATION OF INTEREST FORMS	Our review of the declaration of interest form identified that it did not explicitly require members to declare if they help any company directorships.	Without this prompt it is possible that members will forget to declare any companies of which they are directors on their declaration of interest form.	Management should review the declaration of interest form and ensure that this explicitly requires members to declare any company directorships that they hold.	

WHOLE OF GOVERNMENT ACCOUNTS

MATTER	COMMENT
For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	HM Treasury's WGA team issued a newsletter at the end of June to explain the delay in issuing the DCT which was released on Monday 4 July. This means that local authorities' deadline to submit the unaudited DCT to HM Treasury has been extended to 12 August 2016 and similarly our deadline to issue our audit opinion on the DCT has been extended to 21 October 2016. Our review of the Council's WGA Data Collection Tool (DCT) is in progress.

USE OF RESOURCES

Key informed decisions, deployed resources and sustainable outcomes

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting criterion:

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We reported our risk assessment, which included use of resources significant risks, in the 2015/16 Audit Plan issued in February 2016. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

We report below our findings of the work designed to address these significant risks and any other relevant use of resources work undertaken.

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES	In our audit plan we identified that there was a risk over the sustainability of the Council's financial position due to the reductions is government funding and inflationary and pay pressures. The Council had an overspend compared to budget of £6.8 million in 2015/16. This was mainly due to demand-led services such as Adults, Children's and the need for Temporary Accommodation. **Corporate Plan and Medium Term Financial Strategy** The Council is half way through the Corporate Plan 2015-2018 that was jointly prepared by the Executive Team and Members. It is recognised that there are challenges with managing the demand-led services, but the Corporate Plan and the aligned Medium Term Financial Strategy (MTFS) are providing the Council with direction and planning processes are continuing to improve. Senior Members and officers are proud of the results it has achieved despite the turbulent times that are being faced which include numerous redundancy consultations and further staff reductions of approximately 500 full time equivalents. The Corporate Plan identified five priority areas: 1. Enable every child and young person to have the best start in life, with high quality education. 2. Empower all adults to live healthy, long and fulfilling lives. 3. A clean and safe borough where people are proud to live. 4. Drive growth and employment from which everyone can benefit. 5. Create homes and communities where people choose to live and are able to thrive.	Given the uncertainty around future grant funding, demographics and demand pressures Haringey Council's future planning and assumptions appear to be adequate. The Council is looking further ahead and has strong capital programmes with the aim of bringing additional income in future years and has moved away from a year to year financial planning cycle. Future plans are focused on achieving the best use of resources for residents. The Council need to continue to monitor the control of demand led services, the delivery of the savings necessary to meet the MTFS and the impact of the changes being implemented on the delivery of services, to ensure that there are no unanticipated detrimental outcomes.

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES (Continued)	The Corporate Plan is supported by the MTFS that identified £70 million of savings to be achieved in the period to 2017/18. The Council has already made savings of £100 million since 2010 and management is conscious further savings will be challenging especially in the demand-led areas. Savings estimated over the life of the Corporate Plan in the MTFS are: 2015/16: Saving £19.8m, equating to 7.2% of £277.0 million budget 2016/17: Saving £24.7m, equating to 9.4% of £262.2 million budget 2017/18: Saving £24.2m, equating to 9.9% of £244.0 million budget Plans are in place to deliver these savings and the MTFS makes reasonable assumptions about increasing cost pressures due to population growth and increased demand for services, along with the amount of Government grant reductions that are expected to be applied. For example, Revenue Support Grant is expected to reduce from £88.0 million in 2014/15 to £33.2 million in 2017/18. The scale of this challenge is well understood and although savings plans are in place as part of the MTFS, this needs to be continuously closely monitored to ensure delivery is line with expectations, so that finances of the Council can continue to remain on track. The Council is currently working on producing an updated MTFS that will cover the period from 2017/18 to 2020/21 that will be approved by the Cabinet and Council as part of the 2017/18 budget setting process in February 2017. **Capital Programme** The Council's approach to capital expenditure has changed drastically in a way which aims to benefit the Council. Previously capital spend was planned on an annual basis utilising capital receipts only. The new model looks at capital spend over a 10-year cycle and is geared around a split of servicing needs 75% and 25% on growth. This means the Council's aim is for 75% of the annual expenditure to be spent on services to residents and 25% to be spent on financing costs to support Haringey's growth agenda. The Council plans to acquire more land, sell less of their assets to finance new projects and be active partners in the future developments and regeneration plans that in the long term will deliver future income streams. To support this new model the Council is outsourcing the treasury management function to the GLA, as it currently does not have the necessary expertise in-house.	We have concluded that the Council understands the financial challenges that it faces and has adequate arrangements is place to manage the financial position moving forward.

