Philip Slawther,
Principal Committee
Co-ordinator

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11 March 2021

To: All Members of the Corporate Committee

Dear Member,

Corporate Committee - Wednesday, 17th March, 2021

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

8. STATEMENT OF FINAL ACCOUNTS 2019-20 & AUDIT COMPLETION REPORT (PAGES 1 - 250).

- Covering Report
- Audit Completion Report
- Draft Statement of Accounts 2019-20

Yours sincerely

Philip Slawther
Principal Committee Co-ordinator

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Agenda Item 8

Report for:	Corporate Committee 17 March 2021
Title:	2019/20 Statement of Accounts
Report authorised by:	Jon Warlow, Director of Finance (S151 Officer)
Lead Officer:	Kaycee Ikegwu, Head of Finance & Chief Accountant Sahr Kamanda, Deputy Chief Accountant Kaycee.ikegwu@haringey.gov.uk 0208 489 5560
Ward(s) affected:	N/A
Report for Key/ Non Key Decision:	Non Key decision

1. Describe the issue under consideration

1.1. To present the Statement of Accounts for 2019/20 following the completion of the external audit.

1.2. For those charged with Governance (the Corporate Committee) to consider the statutory Annual Report 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 2019/20, 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 gives the Chair of the Committee and Chief Finance Officer (S151 Officer) authority to sign the letter of representation to the Auditor.

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

4. Reason for Decision

4.1. Approval of the Council's accounts is a non-executive function fulfilled by the Corporate Committee.

5. Other options considered

5.1. None.

6. Background information

6.1. The preparation and audit of the annual statement of accounts is a statutory requirement of the Accounts and Audit (England) Regulations 2015. The draft accounts must be prepared and certified by 31 May by the Chief Financial Officer that it represents a true and fair view of the financial position of the Council. This deadline was revised to 31 August 2020, and the draft account was published on the 29 June 2020, ahead of the revised date. These draft accounts are available for review on the external website.

6.2. The statutory position is that by no later than 31st July each year the accounts must be audited, amended as required, considered by the appropriate committee responsible for audit and published. This deadline was also revised to 30 November.

6.3. Due to the impact of COVID-19, the Auditors are also still undertaking their review and the Auditors "Audit Completion Report" for 2019/20 will also need to be circulated separately ahead of the meeting.

6.4. Since the draft accounts were published, a few issues have been identified that require changes to be made. These have been identified by officers & the Auditors or arisen as a consequence of post balance sheet events.

6.5. 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 Financial Reporting Standards (IFRS).

Statement of Accounts 2019/20

6.6. The Accounts show the financial position of the Council (the single entity accounts) and the "Group" which comprises the Council itself plus its share of any controlled Companies. The Council incorporates Homes for Haringey, Alexandra Park & Palace Charitable Trust, and Alexandra House Wood Green Limited within its Group Accounts. The following paragraphs give a brief overview of the statements to facilitate navigation of the document:

a) **The Narrative Report** provides commentary on the financial and nonfinancial performance of the Council, highlights most significant matters reported in the accounts as well as looking at future developments and challenges for the Council and key strategic risks. The narrative report is not formally part of the Statement of Accounts and is not therefore covered directly by the statutory requirements for an audit opinion.

b) **The Core Statements** comprising:

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 different from the standard management accounts reported to Members through the year.

The Expenditure and Funding Analysis (EFA) shows:

- the income and expenditure chargeable to General Fund and HRA balances; and
- adjustments required to prepare accounts on a generally accepted accounting basis.

The objective of the EFA is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. council tax, housing rents, business rates and central government grant) has been used in providing services in comparison to those resources consumed in accordance with generally accepted accounting practices. The EFA shows how the resources have been allocated for decision making purposes. The EFA is not a primary statement but has been included with the Core Statements to give prominence to this important note.

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 2020. It shows the movement in both useable and un-useable reserves including Earmarked Reserves.

The Balance Sheet lists the financial value of the assets and liabilities of the Council as at the end of March 2020.

The Cashflow Statement shows movement during the year based on cash transactions (rather than the accruals basis used in the

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

c) Notes to the Accounts

The Notes to the Accounts provide more detail behind the figures in the four main statements above and the EFA. The references on the statements direct the reader to the relevant note(s).

d) Subsidiary Statements

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 **Collection Fund** is a separate account detailing Council Tax collection (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.

e) The Pension Fund Accounts

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 2020. 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, and annual report was reported to the Pension Committee & Board meeting on 04 March 2020.

Also published with the Statement of the Accounts is the Annual Governance Statement (AGS). The AGS sets out the governance structure of the Council and, its key internal controls.

External Auditor's "Audit Completion Report"

6.7. The purpose of the BDO LLP Report is to detail their findings and matters arising during the course of auditing the financial statements. Due to the revised timetable for producing the annual accounts, the report was not able to be included as part of this documentation – but instead will be circulated ahead of the Committee meeting. It will include key audit issues, value for money conclusions and an agreed management action plan. The Auditors will also make an oral presentation of their findings to the Committee and will be able to respond to questions from Members.

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6.8. Whilst the auditors have identified several amendments to the accounts, there are no areas of dispute between the Council and the auditors. The audit has been extremely thorough, and we expect BDO to highlight areas where improvements to controls could be made which would further minimise the chance of misstatement within the accounts for future years. The Council will consider the points raised and, where agreed, prepare an action plan to bring about those improvements. Delivery of the action plan will be closely monitored, and progress reported to Corporate Committee.

Next Steps

6.9. BDO LLP are required to give their opinion on the accounts by 31 March 2020 so any outstanding work on the audit needs to be completed before then.

6.10. The Chief Financial Officer and the Chair of the Corporate Committee are required to sign a letter of representation to acknowledge their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. This will be done as soon as practical but before the 31 March 2020.

7. Contribution to Strategic Outcomes

7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1. As this report details a financial subject matter, finance comments are made throughout the content of this report.

Legal

8.2. The Statement of Accounts has been produced in accordance with the Accounts and Audit (England) Regulations 2015 and the Chartered Institute of Public Finance (CIPFA) Code of Practice, industry best practice principles and there are no areas of dispute between the Council and the auditors. Accordingly, there are no direct legal implications arising from the report.

Equalities

8.3. There are no equalities issues arising from this report.

9. Use of Appendices

Appendix 1 – Audit Completion Report 2019/20
Appendix 2 – Draft Statement of Accounts 2019/20

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Report to the Corporate Committee

LONDON BOROUGH OF HARINGEY COUNCIL

Audit Completion Report

Year ended 31 March 2020

IDEAS | PEOPLE | TRUST

BDO

CONTENTS

WELCOME

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We have pleasure in presenting our Audit Completion Report to the Corporate Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Corporate Committee. At the completion stage of the audit it is essential that we engage with the Corporate Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Corporate Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Corporate Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Leigh Lloyd-Thomas

10 March 2021

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This summary provides an overview of the audit matters that we believe are important to the Corporate Committee in reviewing the results of the audit of the financial statements and use of resources of the Council for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Our audit work is substantially complete and subject to clearance of outstanding matters on page 71, we anticipate issuing our opinion on the financial statements and use of resources for the year ended 31 March 2020 by the end of March 2021.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified after our updated Audit Planning Report was issued in July 2020.

No restrictions were placed on our work.

Audit report

Subject to clearance of the outstanding matters, we anticipate issuing an unmodified audit opinion on the Council and consolidated Group financial statements.

We are proposing to issue an unqualified use of resources conclusion.

We will report an emphasis of matter in our audit report in relation to the material uncertainty around PPE and Investment Property valuations.

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Final materiality

Group and Council final materiality was determined based on gross expenditure.

We have increased our Group materiality slightly from £16.1 million to £16.4 million (Council materiality £14.8 million) as a result of an increase in final outturn of gross expenditure compared to the prior year.

Audit adjustments

There were nine audit differences identified by our audit work that were adjusted by management.

These adjustments reduced the Council's draft deficit on the provision of services by £0.4 million (from £6.788 million to £6.388 million) and increased net assets by £7.4 million.

The Group draft deficit on the provision of services increased by £5.9 million (from £12.162 million to £18.062 million) and increased net assets by £1.1 million.

There was no impact on the Council's General Fund balance as a result of these adjustments but the HRA balance decreased by £5.300 million (to £10.282 million) as a result of these adjustments.

Unadjusted audit differences

The remaining audit differences identified by our audit if corrected would decrease the Council and Group's deficit on the provision of services for the year by £0.141 million (Council deficit decreased to £6.247 million and Group deficit decreased to £17.921 million).

Net assets would increase by £1.923 million for both the Council and Group.

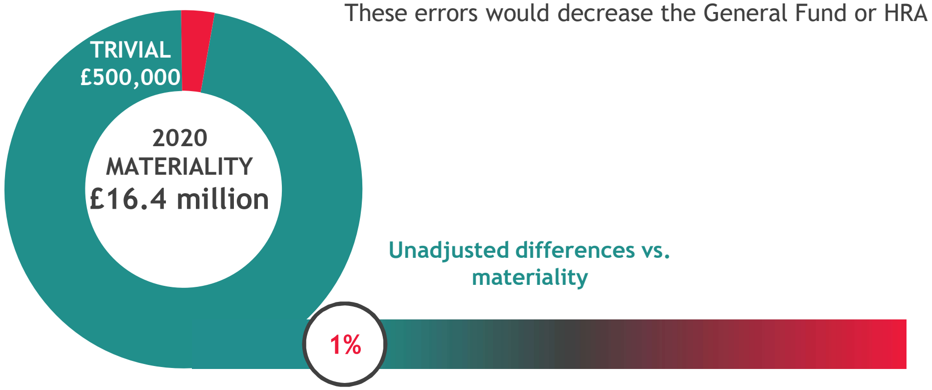
These errors would decrease the General Fund or HRA balances by £0.859 million.

Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the Group in accordance with ISA (UK) 600 Audits of Group Financial Statements.

We have audited the Council's financial statements under the NAO Code of Audit Practice.

Homes for Haringey is audited by PWC and Alexandra Park and Palace Charitable Trust is audited by Haysmacintyre.



OTHER MATTERS
Executive summary

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Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- We noted that the 'revenue spending in 2019/20' outturn does not appear to be consistent with the Expenditure Funding Analysis (EFA) for expenditure before accounting adjustments. This chart should be consistent with the EFA since the EFA is the 'segmental reporting' analysis for management accounts outturn. Management has confirmed that the narrative report will be amended to take account of these issues in the final version of the financial statements.
- We noted that the impact of COVID-19 narrative was out-of-date and should be updated to reflect the current position. Management has confirmed that the narrative report will be amended to take account of these issues in the final version of the financial statements.
- With the exception of the issues above, we are satisfied that other information in the Narrative Report is consistent with the financial statements and our knowledge.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Group and the Council in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

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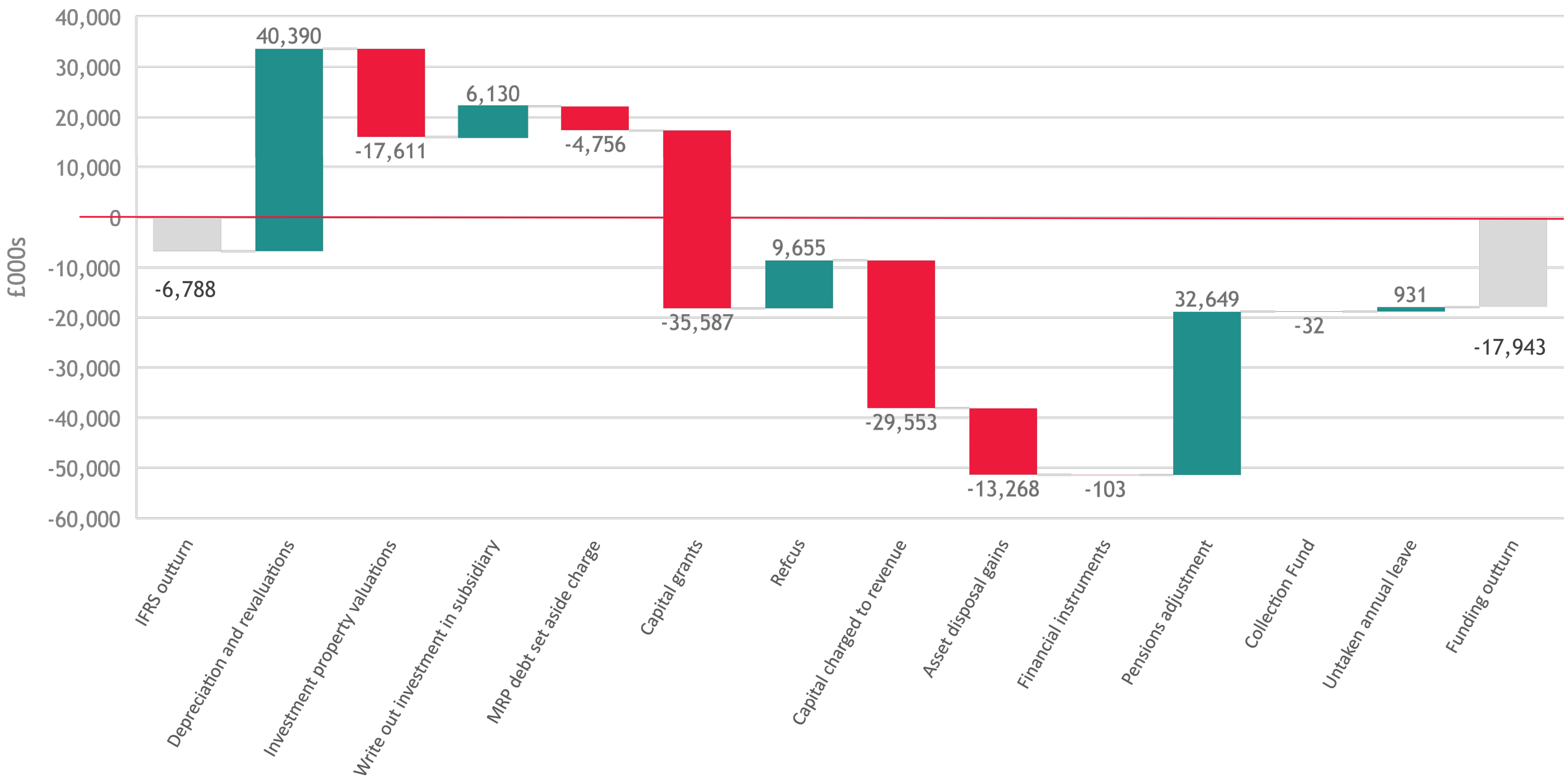
Reconciliation of Draft CIES accounting outturn to funding outturn

The chart below highlights the statutory adjustments made to the CIES reported ‘deficit on the provision of services’ of £6.8 million (based on IFRS financial reporting requirements), per the draft accounts and before any audit adjustment, to the funding outturn deficit of £17.9 million.

This includes adjustments to remove capital charges and gains (such as depreciation, revaluations, write out of capital investments and asset disposals) and replace with the statutory Minimum Revenue Provision, remove capital grants received and revenue funded from capital resources, include capital expenditure charged to revenue and replace the IAS 19 based pension costs for the year with amounts payable to the pension fund.



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CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

Contents

The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of Local Government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this corporate guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

Going concern

In respect of going concern, the Chief Finance Officer is required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information, sensitivity analysis (which may require additional and/or different potential variances to be included) and compliance with bank and other covenants will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern that the Chief Finance Officer is required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity’s resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).
- If the Chief Finance Officer considers that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government’s commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by public sector entities. However, the assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor’s review of Chief Finance Officer’s assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report. While our assessment is iterative, our current view is that management has a good understanding of the impacts of coronavirus on year end reporting and auditing and the budget requirement in the coming years.

Grant funding

Grant funding received before 31 March 2020 to fund expenditure related to the Coronavirus pandemic will need to be assessed for conditions and recognised in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Valuations of financial and non-financial assets and liabilities

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

Subsequent events disclosure

Significant income and expenditure incurred as a result of the Coronavirus pandemic after 31 March 2020 and up to the date of signing may need to be disclosed as a non-adjusting post balance sheet event, if considered of such importance as to affect the ability of users of the financial statements to make proper evaluations.

Narrative reporting implications

The Annual Governance Statement should clearly set out the risks arising from Coronavirus.

Local authorities will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Statement of Accounts.

Other guidance

The National Audit Office (NAO) has published a Guide for audit committees on financial reporting and management during the Cornavirus pandemic. This guide aims to help audit committee members support and challenge the organisations they work with in the following areas: annual reports, financial reporting, control environment and regularity of expenditure.

The NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/

Implications for auditors

As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk:

- Valuation and disclosure of financial and non-financial assets including property, plant and equipment (PPE), investment properties, intangibles, investments and accounts receivable
- Going concern and/or working capital assessment and disclosure
- Risk disclosures
- Subsequent event disclosures.

Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:

- Consider the impact on the audited entity
- Consider alternative ways of working including the use of our technology
- Consider implications for the quality of audit evidence and reporting.

Valuers are also encouraged by updated RICS guidance to include caveats within valuation reports relating to potential material uncertainties in their assessed valuations. In these cases, such caveats should be included within the financial statements and may be referred to by the auditor in their opinion/report.

AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated March 2020 and updated Audit Planning Report dated July 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on the overall audit strategy, allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant management estimate or judgement	Use of experts	Error identified	Significant control findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Revenue recognition	Significant	No	No	No	No	No
Expenditure cut-off	Significant	No	No	No	No	No
Valuation of PPE and investment property	Significant	Yes	Yes	Yes	Yes	Significant issues: • Significant number of data errors in valuations Representations on key valuation assumptions
Valuation of pension liability	Significant	Yes	Yes	No	No	Representations on key actuarial assumptions
Non-current asset acquisitions	Significant	No	No	Yes	No	No
Reconciliation of bank accounts	Significant	No	No	Yes	Yes	Significant issues: • Full and complete bank reconciliation
Allowance for non-collection of receivables	Significant	Yes	No	Yes	Yes	Representations on collection rate assumptions
Going concern	Significant	No	No	No	No	No
Related party transactions	Normal	No	No	No	No	No

Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

Contents

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

- Significant risk
- Normal risk
- Significant management estimate or judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant control findings to be reported
- Letter of representation point

Risk description

The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Considered estimates and judgements applied in the financial statements to assess their appropriateness and the existence of any systematic bias;
- Reviewed and checked high value and unusual journal entries made in the year and agreed the journals to supporting documentation. We determined key risk characteristics to filter the population of journals and used our IT team to assist with the journal extraction; and
- Considered unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our views on significant management estimates are set out in this report and does not indicate any evidence of systematic bias in preparing the financial statements.

Our audit work on journals and estimates did not identify any issues.

The remaining unadjusted audit differences do not indicate bias or deliberate misstatement.

Conclusion

We have not identified any significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

REVENUE RECOGNITION

Auditing standards presume that income recognition presents a fraud risk.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Under auditing standards there is a presumption that income recognition presents a fraud risk.

We consider there to be a significant risk in respect of the existence (recognition) of grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).