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES (Continued)	**New Administration Systems** The Council has introduced a new purchasing system, including purchase ordering, in 2015/16 to enable better management of resources and ensure only things needed are being ordered and purchased. The Direct Purchasing System (DPS) is being rolled out with a training programme to teams over the remainder of 2016. It is anticipated that additional savings will be achieved from buying the right things at the right price. A new IT contract with Camden Council and Islington Council is being implemented with the expectation that Haringey will move towards a more digital approach. The consortium approach will get better rates for the Council, as well as providing additional support to the IT team to push forward the digital agenda. The Council faces a common problem of having old software that needs to link in with new technology, resulting in a slower pace of change. Mosaic software was also implemented for social care workers last year, supporting better casework management. The Council is developing a more agile workforce. To support this, it is assessing staff core competencies and providing opportunities for staff to work across departments as resource need is identified. There has been a change to remove the annual appraisal system and have a ‘my conversation’ approach. This has enhanced the Council’s awareness of its talent pool, that it expects to be able to nurture and ‘keep busy and happy’. **Service Area Management** **Regeneration** - Haringey has big ambitions to regenerate the borough over the coming years. Plans to see investment of over £1billion in the area are underway with Tottenham Hale’s regeneration plans already at preferred bidder stage. The Director of Regeneration confirmed that value for money is a key priority for the projects. The Project Board oversees hundreds of projects linked to Priority 4 – Driving growth and employment from which everyone can benefit. The Council use lots of consultants to assess project viability, develop options and look at the commercial case, as appropriate. Rates have been benchmarked and the Council is confident it is achieving value for money. However there is a recognition that improvements are required in respect of capital programme monitoring and reviewing plans against outcomes. All projects are now RAG-rated and progress reporting is generally good and timely.	

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES (Continued)	An options appraisal is being developed for a new Haringey Council Headquarters, that is due to be submitted to the Cabinet meeting in October. The local news ran an article criticising the Council for spending £33 million on new offices. However this information had been taken out of context, and it is likely the new building will actually cost in excess of this figure, but will also bring future benefits and a better use of public resources. The regeneration team work to identify funding sources outside of the Council. They have been awarded four Crossrail stations by Transport for London and a new station in Tottenham which represents an investment of over £20 million in the Borough. **Children's Services** – the costs of looked after children has reduced from 620 children in 2009 with a £90 million budget to approximately 430 children now with a budget of £43 million. The cost of placements has increased significantly and providers are able to charge what they like due to insufficient places being available nationally. Demand is still high, with a budget for 15 new cases per month, although in a recent month there were over 40 referrals. The Council is working on new strategies for prevention and better relationship management with Police, Schools and Health. The Council is trying to ensure that safeguarding remains at least 'good' and resources are targeted at those who need it most. There was an overspend of £4.1 million in 2015/16 although this is against a reducing budget with real spend going down each year and the service is being streamlined with further workforce cuts planned. There is concern that further saving requirements will jeopardise the Council's ability to remain 'good'. The Council has benchmarked itself with other councils and the unit costs are in line with nearest comparators and what Ofsted considers 'good'. The Council is now working on a 'core budget' that is required to deliver a good children's service so that this can be presented to Cabinet as part of the development of the next MTFS. We compared Children's services spend with nearest comparators and the Haringey budget for 2016/17 and found it represented 19% of the total Council budget, with comparator Council's ranging from 17-22%, suggesting that Haringey is in-line with expectations. **Education** - A core KPI for the council is ensuring that all schools are at least good and currently rated on the performance wheel as Amber/Green. We have reviewed the Ofsted Inspections for the schools in Haringey and agree with the rating of the KPI indicator: • Of the 11 secondary schools in Haringey 5 are 'outstanding' and 6 are 'good' (5 are Academies) • Of the 56 Primary schools with Ofsted reports available 9 are 'outstanding', 43 are 'good' and 4 'require improvement' (all 4 that require improvement are local authority run)	

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES (Continued)	**Service Area Management** **Adults** – there was an overspend compared to budget of £11.8 million in 2015/16, despite an increased budget compared to the previous year. The Council is taking action to try to address this, including introducing a new brokerage team to facilitate better contract management. Additional programmes of work are underway to ensure savings are made in 2016/17, that the cost of care is reduced and management of demand for the services and the underlying pressures generating this is better managed. These activities need to happen at pace in the coming year and are a priority for Haringey. The Council has utilised the opportunity to raise the 2% precept on Council Tax for Adult social care, which has generated income of £1.7 million. We have benchmarked the Adults budget for 2016/17, with Haringey committing 32% of the Council's budget to this service, compared to a range of 27-41% of its most similar local authorities. Therefore the Council is towards the lower end of the range, which could be contributing to the overspends against budget that are currently being experienced.	

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
INFORMED DECISION MAKING	**Overview of the Council** Haringey Council has a sufficient governance structure in place which ensures adequate rigour and challenge throughout the decision-making processes. The Council operates a Cabinet structure with sub-committees and programme boards tasked with the detailed work, which is then presented back to Cabinet for approval. Members of these groups are provided with timely reports and financial information for each meeting. From a review of minutes and attendance at the Corporate Committee we can verify that members challenge information, ask questions and debate findings before a vote/decision is agreed. The Council's performance management reporting has recently moved to a 'wheel' presentation for monitoring KPI's which has been well received by members and officers. The five key priorities from the Corporate Plan are identified on the wheel and RAG-rated. The reader is then able to focus on the areas of concern and drill down as required. **Governance Suitability** There is a concern that some managers aren't sufficiently commercially-aware. However, managers and members do receive training on budgets and commercial matters to ensure they can actively participate in Cabinet and committee meeting discussions and help to make the right decisions. The Council offers continuous professional development to its staff and members are also welcome to participate. There is a risk that members get linked to particular services due to their backgrounds, but the Leader actively rotates members' roles and her goal is to create a Cabinet which has a good foundation of knowledge for each work area, that is further supported by their areas of background expertise, which will provide greater challenge and debate for future conversations and decision-making processes. Linked members hold one-to-one meetings with service leads on a weekly basis and have a good understanding of where these areas are performing and where they need to improve. The Council ensures value for money is embedded in the decision-making process and that all spend is tracked back to a main priority area. The Corporate Plan was a joint piece of work between the Executive Team and the members, recognising that having everyone supporting the plan is key to its success.	We have no matters to report.

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
INFORMED DECISION MAKING (Continued)	**Risk Management** There isn't a public corporate risk register that goes to Cabinet on a regular basis. Risks are managed at Project Board level and reported to Cabinet on an exceptional basis. In addition, risks are discussed at the informal meetings held by members and the Executive Team and risks are reported to individual boards, but not all will go to Cabinet. The financial implications of risks are appropriately reported, especially as the financial challenges are so significant now.	
WORKING WITH PARTNERS AND OTHER THIRD PARTIES	The Council is working in partnership with other organisations and reviews the use of resources being put into these ventures to ensure value for money is delivered. The major partnerships are: **Waste Management through North London Waste Authority** – this is a consortium approach with 6 options being considered in relation to a new waste facility to replace the current one that is over 45 years old and in need of renewal. The relationship currently appears to be working well, but needs to be monitored over the next year in relation to selection and delivery of the preferred option moving forward. **Fusion -** provides all of the Leisure Services in the borough. Management is satisfied that the relationship is working well and value for money is being achieved, but will continue to review the arrangements moving forward. **Care Homes -** the Council has good relationships with a range of providers and the quality of care is monitored regularly. This is one of the biggest spend areas for the Council and relationships need to be maintained at the same time as future alternative solutions are investigated. **Homes for Haringey -** manage all of the Council's social housing, temporary accommodation and homes for the homeless, including the maintenance of the Council's housing stock. The ALMO is making good service provision and collection rates of rents has improved. **Tottenham Hotspur** – the football club is in the process of building a new football stadium that will be positioned between two new Council / private redevelopment sites. The Council is working with the football club, as it is imperative the different contractors work well together in order that disruption to the community is controlled.	We have no matters to report.