Work performed

We tested a sample of revenue and capital grants included as income in the CIES to supporting evidence from grant paying bodies and checked that the recognition criteria had been met.

Results

Our audit testing did not identify any issues.

Conclusion

We are satisfied that grant income is supported by appropriate audit evidence and that the income has been appropriately recorded as income in the CIES.

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EXPENDITURE CUT-OFF

For public sector bodies the risk of fraud related to expenditure is also relevant.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition.

For net-spending bodies in the public sector there is also risk of fraud related to expenditure.

Work performed

We have tested a sample of expenditure either side of year end, to confirm that expenditure had been recorded in the correct period and that all expenditure that should have been recorded at year end had been.

Results

Our audit work confirmed expenditure has been recorded in the correct period did not identify any issues.

Conclusion

We have not identified any indication of fraudulent expenditure recognition in our work performed.

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PPE AND INVESTMENT PROPERTY

Contents

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Significant risk	■
Normal risk	
Significant management estimate or judgement	■
Use of experts	■
Unadjusted error	■
Adjusted error	■
Additional disclosure required	■
Significant control findings to be reported	■
Letter of representation point • Investment property yields and rebuild cost indices	■

Risk description

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

RICS has issued guidance to valuers regarding material uncertainties in valuations due to prevailing market conditions. A RICS Material Valuation Uncertainty Leaders Forum meets weekly and regularly provides updates to practitioners.

The Council's valuers are engaged to provide valuations at 31 January and to refresh these valuations to 31 March. There is a significant risk that the valuers will not be able to provide valuations without reporting a material uncertainty over certain classes of assets.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed the accuracy and completeness of information provided to the valuer;
- Reviewed assumptions used by the valuer in light of the prevailing market conditions to support the valuations including any material uncertainty for classes of assets; and
- Followed up valuation movements that appeared unusual or outside of our expectations.

Emphasis of matter in the audit report

As noted above, RICS issued guidance to valuers regarding material uncertainties over valuations of land and buildings due to prevailing market conditions as a result of the coronavirus pandemic. The valuers responsible for valuing land and building included material uncertainties over their valuations in their reports as at 31 January 2020 and in their market review as at 31 March 2020.

Management are considering the additional disclosures for the financial statements in order to clearly describe the types of assets that fall within the valuers material uncertainty. We will refer to these disclosures as an emphasis of matter in our audit report as the matter is of such importance that it is fundamental to users' understanding of the financial statements (albeit our opinion is not qualified).

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PPE AND INVESTMENT PROPERTY

Contents

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Results

Our review of instructions to the valuer did not identify any issues.

We concluded that the valuer was suitably qualified and experienced to undertake valuations under the Code valuation methodology. However, we refer you to some concerns on the following pages regarding the basis of providing beacon valuations for housing dwellings and other issues we found over inputs used and assumptions for some valuations.

Our review of the basis of valuations for assets valued in year identified that one community asset at £328,000 had been incorrectly classified as other land and buildings and valued on an Existing use basis. This should be recorded at Depreciated Historic Cost that we believe to be £1. Management has not corrected this (Unadjusted Ref#7). There was also an Asset under Construction at £8.35 million had been incorrectly classified as Council dwellings. Management has confirmed this will be corrected (Adjusted Ref#8). We conducted further review and did not identified any other misclassifications.

Our review of the accuracy and completeness of the data and inputs used by the valuer identified a significant number of errors:

- Investment property and surplus assets rent errors resulting in a net valuation understatement of £1.9 million (Adjusted Ref #1) and a further projected error of £2.1 million for investment properties and £0.3 million for surplus assets (Unadjusted Ref#1) – further details on page 17.
- Non-school building size errors on depreciated replacement cost valuation resulting in a net valuation overstatement of £4.0 million (£4.4 million overstatement Adjusted Ref#2 and £0.4 million understated Unadjusted Ref#2) and a further projected error of £1.4 million overstated valuation (Unadjusted Ref#2) – further details on page 18;
- School building size errors on depreciated replacement cost valuations resulting in a net valuation understatement of £18.2 million (£18.1 million Adjusted Ref#3 and £0.1 million Unadjusted Ref#3) and a further projected error of £3.1 million (Unadjusted Ref#3) – further details on page 19; and
- Incorrect BCIS rebuild cost rates had been used for two schools that resulted in an understatement of £332,000 of schools (Unadjusted Ref#4) – further details on page 19.

We are currently reviewing whether these were also errors in the prior year and, if material, would require a restatement of the prior year valuations.

The results of our review of the significant assumptions and estimates used by the valuer for classes of assets are reported on the following pages.

PPE AND INVESTMENT PROPERTY

Contents

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Work outstanding

We are currently reviewing a number of remaining property valuations where the movement since the previous valuation is outside of our expectations using benchmark market data. This may result in additional errors that we will bring to your attention at the Corporate Committee meeting.

Representations required

We have sought specific representations over material assumptions used in the valuations including investment property yields and rebuild cost indices.

Conclusion

Work outstanding noted above regarding remaining outlier asset valuations to be completed before we are able to conclude on the valuations of land, buildings, dwellings and investment property valuations.

We have reported a significant control weakness over the accuracy of data used by the valuer to provide materially accurate valuations over Property, Plant and Equipment and Investment Property.

PPE AND INVESTMENT PROPERTY

Significant estimate – Investment properties and surplus assets

Contents

Investment property £89 million and surplus assets £13 million

< lower — **Impact of assumptions on the estimate** — higher >

Investment properties and surplus assets are valued by reference to highest and best use market value using an income based approach. These valuations are based on the current passing rents for existing lease terms, expectations about future rents at the next rent review, market driven yield expectations for similar properties and the covenant strength of the existing leases. The significant valuation assumption is the market yield applied to the rents.

Investment properties increased in value by £18.1 million (to £88.6 million) driven primarily by revaluation gains of £17.6 million. Surplus assets increased in value by £1.4 million (to £12.9 million) with revaluation gains of £4.6 million.

We set expectations on the valuation movement for the portfolio based on year-end market trends by property type (such as office, retail or industrial). For those properties where the valuation movement was outside of the expected range, we reviewed the valuer's calculations and assumptions. We also selected all material properties and a sample of others to review the accuracy and completeness of the data inputs used by the valuer. This review has identified the following errors:

- 7 High Street – incorrect lease terms has been used and the asset valuation has been overstated by £13,700
- 532 - 538 Lordship Lane – incorrect rental income has been used and the asset valuation has been overstated by £1,000
- The Laurels, 256 St. Anns Road – incorrect lease terms has been used and the asset valuation has been overstated by £1.9 million
- Storage Depot, 61-69 Western Road – incorrect rental income has been used and the asset valuation has been overstated by £2,700
- Somerset Road, Tottenham Green Workshops – incorrect rental income has been used and the asset valuation has been overstated by £104,300.

As these errors all relate to input data errors (rents used and lease term) and similar errors may exist across all similar properties, we have extrapolated this error rate across the remaining population and have estimated that there may be further valuation errors of £2.1 million for investment properties and £0.3 million for surplus asset. The total projected error is £4.4 million understated valuations.

Management has agreed to correct the £1.9 million error for The Laurels, 256 St. Anns Road and the remaining errors and extrapolated errors have not been adjusted.

The Council has classified the basis of valuation as fair value level 2 (using data that can be agreed to similar benchmark and observable data). At the adoption of IFRS 13 for fair value measurements, CIPFA did suggest that investment properties could be classified as level 2. However, the real estate sector has since agreed that investment properties should be disclosed as level 3 fair value measurements because there are inputs to the valuations that are often not identical to market and benchmark data, where the valuer is making certain estimate adjustments and judgements to the valuation (e.g. covenant strength of tenant, passing rent etc). Management is content that these should be level 2 and we do not consider this to materially affect the disclosures required or the valuation of the investment properties.

Other than the errors above, we concluded that the valuations for investment properties and surplus assets are reasonable and market rate yields applied are appropriate.

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PPE AND INVESTMENT PROPERTY

Significant estimate – Non-school other land and buildings

Contents

Non-school land and buildings £259 million

< lower	Impact of assumptions on the estimate	higher >

Non-school other land and buildings increased in value by £70.4 million and included revaluation gains of £12.8 million.

For operational, non-specialised properties, these valuations may be based on:

- income approach using the current net profits for the assets at market driven yield expectations for similar types of assets (eg car parks, markets); and
- recent market sales prices for similar assets adjusted for size and condition.

The significant valuation assumptions are the market yield applied to net profits and sales of similar properties.

For specialised properties, they do not have a market value due to their specialised nature are valued on a depreciated replacement cost basis. This valuation estimates the cost of replacing the 'service potential' of that asset using modern materials and adjusted to reflect the age and obsolescence of the asset to reflect its remaining useful economic life.

We set detailed expectations for year on year valuation movements in asset values, taking into account various external sources of information tailored to the individual assets that were revalued. For those assets where the valuation movement was outside of the expected range, we reviewed the valuer's calculations and assumptions. We also selected all material properties and a sample of others to review the accuracy and completeness of the data inputs used by the valuer. This review has identified the following errors:

- Park Lane Children's Centre, Woodside Children's Centre, Triangle Children's Centre, Russell Park (Noel Park Play Centre), 108 Tangmere, Hornsey Central Library, Chestnuts Park (public convenience), Care Home, 75 Fortis Green and Tottenham Sports Centre - incorrect floor areas have been used in the calculation which has resulted in a net understatement of £378,800;
- Ashley Road Depot – incorrect floor area has been used in the calculation which has resulted in an overstatement of £684,000; and
- Pendarren House – incorrect floor area and allowance for age and obsolescence were used in the valuation calculation that resulted in a overstatement of £3.7 million. The valuer had applied the standard age and allowance reduction cap that should be overriden in the event that a building requires significant work or is subject to dilapidation. In this case, the Council has stopped using this building due to significant structural and repair work required to make it operational.

As these errors all relate to input data errors (building size / age allowance) and similar errors may exist across all similar properties, we have extrapolated this error rate across the remaining population and have estimated that there may be further valuation errors of £1.4 million for non-school land and buildings. The total projected error is £5.4 million overstated valuations.

Management has agreed to correct the errors on Ashley Road Depot and Pendarren House totalling £4.4 million and the remaining errors and extrapolated error have not been adjusted.

Other than the errors above, we concluded that the valuations for non-school land and buildings are reasonable.

PPE AND INVESTMENT PROPERTY

Significant estimate – Schools

Schools land and buildings £606 million

< lower | Impact of assumptions on the estimate | higher >

Schools have increased in value by £12.1 million with the revaluation gains of £14.2 million.

Schools do not have a market value due to their specialised nature are valued on a depreciated replacement cost basis. This valuation estimates the cost of replacing an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

The valuer has used tender rebuild prices provided by RICS (using mean prices for January 2020) with a Haringey location cost adjustment, using an appropriate rebuild cost per square foot for each type of property. The valuer has applied an ageing adjustment using the original build date of the property and standard useful economic lives for each type of property to reflect the percentage of the remaining economic live, with ageing only coming into effect after the first 10 years of its construction as little ageing in the building is expected in these initial years. The key input to the depreciated replacement cost valuations is the size of the building and the key estimate is the rebuild cost to be applied.

We set detailed expectations for year on year valuation movements in asset values by comparing changes in build cost and location cost adjustment factor for 2019/20. For those assets where the valuation movement was outside of the expected range, we reviewed the valuer's calculations and assumptions. We also selected all material schools and a sample of others to review the accuracy and completeness of the data inputs used by the valuer. This review has identified the following errors:

- North Harringay Primary School and Broadwater Farm Primary School Junior (The Willow) – incorrect build cost was used in the calculation which has resulted in an understatement of £332,000; and
- Belmont Infants & Juniors, Welbourne Primary School, Lea Valley Primary, South Harringay Infant School, St Aidans Primary School, Bounds Green Infant & Junior Schools, Campsbourne Infant & Junior Schools, Highgate Wood Secondary, Hornsey School For Girls, Mulberry Primary, Rhodes Avenue Primary, Stroud Green Primary, Tetherdown Primary, Coleridge Primary School, Seven Sisters Primary School and Coldfall Primary School – incorrect floor area is used in the calculation which has resulted in an understatement of £18.2 million.

As these errors all relate to input data errors (building size) and similar errors may exist across schools, we have extrapolated this error rate across the remaining population and have estimated that there may be further valuation errors of £3.1 million for school land and buildings. The total projected error is £21.3 million understated valuations.

Management has agreed to correct the Highgate Wood Secondary, Hornsey School For Girls, Tetherdown Primary, Coleridge Primary School, Seven Sisters Primary School and Coldfall Primary School errors which make up £18.1 million of the total £18.2 million understatement and the remaining errors and extrapolated error have not been adjusted.

Other than the errors above, we concluded that the valuations for school land and buildings are reasonable.

PPE AND INVESTMENT PROPERTY

Significant estimate – Council dwellings

Contents

Council dwellings £1,385 million

< lower | Impact of assumptions on the estimate | higher >

Council dwellings have increased in value by £60.7 million including revaluation gains of £27.7 million.

Council dwellings are valued at open market value and adjusted to 25% of this valuation to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by DCLG in 2016 for regional (London) differences between market rents and social rents. The valuer has adopted the Beacon approach when valuing the council dwellings, where the properties are allocated into relevant Beacons (for similar types of properties) and valued by reference to recent sales data for similar properties. Beacons are valued on a 5-year rolling programme with approximately 20% revalued each year. The remaining properties not revalued in year are adjusted by local price indices such as data provided by the Land Registry.

The valuer has undertaken a review of 80 (19%) Beacon properties as at 31 January 2020 that reported an overall increase in valuation of 3.18%. The remaining properties have been indexed upwards by 4.3% to 31 January 2020 based on an average of the Beacons that were subject to revaluation in year and applying professional judgement for any movements in the market. A further uplift of 1% has been applied to all dwellings to reflect price movements from 31 January to 31 March 2020.

The key input to the valuation is the allocation of all dwellings into an appropriate Beacon. For a sample of dwellings we confirmed that these were allocated to an appropriate Beacon by reference to location, architype and number of bedrooms.

The key estimates are the open market value of a Beacon by reference to recent similar sales for revalued Beacons or housing indices used for properties not revalued in year.

We assessed the reasonableness of the overall valuation movement using London house price index data from Halifax and Nationwide, Land Registry data as well as other publicly available external residential market data for London from Savills and the GLA London Datastore. This confirmed that the indexation of +4.3% from January 2019 to January 2020 and additional uplift of +1% to March was reasonable.

We reviewed a sample of Beacon valuations to data used by the valuer to confirm that appropriate similar recent sales had been used.

For those beacons that were outside of the expected range, we have conducted further market research and discussed our findings with the valuer. This found instances where the movement in year could not be explained by local factors and indicated potential errors in either the previous or current valuation. For example, following a review of housing stock data in 2018/19 some properties were found to have incorrect bedroom numbers and resulted in some new Beacons being created. One such property (4 bed flat Crouch Hall Road) was valued last year at open market value of £620,000 and this year valued at £1.313 million (increase +112%) based on the sale of one similar property at £1.4 million. Clearly this flat has not increased by this amount in 2019/20 and the valuer noted that last year's valuation was based on general values and was not inspected.

Another example outlier the Beacon property 1 bed flat in Weir Hall Avenue last valued in 2016 with annual indexation to January 2019 valuing this at open market value of £282,000. This year's valuation is £180,000 (decrease 36%) based on the sale of one similar property at in The Weymarks at £180,000. It is unlikely that this property has fallen in value by this amount in 2019/20.

(continued over)

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PPE AND INVESTMENT PROPERTY

Significant estimate – Council dwellings

Contents

Council dwellings £1,385 million

We note that the valuer had sometimes used only one comparable sale to support the Beacon revaluation (for 27 of the 80 Beacons) and provided little additional evidence for us to review and assess whether further adjustments should be made to the comparable property sold for issues such as price movements from the date of sale to the date of valuation, size differentials or specific location adjustments for the property. With other valuers we usually observe that they use a minimum of three recent similar sales to value the property and a clear explanation of any differences (and price adjustments) made for date of sale and other property specific adjustments for size, specific location, standard of decoration, access to gardens etc.

This is likely to result in larger variances for re-priced Beacons and may account for the larger outlier movements for revalued Beacons in each year. We consider that more than one comparable sale should be used to re-price Beacons along with more granular data to compare the Beacon with the properties used as comparable sales.

In response to the two outlier valuations we queried on the previous page, the valuer has stated: they consider that the values reported from the comparable review have no errors and that previous valuations are also creditable which have subsequently been indexed. There will inevitably be fluctuations within the stock but what the Beacon approach attempts to ensure is that over the whole profile these are within reason as everything is reviewed at least once every five years with indexation accounting for the different years. Again I reiterate, the fact that there is only a 2% difference between the indexation movement and the comparable shows that the beacon methodology on a rolling basis is an appropriate method for report HRA stock valuations.

Overall, we are satisfied that the valuation of Council dwellings is within a reasonable range. The indexation applied to properties not subject to revaluation this year is consistent with external data on house price movements for the borough and North London. The outlier valuations comprise 10 Beacons with a fall greater than 10% (233 dwellings and reduction £5.5 million at discounted social rents value) and 25 Beacons with an increase greater than 10% (1,087 dwellings and increase £14.7 million at discounted rents value), although the average increase of 3.18% is reasonably consistent with the average index price increase of 4.3%. A difference of 1.1% between the re-priced Beacons this year and the indexed properties is within a reasonable tolerance range but may indicate that the application of the index in recent years may have accelerated valuation above actual local prices to some degree, and that the overall valuation may have now moved towards a more optimistic position within this range.

VALUATION OF PENSION LIABILITY

Contents

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	■
Normal risk	
Significant management estimate or judgement	■
Use of experts	■
Unadjusted error	
Adjusted error (disclosure)	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point • Financial and mortality actuarial assumptions	■

Risk description

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability. In the 2019/20 financial statements the estimate will be based on the submission of membership data from the 2019 triennial valuation exercise that has been completed for the LGPS.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

Work performed

We carried out the following planned audit procedures:

- Reviewed the competence of the management expert (actuary);
- Checked the accuracy and completeness of the data set submitted to the actuary for the 2019 triennial valuation of the LGPS;
- Reviewed the controls for providing accurate cashflow data (contributions, benefits paid and fund returns) to the actuary for 2019/20;
- Checked whether any significant changes in membership data had been communicated to the actuary; and
- Reviewed the reasonableness of the assumptions used by the actuary (management's expert) for the calculation of the liability against other local government and actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by our consulting actuary (auditor's expert).

Results

We are satisfied that the actuary has the appropriate skills and experience, and has applied the appropriate technical actuarial standards to calculate the Council's LGPS funded and unfunded pension liabilities.

We reviewed the accuracy of the data provided to the actuary for the 2019 triennial valuation. The final report from the actuary indicated that after the data validation stage, the membership data submitted by the Fund for the 2019 valuation was suitable for the purpose of the funding valuation. This membership data is rolled forward for use in the 31 March 2020 accounting valuation. Our sample testing of member records found no issues over data provided to the actuary.