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
WORKING WITH PARTNERS AND OTHER THIRD PARTIES (Continued)	**Health** – the Council feels that the Better Care Fund has been more beneficial to the Clinical Commissioning Group (CCG) than the Council. There are challenging issues at present for the CCGs, as they are going through the process of integrating five CCGs into one CCG. The Council is therefore focusing more on direct relationships with the health service providers, GPs and hospitals, and less so on the CCG at present. The Council will need to renew its relationship with the CCG once their new arrangements are in place and become more embedded. **Police -** are a key strategic partner who work well across services and maintain an active dialogue as developments continue. The Council is particularly working with the Police to reduce the demand on Children's Services and ensure only those who actually require support are referred. **Camden and Islington** – the Council are looking towards Camden and Islington to further develop shared services. They are currently developing a shared IT option that will be a catalyst to improve Haringey's digitalisation and get things moving forward quickly. **Schools** – The Council has a good relationship with it's schools and there is currently a 50/50 split between academies and local authority run schools. Overall the school's have positive assessments provided by Ofsted, with only 4 of the 67 schools rated as 'require improvement'.	

OBJECTIONS

A local elector may inspect, ask questions and object to the accounts on the basis that an item in them is unlawful or there are matters of wider concern arising from the Council's finances. The elector can ask the auditor to apply to the High Court for a declaration that an item of account is unlawful or to issue a report on matters which are in the public interest.

We decide if the matter raised needs investigation and whether a High Court declaration should be sought or a public interest report be issued. If the matter does not warrant either of these outcomes, it may still be a matter that we may wish to raise with the Council.

We issue our audit certificate to close the audit only following the completion of this work. We can issue an opinion on the statement of accounts before the audit is completed if we believe that if the objection were resolved in the objector's favour, this would not affect the accuracy of the statement of accounts.

OBJECTION	NATURE OF OBJECTION AND WORK PERFORMED	FINDINGS AND CONCLUSION
LENDER OFFER BORROWER OFFER (LOBO) LOANS	We have received two objections relating to the lawfulness of the decision to borrow monies through LOBO loans and whether: • Local authorities are able to take out LOBO loans • It was reasonable to take this form of borrowing • The advisors were acting independently and were not conflicted by commissions received. We have requested information from the Council to support the decisions to take out six LOBO loans between 2003 and 2006, totalling £125 million.	This work is in progress. Legal advice obtained suggests that, in the event of the decision to take out these loans being unlawful, it is not clear whether restitution for the lender would require amendment to the financial statements. Therefore, we are not able to provide our opinion on the financial statements until we have been able to conclude this work.

APPENDICES

APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	London Borough of Haringey
'Those charged with governance'	The persons with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for the Council are the members of the Corporate Committee.
Management	The persons responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for: • The financial statements (including designing, implementing, and maintaining effective internal control over financial reporting) • Putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
The 'Code'	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC (Chartered Institute of Public Finance and Accountancy / Local Authority Scotland Accounts Advisory Committee)
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
CIES	Comprehensive Income and Expenditure Statement

APPENDIX II: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Corporate Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

CORRECTED AUDIT DIFFERENCES

There were no differences that have been corrected in the revised draft financial statements that affect the reported surplus for the year. However, a number of amendments to classifications have been made, as detailed in the 'Key Audit and Accounting Matters' section of this report.

UNADJUSTED AUDIT DIFFERENCES

There are two unadjusted audit differences identified by our audit work which would decrease the draft surplus on the provision of services in the CIES by £2.34 million to £37.401 million (from £39.741 million) if adjusted.

The misstatements also impact on the group financial statements.

A schedule of uncorrected audit differences is included on the following pages, with misstatements recorded as factual misstatements, judgemental / estimation misstatements, or projected misstatements. We request that you correct these misstatements.

Management has stated that it considers these identified misstatements to be immaterial in the context of the financial statements taken as a whole.

APPENDIX II: AUDIT DIFFERENCES
UNADJUSTED AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		BALANCE SHEET	
UNADJUSTED AUDIT DIFFERENCES	£'000	DR £'000	CR £'000	DR £'000	CR £'000
Surplus on the provision of services before adjustments (single entity)	(39,741)				
DR Depreciation expenditure (housing revenue account)	4,350	4,350			
CR Council dwellings					(4,350)
DR Capital adjustment account				4,350	
CR General fund movements in reserve statement (to reverse depreciation expense)					(4,350)
Estimation misstatement: potential understatement of depreciation as HRA assets are not componentised and so the full buildings value for HRA properties are depreciated using a useful economic life of 60 years.					
DR Debtors				2,010	
CR Other housing services income	(2,010)		(2,010)		
CR General Fund					(2,010)
Estimation misstatement: potential understatement of housing benefit overpayment debtors					
DR Creditors				3,535	
CR Cash and cash equivalents					(3,535)
Classification misstatement: schools creditor balances that have been recognised by increasing cash balances, rather than consolidated in the creditors balance					
TOTAL UNADJUSTED AUDIT DIFFERENCES	**2,340**	**6,639**	**(2,010)**	**12,184**	**(18,823)**
Surplus on the provision of services if adjustments accounted for	(37,401)				

APPENDIX II: AUDIT DIFFERENCES
UNADJUSTED AUDIT DIFFERENCES

IMPACT ON GENERAL FUND AND HRA BALANCES	GENERAL FUND BALANCE £'000	HRA BALANCE £'000
Balances before adjustments	(19,998)	(39,319)
Adjustments to CIES above	2,010	4,350
Adjustments via movement in Reserves Statement:		
CR Reclassification of depreciation expenses for componentisation of council dwellings		(4,350)
BALANCES AFTER ADJUSTMENTS	**(22,008)**	**(39,319)**

UNADJUSTED DISCLOSURE MATTERS
The following unadjusted disclosure matters were noted: - Liquidity risk note is not prepared on an undiscounted cash flows basis