VALUATION OF PENSION LIABILITY

Contents

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Results (continued)

Our testing has identified that benefits paid disclosed in both the reconciliation of scheme assets and liabilities in note 35 is overstated by £5.6 million. This does not impact the net pension liability disclosed in the balance sheet. This will remain uncorrected in the final version of the financial statements.

We also noted that the actuary's estimated closing pension fund investment valuation (and the share of the net loss for the year allocated to the Council) appeared to be significantly higher than the actual fund closing investments value. Further enquiries found that the actuary had allocated an 'experience gain' on asset allocations following the triennial valuation that had been offset against the net return (loss) on investments allocated to the Council that explained this apparent inconsistency.

The actuary has applied full GMP indexation for members at state pension age at 31 March 2020. No GMP indexation was included in the pension liability in the previous year and we had estimated that this would have increased the liability by £5.1 million (Group £5.9 million). We requested that the actuary separately identify the increase in liability this year due to GMP indexation to allow us to compare this to other LGPS funds and our previous estimate. However, the actuary responded that this is not separately identified within the overall liability and that the Council would have to request (and pay) for this as a separate report.

In the previous year the actuary provided an updated valuation to include additional liabilities arsing from McCloud of £6 million (Group £7 million). We requested that the actuary separately identify the increase in liability this year due to McCloud to allow us to compare this to other LGPS funds and the estimate in the previous year. However, the actuary responded that this is not separately identified within the overall liability and that the Council would have to request (and pay) for this as a separate report. We also enquired whether the liability includes the remedy for all members in the scheme at 2014 (as originally expected) or had been updated to require that members to be active at 2012 (as per the latest MHCLG consultation) as this would reduce the McCloud liability. Again, this information has not been provided.

We noted that the draft financial statements also report this as a contingent liability but this disclosure and this now been removed as the impact has already been incorporated into the liability.

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VALUATION OF PENSION LIABILITY

Contents

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Results (continued)

In July, HM Treasury announced it would amend the Teachers Pension scheme to remove the differential in survivor pensions for same sex marriage or civil partnerships following the Goodwin case, and this will also apply to other public sector pension schemes. This extends the qualifying years of service for a female member who died after December 2005 that will increase the pension of a surviving male spouse to the same basis as the pension of a same sex surviving spouse. This is expected to result in higher survivor pensions although the actuary has not included this in the pension liability. Initial discussions with actuaries suggests that the impact will not be material.

Our review of the assumptions used to calculate the present value of future pension obligations is noted in the following pages, and were found to fall within a reasonable range.

Representations required

We have sought specific representations over material assumptions used in the valuation of the pension liability including the financial and mortality assumptions (see next page).

Conclusion

The defined benefit obligation has been appropriately calculated and the assumptions used are reasonable.

While the actuary has not provided us with separate identifiable amounts for GMP indexation and McCloud this year to compare with other LGPS and the previous year estimates, and no liability has been included for the Goodwin case, the impact of these estimates are not material to the fund liability.

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VALUATION OF PENSION LIABILITY

Significant estimate – Pension liabilities

Pension liabilities (Council £1,576.3m and Group £1,768.9m)

< lower **Impact of assumptions on the estimate** **higher >**

The Council’s pension liability has decreased from £1,805.2 million to £1,576.3 million and its share of the scheme assets decreased from £1,128.3 million to £1,082.7 million. The net deficit decreased by £183.4 million to £493.5 million. The reduction in the liability includes £130.5 million gain arising from changes to financial assumptions including annual salaries increases of 2.9% (previously 3.1%), annual pension increases of 1.9% (previously 2.5%), and a change in the rate of discounting scheme liabilities to 2.3% (previously 2.4%). It also includes a gain on demographic assumptions of £36.5 million arising from reduced mortality assumptions of approximately 1.1 years for future male pensioners and 0.7 years for future female pensioners as increases in life expectancy have stalled in recent years.

The impact of updating membership data for the triennial valuation has decreased the liability for ‘experience actuarial losses’ by £106.7 million, which represents a 5.9% reduction in the liability. We queried this with the actuary who confirmed that there was not one significant factor impacting this but several smaller factors, such as changes in the profile of members, member movements, and estimates and timings of some cashflows over the last three years. The movement is within a reasonable ‘experience gain / loss’ threshold following a triennial update of member data and therefore we have not undertaken any further work to confirm the actuary’s responses.

The key estimates are the following financial and mortality assumptions. We have compared the assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financial:			
- RPI increase	2.90-2.70%	2.90-2.70%	Reasonable
- CPI increase	2.00-1.80%	2.00-1.80%	Reasonable
- Salary increase	2.90%	2.90-1.80%	Reasonable
- Pension increase 1.90%	2.00-1.80%	Reasonable	
- Discount rate	2.30%	2.30%	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male future pensioners	22.7 years	21.6-23.3 years	Reasonable
- Female future pensioner	25.3 years	24.6-26.3 years	Reasonable
- Male current pensioner	21.5 years	20.5-22.2 years	Reasonable
- Female current pensioner	23.7 years	22.9-24.3 years	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate)	Reasonable	

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range. Our actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a slightly prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

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NON CURRENT ASSET ACQUISITIONS

Contents

This is a risk that non-current asset acquisitions could be materially misstatements due to their complex nature.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The Council acquired a portfolio of freehold residential blocks of 92 homes before 31 March 2020 to lease to the Community Benefit Society (CBS) for seven years after which further decision making will take place as to how these properties are utilised. The CBS was registered in November 2019 and is governed by charitable principles, whose purpose is to acquire and hold homes which can be used by the Council as either temporary accommodation or a long term settled home. These CBS properties will be managed by Homes for Haringey under a management agreement.

The Council also acquired the freehold interest in Alexandra House before 31 March 2020 to enable it to continue use the building as office accommodation in the medium term or longer term if necessary. Acquiring the freehold interest will require the Council to purchase 100% of shares in the company Ability (Wood Green).

Both purchases are material and will require consideration of complex entity structures and appropriate asset valuations for the financial statements, which presents a significant audit risk.

Work performed

- We reviewed supporting documentation and completion documents to ensure the assets were acquired before the year-end;
- We reviewed managements consideration of entity structures and accounting in the financial statements; and
- We critically evaluated the classification of the related non-current assets and revaluations.

Results

Residential accommodation £28 million acquisition

The properties are currently used as temporary accommodation and have appropriately classified as ‘other land and building’ assets within Property, Plant and Equipment. We tested a sample of properties acquired to supporting evidence and agreed the purchase price. These assets were subsequently revalued at 31 March 2020 as temporary accommodation.

We found that stamp duty taxes payable totalling £2.2 million had not been accrued and therefore the acquisition cost recorded as ‘additions’ was understated and, following revaluation, the revaluation movements posted to the CIES and revaluation reserve at the year end has also been misstated. Management has confirmed that it will correct this in the final version of the financial statements (Adjusted Ref#4).

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NON CURRENT ASSET ACQUISITIONS

This is a risk that non-current asset acquisitions could be materially misstatements due to their complex nature.

Results (continued)

Alexandra House £22.6 million acquisition

The Council purchased the share capital of Alexandra House Wood Green Ltd for £6 million. This entity had no assets or liabilities but did have the right to acquire Alexandra House from Workspace plc for £15.5 million. The Council provided a £16.6 million loan to the entity to allow it to complete the freehold acquisition of Alexandra House including stamp duty and other associated cost, and this allowed the Council to continue to use this building for Council office accommodation in Wood Green.

We have reviewed the acquisition of the entity and agree that this is an asset acquisition, rather than a business combination under IFRS 3, and the Council has correctly initially recorded the £6 million investment in the entity at cost and then impaired this to £0 to reflect the recoverable amount from the net assets held at fair value.

The Cabinet report stated that the acquisition of Alexandra House represented the best operational outcome for the Council in meeting short to medium term accommodation needs and strategic location and potential for the site, that alternative office space was not available in Wood Green and the financial case offered the lowest net operational cost to the Council over a seven-year period compared to the other identified options for the required office accommodation.

The Council acquired Ability Wood Green Limited (now Alexandra House Wood Green Limited) for a sum of £6 million. Alexandra House Wood Green Limited had already entered into a contract with Workspace plc to acquire Alexandra House for a sum of £15.5 million, being the then agreed price and implied market value for the building. Acquiring Ability Wood Green Limited allowed the Council to purchase Alexandra House. When taking into account fees (including Stamp Duty), the total amount spent by the Council on this acquisition was £22.6 million. This was approved by the Council's Cabinet in February 2020 as the Council's view was that in light of the situation and the operational, strategic and financial benefits, it was justified in acquiring Ability Wood Green Limited and therefore its contractual obligation to purchase the property.

The loan to the entity is secured against the property (included in long-term debtors) and at some future date the entity will transfer the freehold ownership to the Council to settle the loan and this entity will then be closed down.

When consolidating Alexandra House Wood Green Ltd in the group accounts the Council is required to revalue the property in order to comply with the Council's PPE valuation policy, moving from a cost basis of recognition to an existing use valuation. The Council obtained an existing use valuation on Alexandra House at 31 March 2020 at £10.1 million. The draft financial statements show that the asset has been consolidated into the group accounts at cost of £16.6 million rather than £10.1 million. Management has confirmed that this will be corrected (Adjusted Ref#5).

Conclusion

Except for the correction required in the Group financial statements to write down the value of Alexandra House to existing use value £10.1 million, we are satisfied that the acquisitions have been appropriately accounted for in the single entity and group financial statements.

Contents

RECONCILIATION OF BANK ACCOUNTS

There is a risk that the cash balance could be materially misstated if reconciling items are not cleared on a timely basis or misappropriations could remain undetected.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	■
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	■
Letter of representation point	

Risk description

In the prior year we identified that there were a large number (and value) of unmatched debit and credit balance in the cashbook suspense codes that should be have cleared, and there were also some significant amounts going back a few years where differences between the batch total debit and credit had not been resolved and cleared.

We reported that a complete bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling items should relate to short-term timing differences. There is therefore a significant risk that the cash balance could be materially misstated if reconciling items are not appropriate timing differences.

Work performed

We carried out the following planned audit procedures:

- Reviewed and evaluated the controls introduced this year to reduce unreconciled differences on the bank reconciliation; and
- Tested unreconciled items on the bank reconciliation to ensure reconciling items are appropriately cleared after the year-end.

Results

Our audit testing found that the gross contra entry between bank and cashbook accounts totalled £10.26 million and of this we were able to verify that £9.56 million had been transferred from the general bank account to the expenditure bank account. There was a further £637,000 gross contra entry between bank accounts and of which £301,000 had been included within an unallocated suspense account. This means of the total gross contra entry of £10.26 million there are unmatched entries of £66,000 resulting in an overstatement of the cash balance.

We have also noted that are unmatched amounts of £737,000 brought forward from previous years resulting in an understatement of the cash balance.

Overall there is an understatement of the cash balance and income amounting to £671,000. This has been included as an unadjusted difference on page 45 (Unadjusted Ref#8).

Whilst there has been an improvement in clearing suspense cash book items and a significant decline of the number and value of large and old unmatched items compared to the prior year there remains a significant deficiency in control where a full and complete bank reconciliation has not been prepared as unmatched entries are still to be resolved.

Conclusion

Although our work has shown improvements in clearing suspense balances in the cash book, this continues to indicate that reconciling items on the bank are not cleared in a timely manner. A complete 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. The cash balance could be materially misstated if reconciling items are not appropriate timing difference and we have again reported this as a significant control weakness.

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NON-COLLECTION OF RECEIVABLES

Contents

There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

Significant risk	■
Normal risk	
Significant management estimate or judgement	■
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	■
Letter of representation point • Collection rate assumptions	■

Risk description

The Council recognises an allowance for the non-collection of receivables (arrears and debt), primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking charges. The Council assesses each type of receivable separately in determining how much to allow for non-collection. Due to the impact of the coronavirus pandemic there is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

Work performed

We carried out the following planned audit procedures:

- Reviewed the provision model for significant income streams and receivables and debt balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears, and for financial assets within the scope of IFRS 9 that this also reflects expected credit losses; and
- Checked that information has been accurately extracted from systems to support the modelling of collection rates by age.

Results

Our review of the assumptions used to calculate the impairment allowance for non-collection of receivables is noted in the following pages, and were found to fall within a reasonable range based on the available data for historical collection rates.

However, since receiving the draft financial statements management has amended some assumptions in respect of the impact of COVID-19 on the recoverability of housing benefit overpayment which would reduce the impairment allowance by £1.47 million. This remains as an unadjusted audit difference (Unadjusted Ref#9) - see page 46.

Our audit work also found the sundry debt impairment allowance to be incorrectly calculated and as a result is overstated by £3 million. Management has confirmed that the allowance will not be adjusted for this (Unadjusted Ref#10) - see page 46.

We noted that allowance rates used by management to calculate sundry debts, HRA housing rents and housing benefit overpayment provisions had not been revised for a number of years. Whilst further work was carried out (by management and audit), to show that these estimates remain reasonable based on recent collection rates, we recommend that management regularly refresh data on current collection rates to inform estimates going forward and make these available to audit to support impairment allowances.

NON-COLLECTION OF RECEIVABLES

There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

Results (continued)

Management will also need to consider whether historic collection rates are still the best estimate given the difficult economic climate some of its debtors may be facing as well as carrying out more detailed expected credit loss analyses for sundry debts in order to comply with the requirements of re-measuring financial assets under IFRS 9.

Representations required

We have sought specific representations that historic collection rates are a reasonable basis for calculating expected credit losses and that enhanced forecasting of losses will not result in material differences in the impairment allowances.

Conclusion

Although expected credit loss estimates do not include any enhanced forecasting of losses, we are satisfied that the impairment allowance estimate is reasonable.

We have reported a significant control weakness regarding the use of historic collection rates without providing refreshed collection rate data and failure to fully adopt the requirements of IFRS 9 for financial assets and to assess the impact on potential future losses based on economic conditions at 31 March 2020.

NON-COLLECTION OF RECEIVABLES

Significant estimate – Expected losses on receivables

Contents

Impairment allowance £103.6 million

< lower | **Impact of assumptions on the estimate** | higher >

Sundry debts

Sundry debts consist of commercial and leaseholder rents and general trade debtors. In the draft financial statements the Council recognised an allowance for non-collection of these debts of £3.7 million on total debt of £22 million. This provision has increased by £0.4 million from the prior year.

This year's impairment allowance has been estimated by reviewing the overall collection rates over all types of sundry debt. The CIPFA Code is clear that certain types of debt, such as NHS, Government and other local authorities should be excluded from the impairment allowance since non-collection due to the inability of these entities to pay does not exist, and the collection rates should focus on other sundry debt where there is a risk of non recovery of debt or receivables.

In recent years, the Council has used provision rates according to the age of the debt which has been 10% (90-120 days), 20% (121-150 days), 40% (151-180 days), 60% (181-220 days) and 90% (>211 days), although these rates have not been reviewed and refreshed for some years. If the Council applied these rates to the appropriate categories of general debt this year (commercial and leaseholder rents and general trade debtors) it would indicate a potential impairment allowance required of £6.7 million. The increase compared to the prior year is because debt over 211 days has increased substantially (increased by £6.4 million) which was provided for at 90%. Management has confirmed that the impairment allowance on sundry debt will not be adjusted and as such we have reported a £3 million unadjusted audit difference.

Therefore, we requested that management carry out a fresh review of collection rates and the results of this review confirmed that the collection rates used in previous years remain reasonable and the revised methodology applied this year significantly under-estimates potential losses. The average collection rates over the last 6 years would suggest that the impairment allowance should increase to £7.3 million, or using only the last 5 years the impairment losses allowance would be £6.9 million.

These estimates and methodologies have not considered the impact of future expected losses based on conditions at 31 March 2020 where the use of historic collection rates may no longer be appropriate. In our view, the impact of Covid on the economy is likely to increase the amount of debt that will not be recovered compared to previous years, and IFRS 9 requires that future credit losses should be recognised based on these conditions. However, it is unlikely that this review would indicate a significant level of misstatement based on net recoverable amounts of £15 million (after the £3 million adjustment above).

We recommend that management ensures that the provision is appropriately calculated in future years and a full expected credit loss review is carried out as debts are likely to increase in future years given the difficult economic climate facing some of its debtors and hence the provision may need to be higher when considering future impacts of the current climate on sundry debtors.

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NON-COLLECTION OF RECEIVABLES

Significant estimate – Expected losses on receivables

Contents

Impairment allowance £103.6 million

Housing benefit overpayments debt

The Council has recognised an allowance for non-collection of housing benefit overpayment debt of £30.7 million on total debt of £35.9 million. The current year allowance remains the same as the prior year despite total debt reducing by £2.2 million.

The provision is estimated based on 100% for balances over four years, 80% (3 years), 70% (2 years), 65% (1 year) and 40% (current debt less than 1 year) for debts where overpayments are being recovered from on-going benefit payments. Where debts are not being recovered from on-going benefit payments the provision is usually estimated based on 100% for balances over four years, 90% (3 years), 70% (2 years) and 55% (all other debt). These are historic collection rates calculated some year ago and have not been reviewed and refreshed for some years. Management has amended the collection rates this year by increasing the impairment rates by 10% to take account of Covid and management's expectation that recovery rates will suffer.

Since receiving the draft financial statements management has amended its assumptions in respect of the impact of Covid and reduced the 10% uplift in the impairment to 5% to be consistent with that applied to other debts. This will reduce the impairment allowance by £1.47 million but no adjustment has been made for this in the financial version of the financial statements.

Management has not provided more recent collection rates data or any evidence to support the assumptions they have used to determine what the impact of Covid on the recoverability of this debt. However, given that the recovery of overpaid housing benefits is low across local authorities, and collection rates for debt over 1 year not already part of an agreed repayment plan or deduction from on-going benefit is often very small, we are satisfied that the impairment allowance is reasonable.

As part of the review, we noted that debtors amounting to £4.3 million listed as "status unknown", and fully impaired, are not being actively pursued and we would recommend the Council writes these off.

Council Tax

The Council has recognised an allowance for non-collection in relation to its share of the council tax arrears of £16 million against its share of the arrears of £22.3 million (total collection fund arrears is £27.7 million). The Council's provision has decreased £1.2 million from the prior year.

This impairment allowance is calculated using recent data on collection rate information from the last four years. We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

Penalty charge notice (PCN) arrears

The Council has recognised an allowance for non-collection of PCN debt of £26.7 million on total debt of £28.8 million. This provision has increased by £9.4 million from the prior year along with a significant increase in debt (2-3 year old debt increasing from £1.8 million to £7.8 million) as fewer PCNs have been written off this year. Management explained that they had not reviewed the debt in detail at 31 March 2020 to determine what debt should be written off as it has done in previous years.

The impairment allowance is calculated using collection rate information. We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

NON-COLLECTION OF RECEIVABLES

Significant estimate – Expected losses on receivables

Contents

Impairment allowance £103.6 million

Housing rent arrears

The Council has recognised an allowance for non-collection of housing rents arrears of £9.8 million on total debt of £12.6 million. This has increased by £0.1 million from the prior year.