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
FINANCIAL STATEMENTS					
HRA COMPONENT DEPRECIATION	Management provided us with a high level calculation for what they considered to be the potential misstatement from non-componentisation. Although this calculation was not material, there is a risk that it could become material in forthcoming years.	Management should more fully document evidence to support that the depreciation charges of HRA assets are materially accurate from non-componentisation and this calculation should be reviewed on an annual basis.	Management agrees with the recommendation. The componentisation policy will be reviewed for 2016/17.	Chief Accountant	March 2017
ALEXANDRA PARK AND PALACE VALUATION	Management have obtained formal valuations from Wilks, Head and Eve for Alexandra Park and Palace and recognised this as a prior period adjustment and a consolidation adjustment in the group accounts.	Management should include this material asset within its rolling programme for formal revaluations, and consider annual when the asset is not formally revalued, they should evidence that the carrying values remain materially accurate as at the year-end date.	Agreed, the Council's future valuation programme will include material assets from Alexandra Park and Palace to avoid any future adjustments.	Chief Accountant	March 2017
SCHOOLS BANK LETTERS	A large number of our bank letter requests were initially refused by the bank as the authorisation letters from the schools were not signed in accordance with the bank mandate. Currently there are bank letters for 36 schools which are outstanding.	Management should provide sufficient guidance to the schools to ensure that their authorisation letters are prepared in accordance with the bank mandates.	Management agrees with the audit recommendation, however, they also recommend that in the future the bank letter requests are carried out as early as possible and any bank refusals are communicated with the relevant officers as soon as possible and before the schools summer holidays.	Chief Accountant	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
CONTROL ENVIRONMENT					
JOURNAL HEADERS	Within our review of journals, we identified a number of transactions where there is no description in the header text and this was not identified by management. A further review by the Council following our findings, identified that there were 4,499 journals posted during 2015/16 with no header description.	Management should ensure that all journals posted have a clear description of the nature of the journal. Journals should be reviewed regularly to ensure that naming policies are adhered to.	Management agrees with the recommendation and will be reviewing the journal posting processes to ensure that all journals posted have a clear description.	Chief Accountant	March 2017
BANK RECONCILIATION	Management was unable to provide us with a breakdown of the reconciling items within the bank reconciliations. There are a large number of items included within the reconciling items of the bank reconciliation which have cleared on the bank statement before year end, but are netted off on different clearing codes. For a number of these unmatched items, the corresponding equal and opposite entry is included within a different bank account clearing code.	We recommend that management review their processes for preparing bank reconciliations. They should aim clear down any balances within the clearing codes with equal and opposite entries in order to identify the total population of reconciling items in order to appropriately prepare the monthly bank reconciliations.	Management agrees with the recommendation and will be reviewing the bank reconciliation processes for the future.	Chief Accountant	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
CONTROL ENVIRONMENT					
BALANCES HELD OF BEHALF OF OTHERS	The Council holds a number of funds held of behalf of individuals who are in care. Within our sample of short-term creditors, we selected a balance relating to one individual however no supporting information could be provided for this balance.	Management should review the controls in place for the management of these funds on behalf of others and ensure that supporting documentation is maintained for all year-end liabilities.	Management agrees to review the controls in place for the management of these funds.	Chief Accountant	March 2017
SINGLE PERSON DISCOUNTS	Our test of control on single person discounts identified three incidences where there was no evidence to support the single person discounts in 2015/16, and there are no checks in place to test the eligibility for ongoing claims.	Management should review the control procedures in place for obtaining evidence for single person discounts and annual monitoring of ongoing claims.	Management agrees with the audit recommendations and will strengthen controls around obtaining evidence for single person discounts.	Chief Accountant	March 2017
SIGNED EMPLOYMENT CONTRACTS	Of the 39 employees tested as part of our sample, signed employment contracts were not available for seven (three of these related to schools personnel, and the remaining four are Council employees).	We recommend that management undertake a review of all staff (including schools personnel) to ensure that there is a signed contract in place.	Management agree with the audit recommendations.	HR Director	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
CONTROL ENVIRONMENT					
DECLARATION OF INTERESTS FORMS	Our review of the declaration of interest form identified that it did not explicitly require members to declare if they help any company directorships. Without this prompt it is possible that members will forget to declare any companies of which they are directors on their declaration of interest form.	Management should review the declaration of interest form and ensure that this explicitly requires members to declare any company directorships that they hold.	Management agree with the audit recommendations. Future declarations will be reviewed and clear guidance will be provided with the forms to ensure members are aware of what they need to declare including any company directorships that they hold.	Chief Accountant	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
GOVERNANCE REPORTING					
IMMATERIAL DISCLOSURES	The 2015/16 financial statements included a small number of immaterial disclosures and associated accounting policies. Inclusion of irrelevant or immaterial disclosures in the financial statements decreases the usability of the financial statements and detracts from the required material disclosures.	Management had reviewed the draft statement of accounts prior to presenting to audit to remove most immaterial notes, however the Council should review such disclosures on an annual basis and remove all immaterial disclosures.	Management agrees with the audit recommendations to remove immaterial disclosures.	Chief Accountant	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
USE OF RESOURCES					
SUSTAINABLE FINANCES	Given the uncertainty around future grant funding, demographics and demand pressures Haringey Council's future planning and assumptions appear to be adequate.	The Council need to continue to monitor the control of demand led services, the delivery of the savings necessary to meet the MTFS and the impact of the changes being implemented on the delivery of services, to ensure that there are no unanticipated detrimental outcomes.	Management agrees with the audit recommendations. We are currently compiling a 5 year Medium Term Financial Strategy (MTFS) for the period 2017/18 – 2021/22. In order to build a robust MTFS we have undertaken some detailed modelling on the impacts of demand on Adults and Children's Services and Temporary Accommodation, which will feed into the model. We have also undertaken comprehensive modelling on the implications of council tax and business rates income, to the extent that is possible with the pending changes form 2020. All assumptions will be fully documented as part of the model.	Deputy S151 officer	February 2017