The Council fully provide for former tenant arrears as it is unlikely the amounts will be recovered as the tenants are no longer occupying HRA property and there whereabouts is unknown. Current tenant arrears older than six years are fully provided for and then at 90% (3-6 years), 70% (2-3 years), 50% (1-2 years), 30% (7-12 months), 20% 94-6 months) and 10% (1-3 months). These estimates are based on CIPFA guidance issued a number of years ago.

Management has carried out a high level of review of the provision over the past five years by calculating the provision made as a percentage of the arrears to determine if the debt profile remained consistent in order to validate the estimates used. Whilst this shows that the provision has been consistent over the past five years it does not fully show whether the provision profile against aged debt is consistent with current collection rates.

We requested further evidence to support current collection rates but management were only able to provide information on debts received in 2019/20 against current and former tenants. This shows that payments is still being received for some former tenants that are currently fully provided for and therefore the impairment allowance may be overstated by a small amount.

We would recommend that a detailed analysis of collection rates over previous years, split based on aged profile is carried out to provide a better estimate of the provision.

Overall, we consider that management's estimate for potential impairment losses on debt and receivables is reasonable except for sundry debt where the impairment allowance in likely to be understated. Management has agreed to increase the impairment allowance by £3 million to reflect recent collection rates.

Other than for housing benefits overpayments, management has not undertaken a review for expected credit losses where there is an expectation that historic collection rates may not reflect future expected credit losses due to Covid. However, we are satisfied that this is unlikely to significantly change total expected credit losses since a large part of the debt and arrears is already provided for.

GOING CONCERN

Contents

Current conditions and interruption of normal cash flows may result in a local authority having insufficient cash to meet liabilities as the fall due.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

It is management's responsibility to make an assessment of an entity's ability to continue as a going concern and provide appropriate disclosures relating to how that assessment was performed and its results. The assessment of going concern under the effects of the coronavirus outbreak will need to incorporate unprecedented shocks to forecasts. The increased demand on services, decline in income from services, deferrals of normal payment terms or impairment of debt, decreases in asset values and supply chain disruptions may be dissimilar to any previously encountered 'real world' scenario, making forecasting the precise results difficult.

The effects of the coronavirus are likely to affect the level of uncertainty that may exist in an assertion that the entity will be able to continue as a going concern. Regardless of the result of management's assessment, many entities will need to disclose key judgments and estimates it used to arrive at this conclusion. Key areas in a going concern assessment may include: sources of assumed liquidity and cash flows, forecasts of future revenue or additional expenditure, and support from government. If a material uncertainty does exist, this should be disclosed in terms that are specific to the Council as users of the financial statements will wish to know how and when the uncertainty might crystallise and its effects. This will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).

Work performed

We have reviewed management's assessment and disclosures in respect of going concern, including sensitivities of the assumptions and impact on cash flows and available reserves.

Results

We have reviewed cash flow forecasts prepared by management and reasonable consideration has been made when incorporating key assumptions and in particular relating to Covid impact.

The income loss assumptions appear reasonable and will be covered by the Government support scheme. From our understanding of the scheme (covers only budgeted and non-commercial / trading activities, at 75p in the £1 losses starting at £5 million initial absorbed loss) there are no income commercial losses as the Council has not developed commercial / trading activities.

The overspend assumption for 2020/21 and through 2021/22 appear sensible and probably pessimistic since they are based on 2020 Q2 outturn with little additional support grant included in the budget in 2021/22.

Council tax forecast income loss at 1% (after an increase of 4.99% to billing Band D rate) is not unreasonable. Total council tax precept in 2019/20 was £102 million so an extreme 10% hit to collections would only result in £10 million additional losses / cash to absorb.

GOING CONCERN

Contents

Current conditions and interruption of normal cash flows may result in a local authority having insufficient cash to meet liabilities as the fall due.

Results (continued)

Overall, the Council has sufficient cash to cover its planned budgets and overspends in the next couple of years. Even under extreme downside risks these cash balances will be adequate. The capital programme is mainly funded from additional PWLB borrowing with some use of capital receipts reserves / unapplied capita grants, and there is headroom in the capital finance requirement to replace internal borrowing with PWLB capital loans.

Available General Fund and HRA balances should be covered by cash balances and balances remain healthy.

Conclusion

We are satisfied that the management's assessment and disclosures in respect of going concern are reasonable and concur with management that no material uncertainty exits regarding going concern.

RELATED PARTY TRANSACTIONS

Contents

There is a risk that related party disclosures are not complete and accurate.

Significant risk	
Normal risk	■
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error (disclosure)	■
Additional disclosure required	
Significant control findings to be reported	■
Letter of representation point	

Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Corporate Committee.

There is a risk that related party disclosures are not complete or accurate.

Work performed

We carried out the following planned audit procedures:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and reviewed members' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Carried out Companies House and Charity Commission searches for potential undisclosed interests.

Results

In our Companies House searches, we have identified four individual (two councillors and two Senior Officers - Executive) who held additional directorships which had not been disclosed in their declarations and register of interest.

For three of the undisclosed directorships, it was confirmed that there had been no transactions between the Council and the organisation.

However, for one of the undisclosed directorship (Haringey Education Partnership) the entity had received £449,720 funding from the Council in 2019/20 that should have been disclosed.

RELATED PARTY TRANSACTIONS

Contents

There is a risk that related party disclosures are not complete and accurate.

Results (continued)

We noted that the historic debt total for Homes for Haringey Limited and Alexandra Park and Palace Charitable Trust Limited had not been updated and should be disclosed as total debt of £47.1 million.

It is also noted that the figure disclosed for Haringey CAB was not included as part of the charitable and voluntary organisation disclosure. The revised total value of payments made including Haringey CAB and Haringey Education Partnership is £3m instead of the incorrect figure of £1.7m. This disclosure also did not include amounts relating to payables of £141,700 and receivables of £40,600.

Management has agreed that the above errors will be corrected in the final version of the financial statements.

Conclusion

Following the corrections of the errors noted above, we are satisfied that related party transactions disclosures are complete and accurate.

We have reported a control weakness regarding the failure to disclose all directorships in the register of interests.

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Audit area	Description of findings
Depreciation charge on vehicles, plants and equipment	Our audit testing identified that the in-year depreciation charge on vehicles, plants and equipment was lower than our expectation based on the accounting policy which states that the useful lives are between three and seven year. Management found that the calculations was not being done correctly is due to an error in the way that the information has been inputted into the fixed asset register. Our review identified that there is a £1.1 million understatement of the accumulated depreciation figure of which £0.4 million relates to 2019/20 and £0.7 million relates to prior years. In addition, the review has also found that the depreciation start date for one asset was incorrect. This has resulted in a further understatement of £0.7 million. Management has confirmed that the £0.7m depreciation for the specific asset will be adjusted (Adjusted Ref#6) but will not adjust for the other £1.1 million as they are working with the Asset Manager support team to resolve this issue first on the fixed asset register system (Unadjusted Ref#5).
Termination benefit disclosure	An exit package with a value of £69,033 has been incorrectly included in the band £80,001 - £100,000 but should have been included in the £60,001 - £80,000 band. Management has confirmed that this disclosure will be corrected in the final version of the financial statements.
Enhancement to existing asset write off	Our audit testing has identified that £0.7 million enhancement costs that have not added value to the dwellings has not been written out and has resulted in an overstatement of Property, Plant and Equipment and an understatement of capital expenditure. Management has confirmed that they will not adjust this (Unadjusted Ref#6).

Contents

OTHER MATTERS

Audit area	Description of findings
Thames Water commission case	In October 2020 the London Borough of Kingston lost an appeal in respect of the original judgement that found the Council to be a ‘reseller’ of water and the majority of commission received from Thames Water should have been passed on to tenants and the ‘voids’ allowance should not have been included in the charges to tenants. This judgement is also consistent with that made against the London Borough of Southwark in 2016. Like many other councils, London Borough of Haringey has operated a similar scheme for a number of years and this latest judgement states that tenants will be able to reclaim excess charges from the Council. Management has estimated that £5.3 million would be a reasonable estimate of the provision required should tenants reclaim excess charges backdated for up to 6 years. This was included as a contingent liability disclosure but should be charged to expenditure (and provisions). This has been updated by management (Adjusted Ref#7). We are aware that London local authorities are discussing potential remedy schemes that may differ from the present management assumption. Therefore, we have sought the above specific representations from management.
PFI disclosure and liability	Our audit testing found that the PFI school assets included in Property, Plant and Equipment includes the whole value of the school (including land) rather than just that funded through PFI. In order to isolate and re-calculate the value of the PFI element of the schools the proportion of the PFI construction stated in the 2000 PFI agreements were used and applied to the cost and depreciation elements of the PFI disclosure. This results in the PFI net book value (NBV) as at 31 March 2020 reducing from £188.7 million to £13.5 million. This was also an error in the prior year disclosure therefore there should be a prior year adjustment to the 31 March 2019 reducing the PFI net book value from £171.9 million to £12.6 million. It was also noted that the addition of £0.8 million as at 31 March 2020 and £1.1 million as at 31 March 2019 included in the PFI asset disclosure was incorrect as no additional PFI works have commenced on these schools since 2008. It should be noted that this is a change to the disclosure and does not impact the overall Property, Plant and Equipment valuation. In addition, Note 13 PFI fair value disclosure was found to be overstated by one year for 2019/20. The error has resulted in a disclosure overstatement of £3.5 million. Management has confirmed that both of these disclosure errors will be corrected in the final version of the financial statements.

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OTHER MATTERS

Audit area	Description of findings
Cash Flow Statement	Our review of the cash flow statement noted that loan to subsidiary has been incorrectly included in operating cash flow. In addition, the note to the cash flow is only provided for the single entity. As there is a £10 million difference between single entity cash flow and group cash flow, the disclosure should include additional notes on the group cash flow. Our testing has identified that cash flow arising from the purchase and sale of investments has been incorrectly included in purchases and sale of Property, Plant and Equipment, Investment property and Intangible assets. Management has confirmed that these errors will be corrected in the final version of the financial statements.
Operating leases disclosure	Our audit testing found that future minimum lease payments (MLP), totalling £21 million in respect of a non-cancellable term included in the lease agreement with Tesco had been erroneously excluded from operating leases disclosure. Our testing also identified 356 leases relating to properties that the Council leases out that have not been taken into consideration when calculating future MLP receivable under non-cancellable leases where the Council is a lessor under operating leases. We tested a sample of 16 of these leases to determine if there was a non-cancellable period included in the lease agreement that should have been disclosed in operating leases note. We found that 11 leases had fixed lease terms and the future MLP for the whole period of the lease should have been disclosed, two leases where the non-cancellable period was one year, three leases where the non-cancellable periods were either three, six or 10 years and hence the future MLP should have been included in the disclosure. Given the varying nature of the lease terms and non-cancellable periods included in this sample and the likely material impact there would be on this disclosure if the remaining leases were not considered we asked management to carry out further work on the remaining population of the 482 leases in order to determine the additional future minimum lease payments that should be included in this disclosure. Management provided these working on 25 February 2021 and we are currently reviewing these workings and the impact on the disclosure.

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OTHER MATTERS

Audit area	Description of findings
Dedicated School Grant (DSG) Reserve	The Council has a negative DSG Reserve that is included (and offset) within earmarked reserves at 31 March 2020. It should be noted that the Council will are no longer be allowed to fund this from the General Fund and the negative reserve will need to be in an unusable reserve from 2020/21 onward.
Group Reserve	Our audit testing has identified that the unrestricted reserves of Alexandra Park and Palace Charitable Trust Limited of £3.0 million has been incorrectly included in group unusable reserve upon consolidation. The unrestricted reserve should form part of the group unable reserve. Management has confirmed that this will be corrected in the final version of the financial statements (Adjusted Ref#9).
Minimum Revenue Provision	Our audit testing found that the list of assets used to support the calculation of the minimum revenue provision (MRP) could not be easily reconciled back to the fixed asset register in order to confirm if the useful economic lives and capital expenditure used in the calculation of the MRP was appropriate. Further investigation identified only trivial differences in total. We recommend that management reconcile the list of assets funded from borrowing (and the Capital Financing Requirement) used to calculate MRP to the fixed asset register and this should be provided as part of the audit working papers.

Contents

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Fraud

Whilst the Chief Finance Officer and members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud.

Our audit procedures did not identify any fraud.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

We are required to bring to your attention unadjusted differences and we request that you correct them

There are ten audit differences identified by our audit work that have not been corrected by management as these are not material.

These adjustments would decrease the Council and Group's deficit on the provision of services for the year by £0.141 million (Council deficit decreased to £6.247 million and Group deficit decreased to £17.921 million).

Net assets would increase by £1.923 million for both the Council and Group.

These errors would decrease the General Fund or HRA balances by £0.859 million.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Unadjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Deficit provision of services / net assets before adjusted audit differences	**6,388**			**1,600,656**		**18,062**			**1,664,237**	
1: Incorrect rents and lease terms for investment properties valued on income / yields approach										
Dr Investment properties (projected error)				2,100					2,100	
Cr CIES financing and investment inc and exp	**(2,100)**		(2,100)			**(2,100)**		(2,100)		
Dr Surplus assets (projected error)				300					300	
Cr Revaluation Reserve*					(300)					(300)
2: Incorrect building size used for DRC valuations (non-school assets)										
Dr Other land and buildings (factual error)				378					378	
Cr Other land and buildings (projected error)					(1,400)					(1,400)
Dr Revaluation reserve*				1,022					1,022	
3: Incorrect building size used for DRC valuations (schools)										
Dr Other land and buildings (factual error)				100					100	
Dr Other land and buildings (projected error)				3,100					3,100	
Cr Revaluation reserve*					(3,200)					(3,200)
4: Incorrect BCIS rebuild cost used for DRC valuations (schools)										
Dr Other land and buildings (factual error)				332					332	
Cr Revaluation reserve*					(332)					(332)

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Unadjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
5: Adjustment for incorrect accumulated depreciation										
Dr CIES depreciation costs (NCOS)	**400**	400				**400**	1,100			
Dr Opening Capital Adjustment Account*					700					700
Cr PPE asset value					(1,100)					(1,100)
6: Write-off of council dwellings enhancement addition costs										
Dr Capital adjustment account	**700**	700				**700**	700			
Cr Council dwellings additions					(700)					(700)
7: Valuation write down community assets										
Dr PPE (community assets)				328					328	
Cr PPE (Other land and buildings)*					(328)					(328)
8: Write off cash book suspense balances										
Dr Cash and bank				671					671	
Cr CIES income (NOCS)	**(671)**		(671)			**(671)**		(671)		

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Unadjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
9: Adjustment of Housing benefit overpayment bad debt provision										
Dr Housing benefits overpayments (debtors)				1,470					1,470	
Cr CIES financing and investment inc and exp	**(1,470)**		(1,470)			**(1,470)**		(1,470)		
10: Adjustment of sundry bad debt provision										
Dr CIES financing and investment inc and exp	**3,000**	3,000				**3,000**	3,000			
Cr Sundry debts (debtors)					(3,000)					(3,000)
11: TBC										
Dr										
Cr										
Total unadjusted audit differences	**(141)**			1,923		**(141)**			1,923	
Deficit provision of services / net assets if adjusted	**6,247**			**1,602,579**		**17,921**			**1,666,160**	
Items marked * above are reserve adjustments				(1,782)					(1,782)	

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

Impact on the General Fund and HRA balances	General Fund balance £'000	HRA balance £'000
Balance before unadjusted audit differences	**89,368**	**10,282**
Impact on deficit on the provision of services above	141	0
Adjustments that would be reversed from the General Fund and through the Movement in Reserves Statement	(1,000)	0
Net impact	(859)	0
Balances after the above adjustments	**88,509**	**10,282**

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UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

Contents

We are required to bring to your attention other financial reporting matters that the Corporate Committee is required to consider

The following unadjusted disclosure matters were noted:

- The local tax debtor disclosure in note 15a does not meet the requirements of 5.2.4.2 (3) of the CIPFA code. It should show an age analysis of those past due but not impaired. Then separately disclose the amount of impairment recognised. Currently the note only discloses aged analysis of the whole debtor balance and then takes the impairment allowance off it.
- The cash flow statement disclosures shown in notes 21 and 22 do not show a reconciliation of liabilities arising from financing activities in accordance with para 3.4.2.83 (2) of the CIPFA Code.
- Judgements in relation to the consolidation of Homes for Haringey and Alexandra Palace should be clearly stated in note 2.
- Valuation of properties is a significant estimate but details of the actual specifics relating to the estimate such as key assumptions and details of sensitivity have not been disclosed in note 3.
- Note 12 states that 'valuation techniques' in respect of investment properties have been used but details of these techniques are and key assumption made have not been disclosed but are required by para 2.10.4.1 (3d) of the Code.
- There is no longer a requirement to disaggregate the debtors and creditors disclosures but body type instead the groupings as set out in IAS 1 should be used.
- Our testing has identified that benefits paid disclosed in both the reconciliation of scheme assets and liabilities in note 35 is overstated by £5.6 million. This does not impact the net pension liability disclosed in the balance sheet. This will remain uncorrected in the final version of the financial statements.

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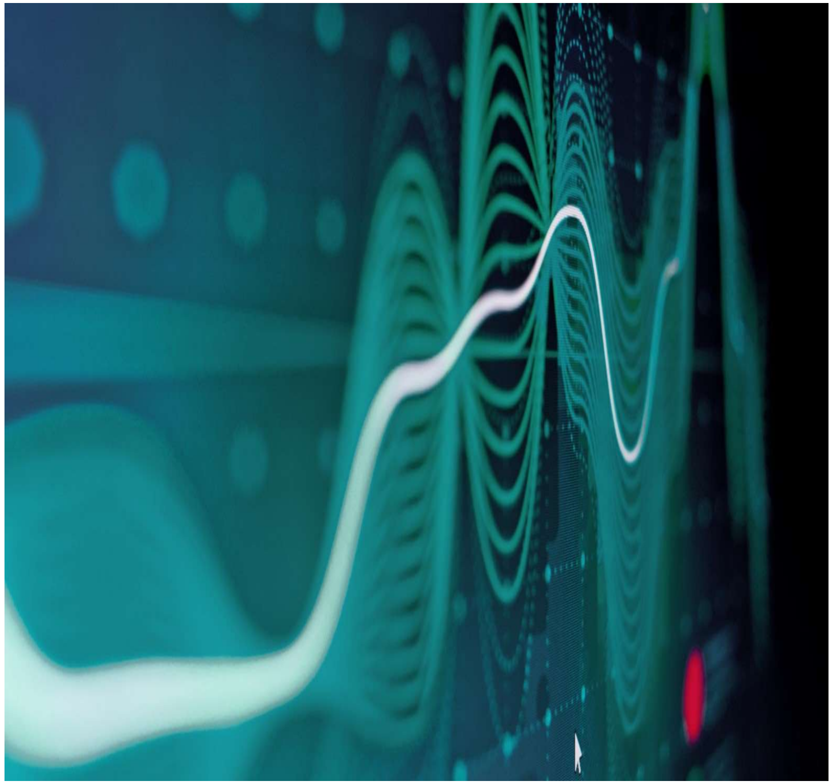
ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents



There were nine audit differences identified by our audit work that were adjusted by management.

These adjustments reduced the Council's draft deficit on the provision of services by £0.4 million (from £6.788 million to £6.388 million) and increased net assets by £7.4 million.

The Group draft deficit on the provision of services increased by £5.9 million (from £12.162 million to £18.062 million) and increased net assets by £1.1 million.

There was no impact on the Council's General Fund balance as a result of these adjustments but the HRA balance decreased by £5.300 million (to £10.282 million) as a result of these adjustments.

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Adjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Deficit provision of services / net assets before adjusted audit differences	**6,788**			**1,593,256**		**12,162**			**1,663,137**	
1: Incorrect rents and lease terms for investment properties valued on income / yields approach										
Dr Investment properties				1,900					1,900	
Cr CIES financing and investment inc and exp	**(1,900)**		(1,900)			**(1,900)**		(1,900)		**(1,900)**
2: Incorrect building size used for DRC valuations (non-school assets)										
Dr Revaluation reserve*				4,400					4,400	
Cr PPE (Other land and buildings)					(4,400)					(4,400)
3: Incorrect building size used for DRC valuations (schools)										
Dr PPE (Other land and buildings)				18,100					18,100	
Cr Revaluation reserve*					(12,500)					(12,500)
Dr CIES PPE impairment costs (NCOS)	**(5,600)**		(5,600)			**(5,600)**		(5,600)		
4: Adjustment to recognise stamp duty acquisition costs										
Dr Revaluation reserve *				1,100					1,100	
Dr CIES PPE impairment costs (NCOS)	**1,100**	1,100				**1,100**	1,100			
Cr Creditor accruals					(2,200)					(2,200)
5. Adjustment for Alexandra House valuation										
Dr CIES impairment costs (NCOS)						**6,300**	6,300			
Cr PPE (other land and buildings)										(6,300)

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

Adjusted audit differences	Council: Income and expenditure CIES £'000	Council: Income and expenditure DR £'000	Council: Income and expenditure (CR) £'000	Council: Balance sheet DR £'000	Council: Balance sheet (CR) £'000	Group: Income and expenditure CIES £'000	Group: Income and expenditure DR £'000	Group: Income and expenditure (CR) £'000	Group: Balance sheet DR £'000	Group: Balance sheet (CR) £'000
6: Adjustment for incorrect accumulated depreciation										
Dr CIES depreciation costs (NCOS)	**700**	700				**700**	700			
Cr PPE (other land and buildings)					(700)					(700)
7: Adjustment to recognition Thames Water commission case provision										
Dr CIES housing costs (NCOS)	**5,300**	5,300				**5,300**	5,300			
Cr Provisions					(5,300)					(5,300)
8: Misclassified assets under construction										
Dr PPE (assets under construction)				8,350					8,350	
Cr PP (Council dwellings)					(8,350)					(8,350)
9: Misclassified group reserve balances										
Dr Usable reserves									3,000	
Cr Usable reserves										(3,000)
Total adjusted audit differences	**(400**			7,400		**5,900**			1,100	
Adjusted deficit provision of services / net assets	**6,388**			**1,600,656**		**18,062**			**1,664,237**	
Items marked * above are reserve adjustments				(7,000)					(7,000)	

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

Impact on the General Fund and HRA balances	General Fund balance £'000	HRA balance £'000
Balance before adjusted audit differences	**89,368**	**15,582**
Impact on deficit on the provision of services above	5,700	(5,300)
Adjustments that would be reversed from the General Fund and through the Movement in Reserves Statement	(5,700)	-
Net impact	-	(5,300)
Balances after the above adjustments	**89,368**	**10,282**

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ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Corporate Committee is required to consider

The following adjusted disclosure matters were noted:

- McCloud pension remedy impact of £6 million disclosed as a contingent liability has been removed as this is now incorporated in the actuary IAS pension liability disclosed in the balance sheet.
- Related party transactions amounting to £449,720 in respect of Haringey Education Partnership has now been disclosed.
- Total debt in respect of Homes for Haringey and Alexandra Park and Palace Charitable Trust Limited amounting to £47.1 million has now been correctly disclosed in the related party transaction disclosure.
- The related party transaction for Haringey CAB was not included as part of the charitable and voluntary organisation disclosure and the total value of these transactions had been incorrectly disclosed as £1.7 million but should have been £3m. This disclosure also did not include amounts relating to payables of £141,700 and receivables of £40,600.
- An exit package with a value of £69,033 has been incorrectly included in the band £80,001 - £100,000 but should have been included in the £60,001 - £80,000 band.
- The Thames Water commission case disclosed as a contingent liability has now been removed as it has been recognised as a provision.
- Note 13 PFI fair value disclosure was found to be overstated by one year for 2019/20. The error has resulted in a disclosure overstatement of £3.5m.
- Our audit testing has identified that the unrestricted reserve of Alexandra Park and Palace Charitable Trust Limited has been incorrectly included in group unusable reserve upon consolidation. The unrestricted reserve should form part of the group unable reserve.
- Our review of the cash flow statement noted that loan to subsidiary has been incorrectly included in operating cash flow. In addition, the note to the cash flow is only provided for the single entity. As there is a £10m difference between single entity cash flow and group cash flow, the disclosure should include additional notes on the group cash flow. Our testing also identified that cash flow arising from the purchase and sale of investments has been incorrectly included in purchases and sale of PPE, investment property and intangible assets.
- Additional disclosures are required in order to clearly describe the types of assets that fall within the valuers material uncertainty. We will refer to these disclosures as an emphasis of matter in our audit report as the matter is of such importance that it is fundamental to users' understanding of the financial statements (albeit our opinion is not qualified).
- Our audit testing found that the PFI school asset values disclosure in property, plant and equipment (PPE) note 11 includes the whole value of the school (including land) rather than just that funded through PFI. In order to re-calculate the value of the PFI element of the schools the proportion of the of the PFI construction stated in the 2000 PFI agreements were used and applied to the cost and depreciation elements of the PFI disclosure. This results in the PFI net book value (NBV) as at 31 March 2020 reducing from £188.7 million to £13.5 million. This was also an error in the prior year disclosure therefore there should be a prior year adjustment to the 31 March 2019 reducing the PFI NBV from £171.9 million to £12.6 million. It was also noted that the addition of £0.8 million as at 31 March 2020 and £1.1 million as at 31 March 2019 included in the PFI asset disclosure was incorrect as no additional PFI works have commenced on these schools since 2008. It should be noted that the change to this disclosure does not impact the overall NBV of PPE as it is just a disclosure issue.

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Management has confirmed that the disclosures will be amended in the revised version of the financial statements to correct all of these issues.

REPORTING ON OTHER INFORMATION

Contents

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

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We noted that the 'revenue spending in 2019/20' outturn does not appear to be consistent with the Expenditure Funding Analysis (EFA) for expenditure before accounting adjustments. This chart should be consistent with the EFA since the EFA is the 'segmental reporting' analysis for management accounts outturn. We also noted that the impacts of COVID-19 were out-of-date and should be updated to reflect the current position. Management has confirmed that the narrative report will be amended to take account of these issues in the final version of the financial statements. With the exception of the issues noted above, we are satisfied that other information in the Narrative Report is consistent with the financial statements and our knowledge.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

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WHOLE OF GOVERNMENT ACCOUNTS

Contents

Matter	Comment
For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 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 Ministry for Housing, 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.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 30 September 2020. We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Council's financial statements.

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OVERVIEW

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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) and report to you on an 'except for' basis. 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:

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

As identified in our Audit Planning Report we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances	Sustainable resource deployment	Significant	No

SUSTAINABLE FINANCES

The Council will need to deliver it savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

Risk description

As at the end of quarter 2, the Council was forecasting a full year deficit of £9.98 million for 2019/20. This mainly relates to overspends in Dedicated Schools Grants (DSG) of £5.1 million. The new DSG regulations allow for recovery plans to be put in place with the Department for Education so that councils are not required to fund DSG deficits from general reserves.

The other main overspend relates to Adult Social Care amounting to £3.8 million as a result of increased demand in the service, however savings built into the service as part of the MTFS are on track for 2019/20.

In February 2020, the Council updated its Medium Term Financial Strategy (MTFS) covering the period 2020 to 2025. Since the Local Government Finance Settlement was published on 20 December 2019, the 2020/21 budget now assumes a 1.99% increase to Council Tax, an additional 2% Audit Social Care precept and grant funding for other key funding streams such as grants to help homelessness. This additional funding as well as some corporate adjustments mean that the Council has set a balanced budget for 2020/21. The additional funding has been assumed for future years as part of the MTFS but it is recognised that funding requirements could change and negatively impact on the MTFS. The Council has identified savings plans over the medium term but there is currently a £15.5 million funding gap, cumulative to 2025. The savings targets are significant and the achievement of these is inherently challenging.

There is a significant risk that any shortfall in the delivery of savings, non realisation of assumed government funding and failure to reduce the current funding gaps will have a negative impact on future projected targets in the MTFS.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assessed the reasonableness of the cost pressures, the level of Government grant reductions applied and income generation proposals;
- Monitored the delivery of the budgeted savings in 2019/20 and the plans to reduce costs from 2020/21; and
- Reviewed the strategies and transformation programmes to close any budget gap after 2020/21.

Results

As at 31 March 2020, the overall General Fund revenue outturn variance was in line with the forecast outturn deficit of £5.5 million. The two People Directorates have continued to face challenges living within their agreed budgets for 2019/20 albeit at a much reduced level to the previous year. The Adults service forecast outturn position remained largely stable throughout the year, with the single largest issue the cost of on-going demand in care packages which was not able to be fully addressed when the 2019/20 budgets were set.

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SUSTAINABLE FINANCES

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The Council will need to deliver it savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

Results (continued)

The majority of this (pre Covid position) has been addressed as part of the 2020/21 budget build. The Children's service budget has been adversely impacted over the last part of the year by unexpected high cost placements and increased costs in SEND transport. The stronger delivery of agreed MTFS savings during 2019/20 has left the budget resilience reserve available to offset the service overspends.

In addition, there was lower than planned spend on capital financing and underspend against the North London Waste Authority (NLWA) levy and some contributions from a review of balances. Overall, the General Fund closed with a small overspend of £0.032 million, and enabled the Council's general reserve to be maintained as planned, at the opening balance of £15.8 million.

The earmarked reserve element of the general fund includes £8.1 million that was received in March 2020 for the first tranche of COVID-19 grant funding that will be utilised in 2020/21. Had this not been received the general fund reserves would have significantly reduced as there was a further £8 million overspend against the dedicated schools grant (DSG). This overspend increases the DSG deficit to £10.3 million which is currently being funded from the general fund. It should be noted that the School and Early Years Finance (England) Regulations 2020 is new legislation that became effective from 1 April 2020 and this legislation does not allow DSG deficits to be funded from general fund reserves unless approval is granted through the Secretary of State.

From 2020/21, local authorities will now be required to ring-fence these deficits in a separate reserve and to liaise with the department of education to devise and agree robust recovery plans to bring this reserve back into financial balance (recovery plans could span a number of years).

In February 2020 the MTFS 2020 - 2025 was approved by Cabinet. This showed a balanced budget set for 2021/22 but a £1.95 million funding gap from 2021/22 increasing to £15.56 million in 2024/25. The MFTS has taken into account a proposed council tax increase of 1.99% and 2% increase in the adult social care precept, as well increases for London living wage and reductions to retained business rates from 2020/21 given the London pilot scheme coming to an end.

The base budget from 2020/21 also includes increased funding for budget priorities such as adult and children's social care. Grant funding assumed in the MTFS is line with the Government announcements made in December 2019. The assumptions over cost pressures, Government funding and income growth appear reasonable in the MTFS. The Council has identified £14.5 million savings to be delivered in 2020/21 in order to balance the budget, this is £5 million lower than savings required in 2019/20 and does not rely on drawdown of reserves (albeit the budget resilience reserve of £7 million is available if required). Even though there has been an improved realisation of savings by the Council over the last couple of years there is pressure in achieving savings set out in the MTFS especially as demand-led services such as adult and children's social care continue to overspend therefore there needs to be continued close focus placed on ensuring delivery is achieved as planned.

SUSTAINABLE FINANCES

Contents

The Council will need to deliver it savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

Results (continued)

Since developing this MTFS the COVID-19 pandemic has had a significant financial impact on the Council and local public services as a whole. Although the impact of this is outside the 2019/20 year on which we give our opinion on the arrangement in place it does provide some insight into the robustness of assumptions used in the 2020-2025 MFTS and in particular the 2020/21 budget.

As at Quarter 2 the forecast impact of COVID-19 has reduced by almost £6 million and, since Quarter 1, the Council has received a fourth tranche of un-ringfenced emergency grant funding totalling £8.4 million. When added to the previous grant and forecast government income loss compensation the unfunded forecast COVID-19 impact is reduced to around £4 million which the Council still expects to be met via further government support.

The non-COVID19 base budget pressure has increased to almost £6 million since Quarter 1. The current assumption is that the Council will identify measures to mitigate this as far as possible before the end of the year with any residual pressure to be met from utilisation of the budget contingency. Although there are financial challenges and pressures placed on the budget in respect of COVID-19 and knock-on effects on non-COVID-19 base budgets the Council is in a position to mitigate any residual risks through use of reserves.

The Council needs to continue to monitor the control of demand-led services, the delivery of the savings necessary to meet the MTFS and the impact of changes being implemented on the delivery of services, particularly in light of significant financial pressures which will be placed on the Council as a result of the COVID-19 pandemic, to ensure that there are no unanticipated detrimental outcomes. While there is a recognised funding gap in the MTFS, we are satisfied that the Council has appropriate arrangements to continue to remain financially sustainable over the period of the MTFS.

Conclusion

The Council has adequate arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities.

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 the Corporate Committee.

As the purpose of the audit is for us to express an opinion on the Council's financial statements and use of resources, 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.

Area	Observation & implication	Recommendation	Management response
Property, plant and equipment and investment property valuations	Our testing identified a significant number of valuations where the inputs into those valuations, such as gross internal floor area and rent amounts were incorrect and which impacted the valuation of those assets. Similar issues were identified in the prior year.	We recommend that management ensures that the valuer is using the correct valuation inputs before the valuer undertakes its annual valuation exercise.	Recommendation is noted and will be implemented.
Impairment of non-collection of receivables	We noted that allowance rates used to calculate sundry debts, HRA housing rents and housing benefit overpayment provisions had not been revised for a number of years.	Whilst further work was carried out (by management and audit), to show that these estimates were reasonable based on recent collection rates we recommend that management use data on collection rates to inform estimates going forward and make these available to audit to support provisions disclosed in the financial statements. Management will also need to consider whether historic collection rates are still the best estimate given the difficult economic climate some of its debtors may be facing as well as carrying out more detailed expected credit loss analyses for sundry debts in order to comply with the requirements of re-measuring financial assets under IFRS 9.	We will be reviewing the receivables and the basis of estimates in the light of the current economic climate.

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SIGNIFICANT DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Bank reconciliation	Our audit work has identified that there are continues to be old unreconciled items on the bank general ledger, with the oldest item dated back to 2013. However, when compared to prior year, we can see there was a significant decline of the number and value of large and old items. Our work has also identified unmatched amount of £66,212 in current year which has decreased from prior year unmatched amount of £736,541. As the figures are below triviality, we have not reported this as an error. Similar issues were identified in the prior year.	Although our work has shown that the internal control has been improved in current year, it continues to indicate that reconciling items on the bank are not cleared in a timely manner. A complete 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. The cash balance could be materially misstated if reconciling items are not simply timing difference and unmatched suspense items.	These are historic items, and we will continue to reconcile and clear these items.

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OTHER DEFICIENCIES

We also bring to your attention other deficiencies noted during the audit.

Area	Observation & implication	Recommendation	Management response
Related party transactions	In our Companies House searches, we identified four individual (two councillors and two Senior Officers - Executive) who held additional directorships which had not been disclosed in their declarations and register of interest. Incomplete declarations may lead to management not identifying related party transactions during the accounts preparation process, and may also influence financial decisions during the year if a related party is not included on a register of interest.	The importance of completed declarations should be reinforced to all members, through training if necessary. These declarations should then be reviewed when returned to ensure all information is complete before they are then subject to our review and consideration.	We will continue to obtain declarations and give it corporate prominence.
Minimum revenue provision	Our audit testing found that the register of assets used to support the calculation of the minimum revenue provision (MRP) could not be easily reconciled back to the fixed asset register in order to confirm if the useful economic lives and capital expenditure used in the calculation of the MRP was appropriate. As a result of this ourselves and management have had to carry out significant amounts of further work to gain assurance over the data used.	Whilst we only identified trivial issues after the completion of this work we recommend that sufficient and appropriate audit evidence to support the MRP calculation is provided as part of the suite of audit working papers before the start of the audit going forward so that audit effort can be focussed in areas of the financial statements that have a greater impact.	Recommendation is noted.
Unadjusted disclosures	We have identified a number of disclosure deficiencies on page 48.	We recommend that management improve the disclosures in the financial statements and make the necessary adjustments to disclosures.	Agreed disclosures will be included in the financial statement.

Contents

OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Efficiency savings and sustainable finances	The two People Directorates (Adults and Children's) have continued to face challenges living within their agreed budgets for 2019/20 albeit at a much reduced level to the previous year. The majority of this (pre Covid position) has been addressed as part of the 2020/21 budget build. In February 2020 the MTFS 2020 - 2025 was approved by Cabinet. This showed a balanced budget set for 2021/22 but a £1.95 million funding gap from 2021/22 increasing to £15.56 million in 2024/25. Since developing this MTFS the COVID-19 pandemic has had a significant financial impact on the Council and local public services as a whole. As at Quarter 2 (September 2020) the forecast impact of COVID-19 has reduced by almost £6 million and, since Quarter 1 (June 2020), the Council has received a fourth tranche of un-ringfenced emergency grant funding totalling £8.4 million. When added to the previous grant and forecast government income loss compensation the unfunded forecast COVID-19 impact is reduced to around £4 million which the Council still expects to be met via further government support. The non-COVID19 base budget pressure has increased to almost £6 million since Quarter 1. The current assumption is that the Council will identify measures to mitigate this as far as possible before the end of 2020/21 with any residual pressure to be met from utilisation of the budget contingency.	The Council needs to continue to monitor the control of demand-led services, the delivery of the savings necessary to meet the MTFS and the impact of changes being implemented on the delivery of services, particularly in light of significant financial pressures which will be placed on the Council as a result of the COVID-19 pandemic, to ensure that there are no unanticipated detrimental outcomes.	Recommendation is noted.

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OVERVIEW

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Opinion on financial statements

Subject the matters outstanding on page 71, we anticipate issuing an unmodified opinion on the financial statements.

We wish to draw attention to the 'emphasis of matter' that we will be including in our audit report in respect of the material uncertainly in relation to PPE and Investment Property valuations.

Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Council's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

INDEPENDENCE

Contents

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Corporate Committee in advance in accordance with the Group's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council and the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

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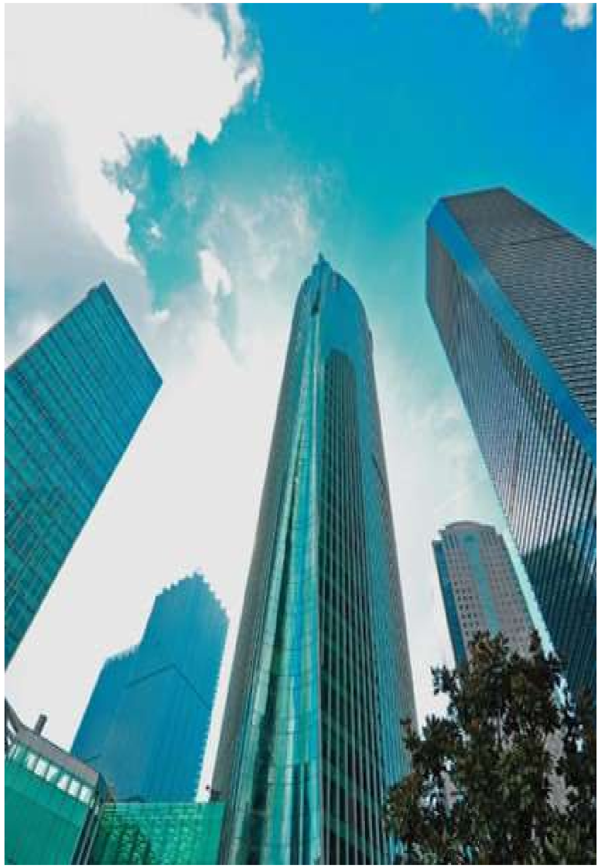
Fees summary

		2019/20 Actual £	2019/20 Planned £	2018/19 Actual £
Audit fee				
Code audit fee: financial statements and use of resources		TBC	158,986	158,986
Additional audit fee		TBC	[1] 30,000	48,000
Non-audit assurance services				
Fees for reporting on government grants:				
• Housing benefits subsidy claim		Work in progress	46,223	46,223
• Pooling of housing capital receipts return		Work in progress	3,500	3,500
• Teachers' pensions return		Work in progress	3,500	3,500
Total fees		**TBC**	**242,209**	**260,209**

[1] In our audit planning report fee we proposed a fee variation of £30,000 to the PSAA scale fee for 2019/20 to be discussed with the Council's Finance staff and the Corporate Committee. This reflects the additional audit work required in response to issues encountered in recent years and significantly greater pressure on auditors to deliver higher quality audits and to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts.

We will also assess the additional work required in respect of the non current asset acquisitions significant risk and additional work to conclude on adjusted and unadjusted audit differences identified this year. If necessary, we will propose and discuss additional fee with management in respect of this work at that point.



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APPENDICES CONTENTS

OUR RESPONSIBILITIES

Responsibilities and reporting

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidation Group and Council financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Council has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Corporate Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

Contents

	Issue	Comments
1	Significant difficulties encountered during the audit.	The audit has been very challenging as a result of the Covid-19 lockdown. This has meant that staff on both sides are working from home and therefore the face to face communication/ review of files has not been possible resulting in increased time being spent by both sides in relation to the audit.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION WITH YOU

Contents

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Corporate Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	March 2020	Corporate Committee
Updated Audit Planning Report	July 2020	Corporate Committee
Audit completion report	March 2021	Corporate Committee
Annual Audit Letter	TBC 2021	Corporate Committee

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2020.

The following key matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Corporate Committee meeting at which this report is considered:

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- We are currently working through responses from the valuer in respect of the outliers identified in the PPE valuation movements and the errors identified in order to assess whether any of those are errors in the prior year valuation.
- Management provided revised workings to support additional work that was undertaken in respect of operating leases on 4 March 2021 and we are currently reviewing these workings and the impact on the disclosure.
- Checking of the amended financial statement
- Manager, Partner and Quality Control review, and clearance of review points.
- Technical clearance.
- Subsequent events review.
- Final review and approval by you of the Statement of Accounts.
- Management letter of representation to be approved and signed.

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AUDIT REPORT

Contents

To be drafted and agreed once outstanding testing has been completed.

LATEST REGULATORY DEVELOPMENTS

Future of Audit, Regulation and Market Competition

Contents

A number of corporate governance, financial reporting and audit failures since the ‘financial crises’ have led to auditing being the focus of the BEIS Select Committee and the commissioning of three separate, but related, independent reviews scrutinising audit, auditors and the corporate and audit regulatory environment. Although these independent reviews started at various times since 2018, none have yet fully concluded upon and further consultations on precisely what the implementation will look like is expected to take place during 2020. However, that is not to say that changes have not already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. There have also been a number of changes arise through regulation such as the further restriction on non-audit services introduced with the new ethical standard in December 2019. Other expected changes will be implemented via a suite of consultations expected in 2020. Detailed below is a summary of the current reports issued and their status with a summary of the contents.

Initiative	Timeline 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Status
BEIS Select Committee	‘Carillion’ report issued 5/2018	‘Future of audit’ report issued 24/4/2019	Government response issued 7/6/2019			It is a priority area for the Committee which has a watching brief
Competition and Markets Authority (CMA) Report ‘Statutory Audit Services Market Study’	Launch of Market study 9/10/2018	Responses to consultation 21/1/2019	Report and recommendations published 18/4/2019	First BEIS consultation on implementation ended 13/9/2019		Further consultations expected in 2020
‘Report of the Independent Review in to the quality and Effectiveness of Audit’ - Sir Donald Brydon		Team appointed to undertake review 2/2019	Consultation ended 7/6/2019		Brydon report issued 9/12/2019	Further consultations expected in 2020
‘Independent Review of the FRC’ by Sir John Kingman	Kingman Report published - 83 recommendations 18/12/2018	Secretary of State announces plans for a new regulator (ARGA) 11/3/2019	48 recommendations to be implemented by FRC BEIS first implementation consultation ended 11/6/2019			Further consultations expected in 2020

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LATEST REGULATORY DEVELOPMENTS
Continued

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Report	Topic	Key points
'Independent Review of the FRC' by Sir John Kingman	December 2018 - Future of regulation and the FRC - requested by the Secretary of State	• Highlighted deficiencies in FRC and its operating effectiveness • New regulator to replace FRC 'Audit, Reporting and Governance Authority' • Reconsideration of which entities are classed as 'public interest' A number of changes require legislation changes but the FRC is working on implementation where possible.
Related BEIS consultation	BEIS consultation - independent review of the FRC - March 2019 - Recommends adopting a significant number of the Kingman proposals without further consultation - ended June 2019	The proposals being classed as: • FRC and BEIS will implement as soon as possible • Can be implemented once considered, in advance of legislation • Primary legislation required Further consultations are expected and will form part of the 2020 suite of consultations undertaken.
Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'	April 2019 - Future of market competition	Report 18 April 2019 – suggestions include • Increased accountability of audit committees including a focus on how they select auditors and their consideration of audit quality • Mandatory joint audits for largest companies including one member not from the big 4 and peer reviews • An operational split between the audit and non audit practices of the big 4 • A 5 year review of progress by the new regulator Further consultations are expected and will form part of the 2020 suite of consultations undertaken.

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LATEST REGULATORY DEVELOPMENTS

Continued

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Report	Topic	Key points
BEIS (Business, Energy and Industrial Strategy Committee) Report 'The Future of Audit' - 24 April	Consideration of 2 reports – CMA and Kingman – to ensure they will lead to coherent framework	This report considers the CMA and Kingman reports and supports their recommendations and encourages implementation. In particular: • Implement Kingman recommendations as soon as possible • Endorsement of CMAs suggestion to split firms operations between audit and non-audit • Segmented market cap and joint audits for FTSE 100 • Detecting fraud a priority • Tightening of dividend regime • Make audit more forward looking • Welcomes introduction of ARGA - deal with failures more quickly and more stringently Published June 2019.

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LATEST REGULATORY DEVELOPMENTS

Brydon

In December 2019 Sir Donald Brydon published his "Report of the Independent Review in to the quality and Effectiveness of Audit" . This report proposes a fundamental changes to the audit profession, the scope of audit and how the Audit Committee interacts with auditors and shareholders. The report introduces over 100 actions in a number of areas including:

- Audit Purpose, Audit Profession and Auditor reporting;
- Directors' Reporting;
- Role of Shareholders;
- Other stakeholders;
- Internal Controls;
- Fraud;
- Transparency;
- Technology;
- Auditor Liability;
- Audit and Risk Committees;
- KPIs and APMs (Alternative Performance Measures); and
- ARGA – the new regulator.

Key considerations for Audit Firms

- A new definition of audit: " The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have responsibility to report, including the financial statements."
- Recognition of other stakeholders alongside the company's shareholders;
- Creation of a standalone audit profession as opposed to an extension of the accounting profession;
- Introduce the need for 'professional suspicion' alongside 'professional scepticism';
- Replace 'true and fair' with 'present fairly, in all material respects';
- Retain binary audit opinion but create continuity between reports, increase transparency further, have regard to other public information;
- Report specifically on the directors' statement in relation to fraud; and
- Audit firms ensure a clear separation between the team which negotiates the audit fees, and the team which carries out the audit.

Key considerations for Audit Committees are as follows

- Recommendations for Directors to present to shareholders a three year audit and assurance policy dealing with auditors appointment, assurance budget and risks;
- Directors to present an annual Public Interest Statement and Resilience Statement (replacing the going concern and viability statements) in the annual report;
- Directors to present an annual statement on the actions they have taken to prevent fraud;
- CEO and CFO to provide an annual attestation to the board of directors as to the effectiveness of the company's internal controls over financial reporting;
- Directors be required to disclose when any material failure of their internal controls has taken place;
- Any Alternative Performance Measures reported by a company, and any use of Key Performance Indicators to underpin executive remuneration, should be subject to audit; and
- Publication by the directors of a risk report in advance of the audit with shareholders to be given a formal opportunity to propose matters to be covered in the audit and also permitted to question the Audit Committee Chair and the auditor.

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LATEST REGULATORY DEVELOPMENTS

Redmond

On 8 September 2020, Sir Tony Redmond published his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting*

The Report includes a number of key recommendations, including:

- The establishment of new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit, taking on certain responsibilities from Public Sector Audit Appointments (PSAA), Institute of Chartered Accountants in England and Wales (ICAEW), FRC/ARGA, and the Comptroller and Auditor General (C&AG)
- The governance arrangements within local authorities be reviewed by local councils with the purpose of:
  - an annual report being submitted to Full Council by the external auditor;
  - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
  - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually
- The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- Quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
- The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.

FRC ETHICAL STANDARD

Issued in December 2019

Contents

In December 2019 the FRC published the Revised Ethical Standard 2019 (‘ES’), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to ‘work around’ the rules, or result in an outcome that is inconsistent with the general principles.
Extra-territorial impact	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
Non-audit services to a public interest entity (PIE)	Moving to a “white-list” of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
Other entities of public interest (‘OEPI’)	OEPI is a new term in the Ethical Standard. The FRC have imposed the ‘white-list’ applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an *SME listed entity* - generally those with a market cap of more than €200m; Lloyd’s syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which: – Have more than 2000 employees; and / or – Have a turnover of more than £200 million and a balance sheet total of more than £2 billion. The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.

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FRC PRACTICE AID FOR AUDIT COMMITTEES

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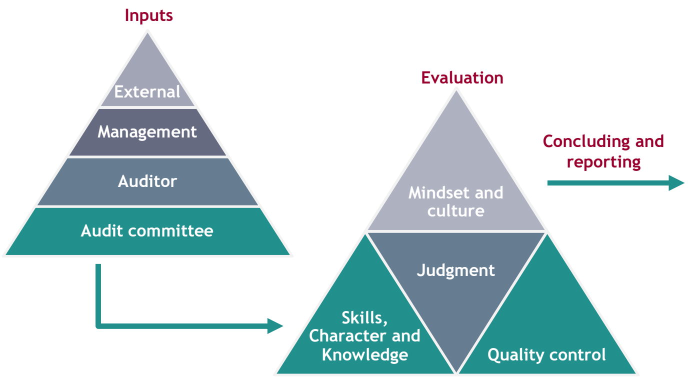
The FRC issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the **FRC website**. In their practice aid the FRC note: 'The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company's internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.'

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the **FRC website**.

LETTER OF REPRESENTATION

[Client name and Letter headed paper]

BDO LLP
55 Baker Street
London
WIU 7EU

Dear Sirs

Financial statements of the London Borough of Haringey for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Group and the Council's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Director of Finance has fulfilled his responsibilities for the preparation and presentation of the Group and the Council's financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2020 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).

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 of the Council 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 management and other meetings have been made available to you.

Going concern

We have made an assessment of the Group and Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council's ability to continue as a going concern.

Laws and regulations

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.

Post balance sheet events

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.

Thames Water refunds

We confirm that a reasonable estimate of the provision required to refund of excess charges for water services provided to tenants is £5.3 million, as a result of the judgement in the London Borough of Kingston case, should tenants reclaim excess charges backdated for up to 6 years. The Council has yet to decide on a formal scheme of remedy and the backdating period may change once a formal scheme has been approved.

Fraud and error

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 generally accepted accounting principles 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.

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LETTER OF REPRESENTATION

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To the best of our knowledge we are not aware of any fraud or suspected fraud involving 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 employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. 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 as a whole.

Related party transactions

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.

Other than as disclosed in note 30 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 1.9%
- Rate of increase in salaries: 2.9%
- Rate of increase in pensions: 1.9%
- Rate of discounting scheme liabilities: 2.3%
- Commutation take up option Pre-April 2008 50% / Post-April 2008 75%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of housing, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

The rebuild costs applied for depreciated replacement cost valuations are appropriate and reflect our best estimate of replacing the service potential of the buildings. The rebuild cost assumptions have been agreed to data provided by RICS for Building Cost Indices including Weighted Overall Cost Rate, Location, Location Factor, professional fees percentages and overall obsolescence factors applied.

LETTER OF REPRESENTATION

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The yields applied for investment property valuations are appropriate and reflect market rates for the nature of the investment properties in the borough.

We are satisfied that investment properties have been appropriately assessed as Level 2 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax, parking, housing benefit overpayments, housing rent and sundry debt arrears are reasonable. The historic collection rates calculated in previous years for the debts remain consistent with collection rates in 2019/20.

We are satisfied that historic collection rates are a reasonable basis for calculating expected credit losses and that enhanced forecasting of losses will not result in material differences in the impairment allowances.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of 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 and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Jon Warlow

Director of Finance

Date:

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 welcomes 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 FRC'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 companies), the firm undertakes 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.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7893 2616
e: leigh.Lloyd-thomas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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London Borough of Haringey

Draft Statement of Accounts 2019/20

25 June 2020

www.haringey.gov.uk

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NARRATIVE REPORT

Statement from Jon Warlow,
Director of Finance
(Section 151 Officer)

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 2020. 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.

The Narrative report provides the reader with key contextual information about the authority including its main objectives and strategies, the principal risks that it faces and plans in place to manage and mitigate these. It also provides a commentary on how the Authority (including the Group Accounts) has used its resources to achieve its desired outcomes in line with its objectives and strategies.

The significant impact of the Coronavirus pandemic began in mid-March so at the very end of the 2019/20 financial year, which this set of accounts reports on. The full impacts of the pandemic are therefore not reflected within this set of accounts. However, the Council anticipates significant challenges in the year ahead as it deals with the on-going crisis which will impact significantly on the Council's finances.

INTRODUCTION TO HARINGEY

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 270,624 with approximately a quarter (24.4%) of residents aged under 20 years. Over 170 languages are spoken in the borough, and 62% of our population are of non-White British ethnicity (the proportion is slightly higher among younger residents). Our overall population is the ninth most ethnically diverse in the country.

The population is growing and is estimated to reach 276,128 by 2030, an increase of 2% from 2018.

The borough ranks among the most deprived in the country with pockets of the highest levels of deprivation in the east. Of all London boroughs, Haringey has the second largest proportion of local areas (LSOAs) that fall into the most deprived 10% nationally.

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. There are a number of examples where, as a leader within Haringey, we are working innovatively with partners to improve service delivery and to create better pathways of support for our residents and businesses.

POLICY AND ACHIEVEMENTS IN 2019/20

In the past 12 months Haringey Council has made real progress on its key priorities: fighting housing injustice, building a fairer economy, investing in a bright future for children and young people in Haringey, and making Haringey a cleaner, greener place. We have done so while continuing to do the vital work that councils are responsible for, from safeguarding children and vulnerable adults and preventing homelessness to maintaining our parks and running our libraries.

Haringey, like all Councils, is dealing with the impact of coronavirus. We are working hard to support our communities through the crisis and its aftermath, protect our most vulnerable residents, and help local businesses stay afloat. It has been an extremely challenging time for everyone in the borough, but our community has demonstrated extraordinary strength and compassion. Our residents have been volunteering and supporting one another through this crisis, in coordination and partnership with the council. We will continue to work alongside our communities to support them and to build a better and brighter future for all.

Fighting Housing Injustice

Haringey Council is taking a bold stand to help ease the housing crisis. In order to meet our priority of delivering 1,000 new council homes by 2022 we have begun building council homes on council-owned land across the borough. We began work last autumn at Templeton Road in Seven Sisters to deliver 11 new council homes and we have reached an agreement to deliver at least 200 new homes on the Selby Centre site in North Tottenham, of which half will be council homes. For residents living in private rented properties we have introduced borough-wide landlord licensing schemes to improve the quality of homes and protect tenants. Last year we also opened Mulberry Junction, a centre for single adults who are homeless or sleeping rough that offers housing, health and skills support as well as help to access supported accommodation.

Community Wealth-Building

We have taken important steps to build a stronger and more resilient local economy. Haringey is now a ‘community wealth-building’ council that tries to make sure that every pound we spend benefits the local economy. This year we made a major commitment to expand the London Living Wage to key care workers. That helps workers earn enough for a decent quality of life, boosts staff retention, and puts more money into the Haringey economy. We are also bringing down the number of services contracted-out to private companies, creating jobs for local people and saving taxpayers' money.

Youth Services
We are continuing our urgent work to ensure that children in Haringey have a bright future and we are putting more money into services for young people. Last year we ran a Summer Programme that gave thousands of young people in Haringey activities to do during the school holidays. We've hired a team of new youth workers who have been out in the community (as part of the Haringey Community Gold scheme), we're funding Bruce Grove Youth Space and we are building partnerships between community groups and the Police to help keep young people safe. This approach has continued during the coronavirus crisis, with youth workers working remotely to support people during the lockdown.

Climate Emergency
Haringey declared a Climate Emergency in 2019 and is committed to becoming a carbon-neutral council by 2027. We have published one of the first Climate Action Plans in London. This includes a major tree-planting programme – prioritising streets that don't have many trees at the moment; dozens of new electric vehicle charging points; changes to parking permit charges to incentivise people to buy less polluting cars; energy efficiency measures for the council's own buildings and vehicles; and a School Streets programme to protect young people from pollution.