APPENDIX IV: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Materiality	£17,200,000	£17,200,000
Clearly trivial threshold	£500,000	£500,000

Planning materiality of £17.2 million was based on 1.5% of gross expenditure, using the average gross expenditure over the past two years (2013/14 and 2014/15). We had no reason to revise our final materiality level.

MATERIALITY - FINAL AND PLANNING (GROUP)

	FINAL	PLANNING
Materiality	£17,300,000	£17,300,000
Clearly trivial threshold	£500,000	£500,000

Planning materiality of £17.3 million was based on 1.5% of gross expenditure, using the average gross expenditure over the past two years (2013/14 and 2014/15). We had no reason to revise our final materiality level.

APPENDIX V: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Leigh Lloyd-Thomas – Engagement lead	1	31 March 2021
Andrew Barnes – Audit manager	1	31 March 2026

APPENDIX V: INDEPENDENCE

Continued

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

Other than the items identified above and in Appendix VI, we have not identified any potential threats to our independence as auditors. We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX VI: FEES SCHEDULE

	2015/16	2014/15		
	£	£	THREATS TO INDEPENDENCE ARISING	SAFEGUARDS APPLIED AND WHY THEY ARE EFFECTIVE
Audit fee	206,475	N/A	N/A	N/A
Certification fee (Housing benefits subsidy claim)	33,190	N/A	N/A	N/A
TOTAL AUDIT FEE	239,665	N/A		
TOTAL ASSURANCE SERVICES	239,665	N/A		

APPENDIX VII: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
55 Baker Street
London
W1U 7EU

xx September

Dear Sirs

Financial statements of the London Borough of Haringey for the year ended 31 March 2016

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2016 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Operating Officer has fulfilled her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2016 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Other than already disclosed, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

APPENDIX VII: DRAFT REPRESENTATION LETTER
Continued

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the following significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable:

- Fair value of land and buildings
- Depreciation
- Assumptions underpinning the reported pension liability (as reported in note 37 of the financial statements)

Specifically for property, plant and equipment we confirm that:

- The useful economic lives for buildings as advised by the valuer are appropriate to the future intentions and planned usage of the asset by the Council
- That the basis of valuation methods applied by the valuer for the valuation of specialised buildings using modern equivalent assets are appropriate
- Information provided by the valuer in respect of the componentisation of property, plant and equipment for significant components of assets with differing asset lives is appropriate for estimating the Council's depreciation charges.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Tracie Evans

Chief Operating Officer

Cllr Barbera Blake

Corporate Committee Chair

Signed on behalf of the Corporate Committee

APPENDIX VIII: AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

We seek to make improvements and address weaknesses identified from both external and internal quality reviews. Where issues have been identified an action plan is put in place. These plans may relate to individual assignments, individual offices to be firm-wide and in each instance the outcome of these actions is subject to monitoring and have been the subject of our analysis of root causes. The actions may include, but are not necessarily limited to , one or more of the following:

- The implementation, where appropriate, of relevant training for the engagement team where the issue is team specific;
- The revision and production of additional guidance in connection with the firm's audit approach where we identify that an issue is more wide-spread;
- The development and delivery of firm-wide training;
- Amendments and/or enhancements to stream policies and procedures.

FOR MORE INFORMATION:

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