There is no escaping the fact that our circumstances are challenging. Austerity has reduced the Council's spending power by 24% per person since 2010, while the need for council services has increased. Only three of the 31 other London boroughs have had a bigger cut. On top of this, local government budgets are under unprecedented financial strain as a result of the coronavirus.

To ensure we can keep our vital services running, council tax increased this year by 1.99%, plus a 2% precept allowed by national government to fund adult social care. We understand that council tax disproportionately affects those with the lowest incomes, so to address this the council has continued its policy of 100% council tax relief for our least well-off families with children. In response to the Coronavirus crisis, up to £150 will be taken off the annual council tax bill of households who are currently within the Council Tax Reduction Scheme.

Council finances have changed fundamentally in the last ten years. We may have a lot less than we used to, but we are ambitious about what a council can do to create a fairer, more equal borough.

PERFORMANCE MONITORING

Following the May 2018 local elections, a new Borough Plan has been developed covering the period 2019-2023 which reflects the Council's political vision and priorities for the next four years. The Plan was developed by working closely with our partners to create a common vision and strategy for the 2019-2023 period and is aligned with the Council's financial (MTFS) and workforce (People Strategy) planning. From the 2019-20 year going forwards, performance is measured against the five new borough plan priorities, including the financial reporting in the Council's Statement of Accounts.

Our Borough Plan (2019-2023) sets out the kind of borough residents told us they wanted Haringey to be by 2023, and the priorities we have been focussing on to get us there.

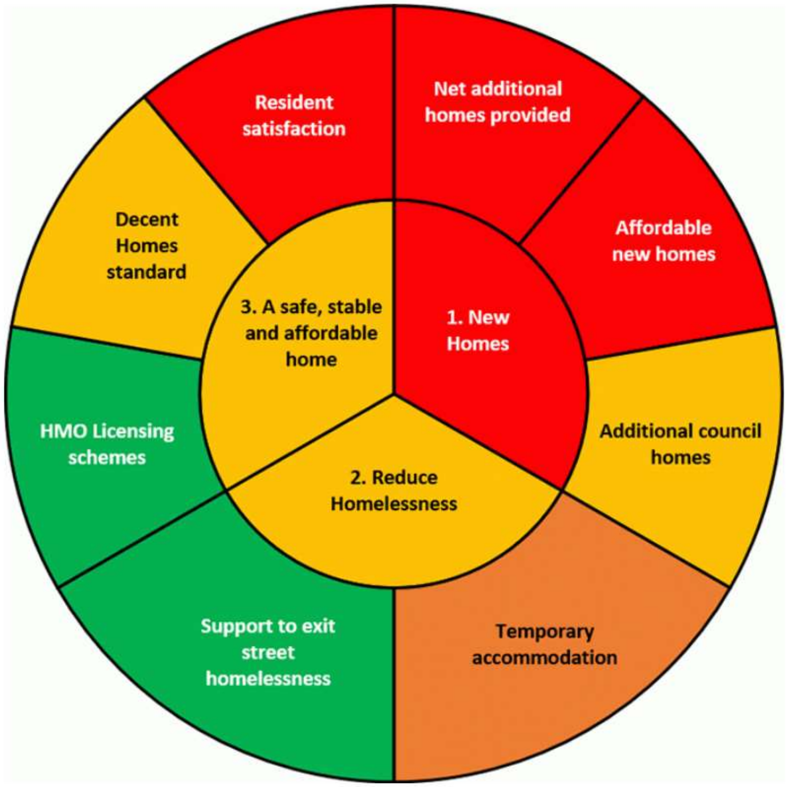
NARRATIVE REPORT

We are open about which ambitions we have achieved and which we are still working towards and we report on progress quarterly. Further detail can be found on the Council's website https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan

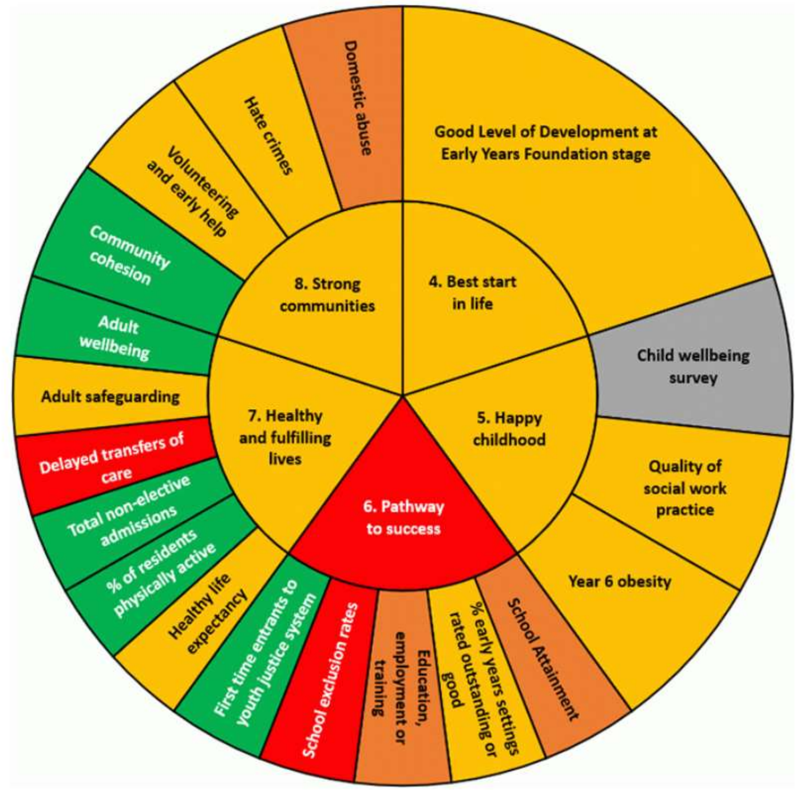
The Plan centred on five core priority areas each under-pinned by a series of ambitious targets. The following section graphically presents our latest performance against these indicators; green where performance is on or exceeding target, amber/red highlighting where more needs to be done, grey indicates insufficient data available.

NARRATIVE REPORT

Priority 1 - Housing -Our vision is for a safe, stable and affordable home for everyone, whatever their circumstances

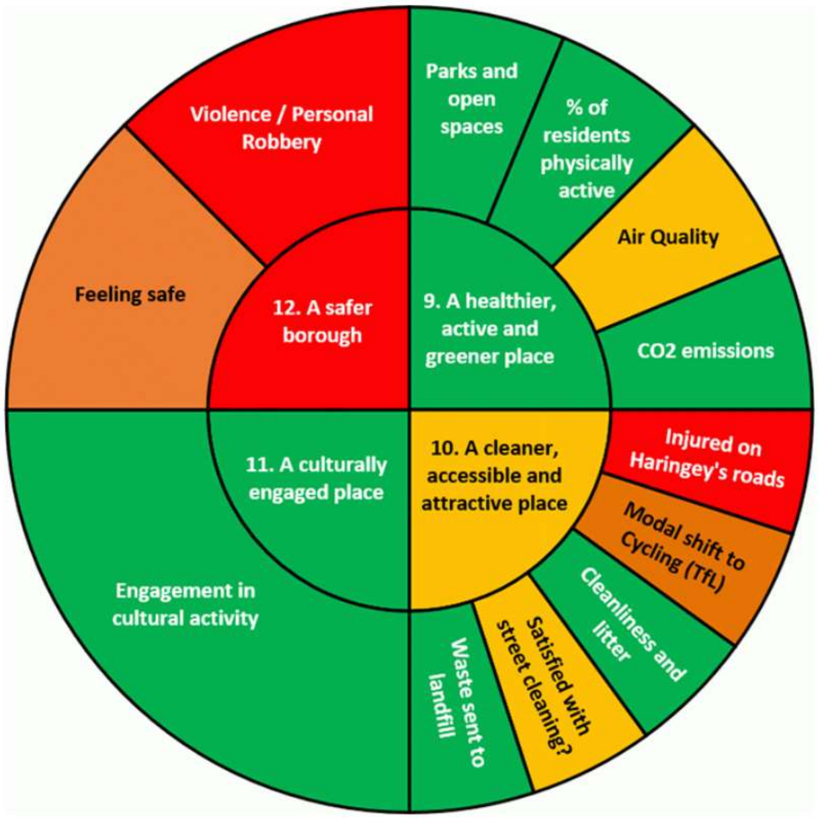


Priority 2 - People – Our vision is a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential

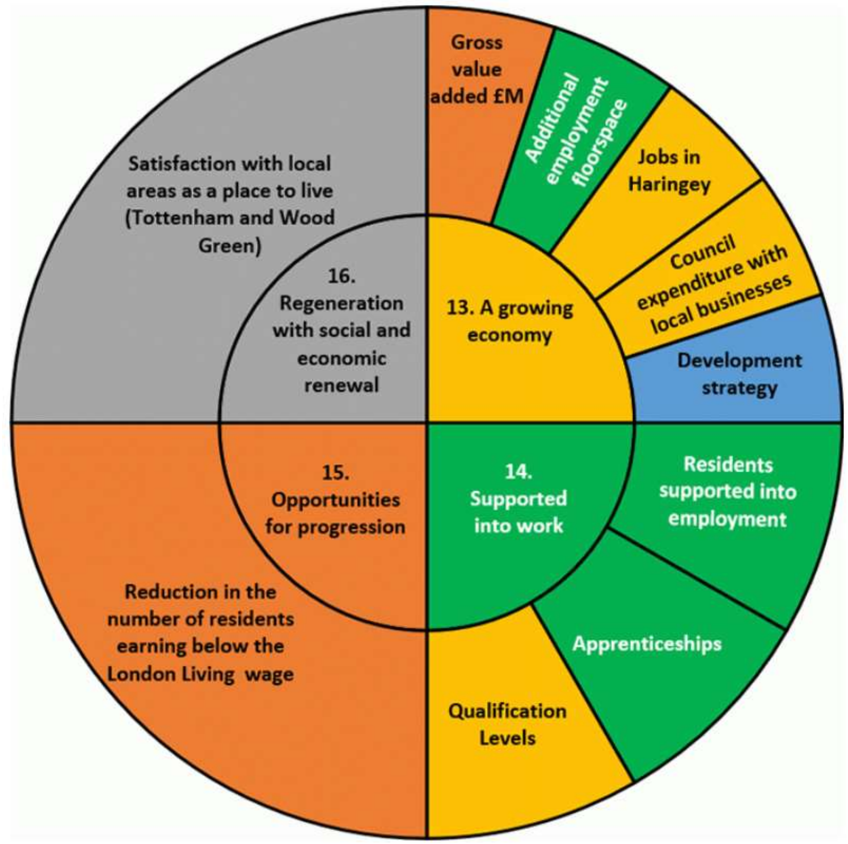


NARRATIVE REPORT

Priority 3 - Place – Our vision is for a place with strong, resilient and connected communities where people can lead active and healthy lives in an environment that is safe, clean and green



Priority 4 - Economy – our vision is for a growing economy that provides opportunities for all our residents and supports our businesses to thrive



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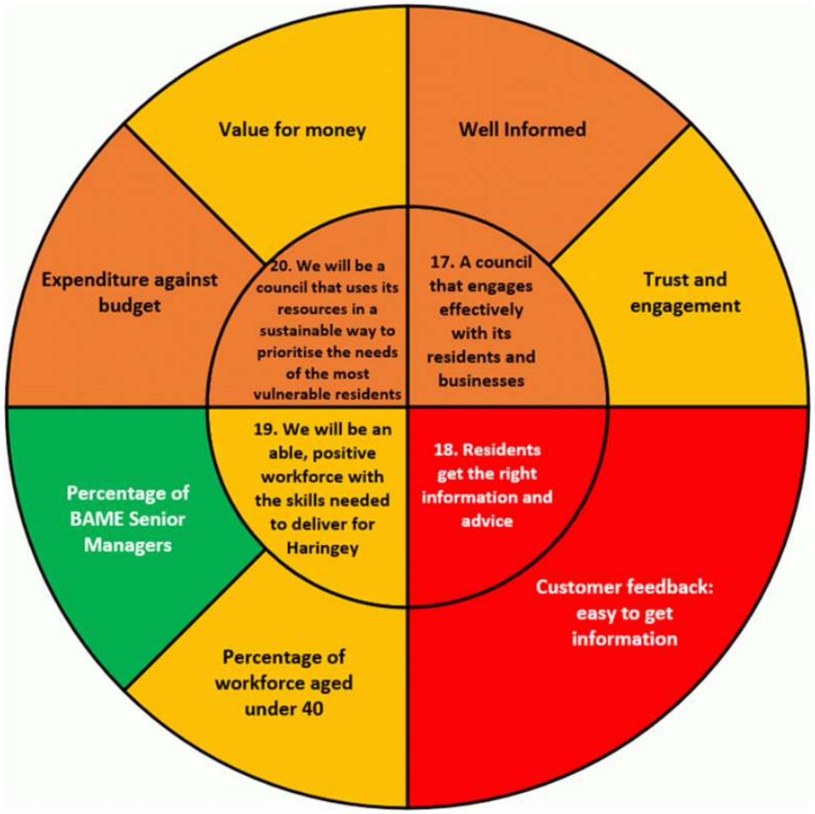
Priority 5 – Your Council – The way the council works



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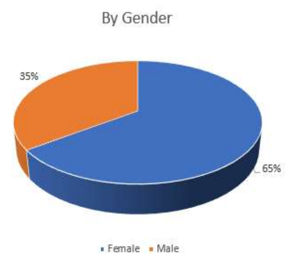
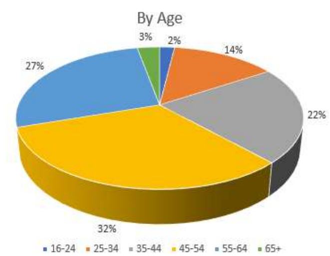
NARRATIVE REPORT

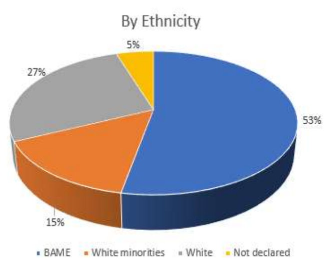
HARINGEY WORKFORCE

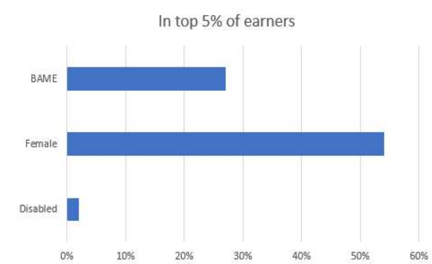
The Council employs 2,152 people (excluding schools based staff) on full and part time contracts, equating to a full-time equivalent of 1,954.4. This represents a 0.5% reduction in the workforce since March 2019.

The Haringey Council Employment Profile gives an overview of the organisation's workforce covering the various diversity strands such as disability, gender, ethnicity and age. The profile helps us to understand the impact of people management practices on employees; to review and implement policy; and to enable the council to fulfil its obligations under the Equality Act 2010.









FINANCIAL PERFORMANCE

Overview

Haringey Council is responsible for managing cash flows and assets of over £4bn. Key figures for 2019/20 include:

- Gross revenue expenditure (spending on day-to-day services) of around £990m;
- Income from fees, charges and grants of £740m;
- Billing of around £209m in council tax and business rates;
- Maintenance of fixed assets with a value of more than £2.5bn, including capital investment of £179m in housing, schools, highways and regeneration projects;
- Management of the £1.3bn Haringey Pension Fund.

The aim is to minimise financing costs and maximise returns from surplus cash balances, within a low risk treasury management strategy. The Strategy was reviewed and approved during the financial year. External borrowing at 31 March 2020 was £540m.

In common with the rest of local government, the Council continues to operate within an environment of ongoing reductions in core funding and increasing demand for its services.

Against this backdrop, the Council has maintained sound financial stewardship whilst at the same time developed innovative and collaborative approaches to service delivery, transformation and regeneration to help ensure future financial sustainability.

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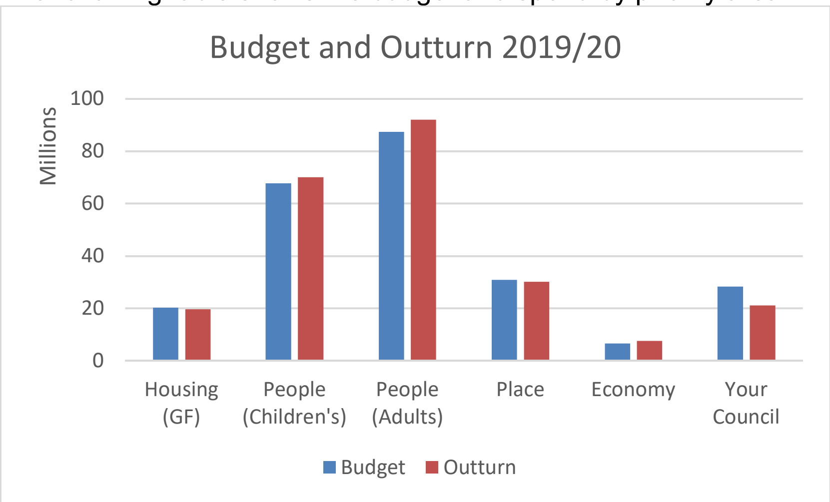
Revenue spending in 2019/20

The Council's final general fund revenue outturn for 2019/20 showed a stable position in the Council unearmarked general fund balance of £15.8m. As reported throughout the year, there was budget pressure in the demand led priorities, specifically the People Priority, of £2.5m in Children's and £4.6m in Adults. The Council was able to mitigate down this overspend through underspends in Place, Housing and Your Council.

The following table shows the budget and spend by priority area.



General fund balances (including schools) were £89.4m at 31 March 2020 (£90.2m as at 31 March 2019), with the unearmarked component remaining stable at £15.8m (£15.8m as at 31 March 2019). It should be noted that although total general fund reserves have remained at a broadly similar level, within this balance is £8.1m of government funding for the Covid-19 pandemic which was paid to the Council shortly before 31 March 2020 and which will be utilised in 2020/21. Had this not been received, the Council's reserves would have reduced by nearly £9m in the year. The largest factor in this decline was the overspend on Dedicated Schools Grant (DSG) of £8m in 2019/20.

Housing Revenue Account

- The Council owns approximately 15,100 homes which are managed by Homes for Haringey (wholly owned by Haringey Council)
- £102m was collected in rents and service charges in 2019/20 (£111m in 2018/19)
- Revenue spending on repairs, maintenance and management was £57m (£63m in 2018/19)
- Capital investment in the housing stock was £97m (£46m in 2018/19)

HRA usable reserves were £15.6m as at 31 March 2020 (usable reserves as at 31 March 2019 were £32.8m).

Capital Investment

Each year the Council approves the Council's Medium Term Financial Strategy (MTFS) which includes the Council's capital investment programme which spans the forward looking five year period. The Council has an ambitious capital programme of over £1bn to deliver on its priorities within the borough plan.

In 2019/20 £179m was invested in schools, housing and regeneration. Capital planning is, by its nature complex and often dependent on negotiation and external approvals. This means that the precise timing of spend is often uncertain.

NARRATIVE REPORT

Haringey Council Balance Sheet Position for Single Entity 31 March 2020

The Council's balance sheet improved by £309m in 2019/20, the high level movements being:

- Capital expenditure investment and property plant and equipment valuation increases, increasing the Council's long term assets by £212m
- Increases in Council borrowing, increasing long and short term liabilities by £143m
- Increases in cash and cash equivalents, increasing short term assets by £56m
- Positive movements in the actuarial assumptions used in the valuation of the council's pension liabilities, reducing liabilities overall by £183m

The following summarises the Council's single entity balance sheet as at 31 March 2020

Assets
£2,828m
(2,542m)

Liabilities
£1,235m
(£1,258m)

Net Assets
£1,593m
(£1,284m)

Usable Reserves	*£ 192m*	*(£192m)*
Unusable Reserves	*£ 1,401m*	*(£1,092m)*
Total	*£ 1,593m*	*(£1,284m)*

Figures in brackets relate to position at 31 March 2019

Pension Liabilities

- The pension liability (£494m) in these accounts represents the difference between the estimated cost of pensions payable in the future (£1,576m), and the value of assets in the pension fund (£1,082m). This is calculated based on rules set by accounting standards and not on an actuarial basis which gives a more accurate estimate of the pension fund's financial position;
- The Pension Fund is revalued every three years to set future contribution rates. The latest valuation was at 31 March 2019;
- On an actuarial basis the funding level at 31 March 2019 for Haringey Council was assessed as 95% (overall the Haringey Pension Fund was 100% funded);
- The revenue cost of pensions was £33.4m for the year (£30.4m in 18/19)

Addressing future challenges in 2020/21 and beyond

Uncertainty for the local government sector at both national and a local level looks to continue over the short to medium term due to continued demand and a less reliable resource base. Coronavirus will be the single most wide reaching external influence on the Council's resources for the upcoming year, and this looks likely to have continued effects beyond 2020/21. The effects of Coronavirus have been felt to some extent in all Council services but with some impacted more significantly than others. Over the coming year the Council will undertake a review of its priorities and the design and delivery of its services: this work will reshape our Borough Plan and MTFS.

The Council's exit from the European Union is likely to contribute to the volatile environment the Council operates within. The precise impact of Brexit remains difficult to predict but is likely to impact significantly on London and the South East.

We also know that more of our residents are living longer and/or often have more complex needs which continues to put pressure on our Adult Social Care budgets that Central Government funding has not adequately addressed. A similar position exists for Children's services.

The delivery of agreed savings set out in the February 2020 MTFS budget report will be critical to the Council meeting its Borough Plan objectives, notwithstanding the challenges posed to these by coronavirus. The Council continues to make strategic use of its reserves as it works to develop long-term solutions and invest in the transformative activity required to improve efficiency to make our money go further. Our reserves also provide capacity to manage a level of risk associated with the delivery of our savings programme, and the budget pressures that the Council faces.

Our strategic application of the flexible use of capital receipts also will help us to fund one-off investment to deliver the sustained revenue savings built into our MTFS. Our capital strategy, a mix of regeneration growth and asset availability, will also underpin delivery of savings.

Whilst we recognise that we will continue to face challenging times, we will continue to focus on our key role in building strong communities, using the resources at our disposal to support economic growth and tackle inequality. The new Borough Plan clearly restates the Council's priorities for the coming years: Housing, People, Place, Growth and Your Council.

KEY STRATEGIC RISKS FOR 2020/21

The Annual Governance Statement (AGS) that is incorporated into the Statement of Accounts includes the key Corporate Risks and governance issues that have been identified during 2019/20 along with key actions to mitigate these down and a defined senior officer to take responsibility for delivering these and report back to Corporate Board as required.

Progress against agreed actions will be regularly reviewed by the Corporate Board during 2020/21, as will the identification of any new emerging risks or issues.

NARRATIVE REPORT

EXPLANATION OF THE KEY ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2020. It comprises core and supplementary statements together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements comprise:

- The ***Comprehensive Income and Expenditure Statement*** – this records all the Council's income and expenditure for the year. The top half of the statement shows the cost of providing services, analysed across the Council's priorities. The bottom half of the statement deals with corporate transactions and funding.

- The ***Movement in Reserves Statement*** is a summary of the changes in the Council's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable', which must be set aside for specific purposes.

- The ***Balance Sheet*** is a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date

- The ***Cash Flow Statement*** shows the reason for changes in the Council's cash balances during the year and whether the change is due to operating activities, new investment or financing activities (such as borrowing and other long-term liabilities)

We also provide the ***Expenditure and Funding Analysis*** to demonstrate to council tax and rent payers how the funding available to the Council (i.e. council tax, housing rents, business rates and central government grant) has been used in providing services in comparison with those resources consumed or earned in accordance with Generally Accepted Accounting Practices. The EFA also shows how resources have been allocated for decision-making purposes.

The ***Group Accounts*** combine the financial activities for the year of the Council with those of Homes for Haringey and Alexandra Park and Palace Charitable Trust, both of whom are treated as subsidiaries of the Council.

The **Supplementary Financial Statements** comprise:

- The ***Housing Revenue Account*** – this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989

- The ***Collection Fund*** summarises the collection of council tax and business rates, and the distribution of that money between the Council, the Greater London Authority (GLA) and central government

- The ***Pension Fund Account*** reports the contributions received, the payments made to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees, past and present.

Also published with the Statement of Accounts is the ***Annual Governance Statement*** (AGS). The AGS sets out the governance structure of the Council and its key internal controls.

INDEPENDENT EXTERNAL AUDITOR'S REPORT

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

[TO BE INSERTED AT END OF AUDIT]

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INDEPENDENT EXTERNAL AUDITOR'S REPORT

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INDEPENDENT EXTERNAL AUDITOR'S REPORT

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INDEPENDENT EXTERNAL AUDITOR’S REPORT

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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, the Chief Financial Officer is the Director of Finance;
- 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').

In preparing this Statement of Accounts, the Chief Financial Officer has:

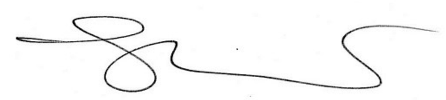
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

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 31 March 2019 and its income and expenditure for the year then ended.



Jon Warlow
Director of Finance (S151 Officer)

25 June 2020

EXPENDITURE AND FUNDING ANALYSIS

Single Entity	2019/20 Income and Expenditure chargeable to GF and HRA balances	2019/20 Adjustments between funding and accounting basis (Note 5)	2019/20 Net expenditure in the CIES	2018/19 Income and Expenditure chargeable to GF and HRA balances	2018/19 Adjustments between funding and accounting basis (Note 5)	2018/19 Net expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000
Housing - GF	17,052	12,535	29,587	73,576	12,487	86,063
People - Children's	70,062	11,236	81,297	72,790	2,062	74,852
People - Adults	70,632	5,181	75,814	27,015	14,628	41,643
Place	16,873	8,897	25,770	7,857	10,825	18,682
Economy	8,300	8,789	17,090	18,512	1,598	20,110
Your Council	6,837	14,647	21,484	11,517	23,421	34,937
Housing - HRA	(22,074)	13,629	(8,445)	(31,638)	20,201	(11,437)
Dedicated Schools Grant	7,956	0	7,956	0	0	0
Net Cost of Services	**175,637**	**74,914**	**250,554**	**179,628**	**85,222**	**264,850**
Other income and expenditure	(157,695)	(86,071)	**(243,766)**	(187,015)	(43,148)	**(230,163)**
(Surplus) or Deficit on Provision of Services	**17,943**	**(11,157)**	**6,789**	**(7,386)**	**42,074**	**34,687**
Opening General Fund and HRA Balance	(122,947)			(121,900)		
Less/Plus deficit/(surplus) on General Fund and HRA balance in year (see Movement in Reserves Statement)	17,943			(7,386)		
Reclassification of HRA Smoothing Reserve	0			6,339		
Other Comprehensive Income and Expenditure	56			0		
Closing General Fund and HRA Balance	**(104,949)**			**(122,947)**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Single Entity	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure	2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Housing - GF	74,443	(44,856)	29,587	64,947	(45,625)	19,322
People - Children's	120,235	(38,938)	81,297	122,484	(38,703)	83,780
People - Adults	135,912	(60,098)	75,814	130,826	(55,567)	75,259
Place	80,428	(54,658)	25,770	77,153	(39,762)	37,391
Economy	24,555	(7,465)	17,090	26,907	(8,129)	18,778
Your Council	266,422	(244,937)	21,485	310,447	(279,442)	31,005
Housing - HRA	93,327	(101,773)	(8,445)	99,296	(110,733)	(11,437)
Dedicated Schools Grant	195,088	(187,132)	7,956	189,579	(187,351)	2,229
Cost of Continuing Services	**990,409**	**(739,857)**	**250,554**	**1,021,638**	**(765,311)**	**256,327**
Other operating expenditure (Note 6)	18,928	(22,797)	(3,869)	20,762	(22,197)	(1,435)
Financing and investment income and expenditure (Note 7	51,522	(30,462)	21,060	42,607	(10,584)	32,023
Taxation and Non-Specific Grant Income (Note 8)	0	(260,957)	(260,957)	0	(252,230)	(252,230)
(Surplus) or Deficit on Provision of Services	**1,060,858**	**(1,054,074)**	**6,788**	**1,085,007**	**(1,050,321)**	**34,686**
(Surplus) or deficit on revaluation of property, plant and equipment (Note 19)			(100,056)			(21,156)
Remeasurement of net defined benefit liability (Note 19,35)			(215,979)			66,347
Other Comprehensive Income and Expenditure			**(316,035)**			**45,191**
Total Comprehensive Income and Expenditure			**(309,247)**			**79,878**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Group Accounts	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure	2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Housing - GF	74,443	(44,856)	29,587	64,947	(45,625)	19,322
People - Children's	120,235	(38,938)	81,297	122,484	(38,703)	83,780
People - Adults	135,912	(60,098)	75,814	130,826	(55,567)	75,259
Place	80,428	(54,658)	25,770	77,153	(39,762)	37,391
Economy	42,754	(24,189)	18,566	43,991	(25,568)	18,423
Your Council	266,422	(244,937)	21,484	310,447	(279,442)	31,005
Housing - HRA	90,715	(95,262)	(4,547)	97,330	(104,191)	(6,861)
Dedicated Schools Grant	195,088	(187,132)	7,956	189,579	(187,351)	2,229
Cost of Continuing Services	**1,005,996**	**(750,071)**	**255,927**	**1,036,756**	**(776,208)**	**260,548**
Other operating expenditure (Note 6)	18,928	(22,797)	(3,869)	20,762	(22,197)	(1,435)
Financing and investment income and expenditure (Note 7	51,522	(30,462)	21,060	42,607	(10,584)	32,023
Taxation and Non-Specific Grant Income (Note 8)	0	(260,957)	(260,957)	0	(252,230)	(252,230)
(Surplus) or Deficit on Provision of Services	**1,076,446**	**(1,064,287)**	**12,162**	**1,100,125**	**(1,061,218)**	**38,907**
(Surplus) or deficit on revaluation of property, plant and equipment (Note 19)			(92,870)			(12,180)
Remeasurement of net defined benefit liability (Note 19,35)			(213,631)			77,269
Other Comprehensive Income and Expenditure			**(306,501)**			**65,089**
Total Comprehensive Income and Expenditure			**(294,338)**			**103,997**

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MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Single Entity Reserves**	Group Reserve	**Total Group Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2019/20										
Balance as at 31/03/2019	(90,198)	(32,750)	(38,818)	(29,691)	(191)	**(191,649)**	(1,092,361)	**(1,284,010)**	(84,789)	(1,368,799)
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	27,007	(20,166)	0	0	0	6,841	(316,087)	(309,246)	14,908	(294,338)
Adjustments between accounting basis & funding basis under regulations (note 9)	(26,177)	37,334	213	(18,146)	(424)	(7,201)	7,201	0	0	0
(Increase) / Decrease in 2019/20	830	17,168	213	(18,146)	(424)	(360)	(308,886)	(309,246)	14,908	(294,338)
Balance as at 31/03/2020 carried forward	**(89,368)**	**(15,582)**	**(38,605)**	**(47,838)**	**(615)**	**(192,008)**	**(1,401,249)**	**(1,593,256)**	**(69,881)**	**(1,663,137)**
2018/19										
Balance as at 31/03/2018 as previously Stated	(83,708)	(38,192)	(37,694)	(30,044)	(229)	(189,868)	(1,174,019)	(1,363,887)	(108,907)	(1,472,794)
Movement in reserves during 2018/19										
Total Comprehensive Income and Expenditure	47,203	(12,516)	0	0	0	34,687	45,192	79,879	24,118	103,997
Adjustments between accounting basis & funding b	(53,692)	17,958	(1,124)	353	38	(36,467)	36,467	0	0	0
(Increase) / Decrease in 2018/19	(6,489)	5,442	(1,124)	353	38	(1,780)	81,659	79,879	24,118	103,997
Balance as at 31/03/2019 carried forward	**(90,198)**	**(32,750)**	**(38,818)**	**(29,691)**	**(191)**	**(191,649)**	**(1,092,361)**	**(1,284,008)**	**(84,789)**	**(1,368,797)**

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BALANCE SHEET

	Notes	Single Entity 31 March 2020	Single Entity 31 March 2019	Group Accounts 31 March 2020	Group Accounts 31 March 2019
		£'000	£'000	£'000	£'000
Property, Plant and Equipment	11,37	2,493,517	2,315,979	2,603,075	2,415,563
Heritage Assets		6,176	6,173	6,176	6,173
Investment Property	12	88,610	70,497	88,610	70,497
Intangible Assets		3,660	4,021	3,660	4,021
Long-term Debtors	15	25,063	8,250	4,076	4,234
Long Term Assets		**2,617,026**	**2,404,920**	**2,705,597**	**2,500,488**
Assets Held for Sale		4,574	6,447	4,574	6,447
Short-term Investments	13	15,012	10,012	15,012	10,012
Inventories		17	354	1,491	1,174
Short-term Debtors	15	102,418	86,637	104,244	89,190
Cash and Cash Equivalents	16	89,378	33,763	91,551	41,354
Current Assets		**211,399**	**137,213**	**216,872**	**148,177**
Short-term borrowing	13	(40,994)	(36,298)	(40,994)	(36,298)
Short-term Creditors	17	(145,149)	(128,575)	(148,692)	(136,372)
Grants Receipts in Advance		(5,636)	(4,200)	(5,636)	(4,200)
Provisions	18	(2,797)	(4,004)	(2,797)	(4,004)
Current Liabilities		**(194,575)**	**(173,077)**	**(198,118)**	**(180,874)**
Long-term Creditors	17	(2,171)	(1,512)	(2,171)	(1,512)
Provisions	18	(7,557)	(7,060)	(7,909)	(7,335)
Long-term Borrowing	13	(498,577)	(360,394)	(498,577)	(360,394)
Other Long-term Liabilities	32-35	(520,842)	(707,425)	(541,110)	(721,098)
Grants Receipts in Advance - Capital		(11,448)	(8,655)	(11,448)	(8,655)
Long-term Liabilities		**(1,040,595)**	**(1,085,046)**	**(1,061,215)**	**(1,098,994)**
Net Assets		**1,593,256**	**1,284,010**	**1,663,137**	**1,368,799**
Usable Reserves		(192,008)	(191,649)	(196,168)	(207,919)
Unusable Reserves	19	(1,401,249)	(1,092,361)	(1,466,969)	(1,160,880)
Total Reserves		**(1,593,256)**	**(1,284,010)**	**(1,663,137)**	**(1,368,799)**

CASH FLOW STATEMENT

	Note	Single Entity 2019/20 £'000	Single Entity 2018/19 £'000	Group Accounts 2019/20 £'000	Group Accounts 2018/19 £'000
Net surplus or (deficit) on the provision of services		(6,789)	(34,687)	(12,161)	(38,909)
Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	20	75,986	120,944	67,211	122,417
Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	20	(60,754)	(46,999)	(50,008)	(38,557)
Net cash flows from Operating Activities		**8,443**	**39,258**	**5,041**	**44,951**
Investing Activities	21	(96,303)	(62,862)	(98,519)	(70,715)
Financing Activities	22	143,475	16,978	143,674	16,774
Net increase or (decrease) in cash and cash equivalents		**55,615**	**(6,626)**	**50,196**	**(8,990)**
Cash and cash equivalents at the beginning of the reporting period		33,763	40,389	41,354	50,344
Cash and cash equivalents at the end of the reporting period		**89,378**	**33,763**	**91,551**	**41,354**

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, supported by International Financial Reporting Standards (IFRS).

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

The Accounts have been designed to present a 'true and fair' view of the financial position of the Council and comparative figures for the previous year have been provided.

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.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Accrual de-minimus are generally £20,000 (revenue) and £50,000 (capital). However, where it is clear that the total owed or due from a single supplier/customer exceeds these amounts, an accrual will be raised. Exceptions to these levels are made where expenditure is funded by a time-limited grant.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 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.

1.4 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.

1.5 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages, salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

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. 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.

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. The last review was done in 2017/18.

Termination Benefits

Termination benefits are amounts 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 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 predominantly members of two separate pension schemes:

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

Both schemes provide defined benefits to members (which include annual pensions and other benefits) earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme 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 (LGPS). 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 Regulations 2013 (and other LGPS Regulations) 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 years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES
- 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 People Priority - Children's 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.

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.

1.6 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.

1.7 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties 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 considers 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

1.8 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.
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

Financial assets 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.

Allowances for impairment losses for trade receivables are calculated using the simplified approach recognising lifetime expected losses. Allowances for impairments made on loans made for service purposes are made on the expected loss model.

1.9 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 contributions 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.

1.10 Interests in companies and other entities

The Council has reviewed its key financial relationships and assessed them against the Code of Practice and Homes for Haringey Limited (HfH) and Alexandra Park and Palace Charitable Trust (APPCT) are deemed to be within the Haringey group. Therefore, consolidated Group accounts have been created in which all intra-group transactions have been removed. Any relevant transactions remaining in the single entity are shown at cost less impairments.

1.11 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 the Capital Receipts Reserve.

1.12 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

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.

1.13 Property, Plant and Equipment

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 are classified as property, plant and equipment. This category excludes certain assets such as properties which are held solely for the purpose of generating financial return (Investment Properties and Assets for Sale).

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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.

Assets are 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 fair 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.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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, the accounting treatment applied is outlined above.

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 an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components should be depreciated separately.

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

- Vehicles and Equipment (immaterial)
- Infrastructure assets
- Investment properties are not depreciated, but will be considered for componentisation where enhancement expenditure is incurred.

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. 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 are 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.

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 Assets

The Council has schools in the following categories: community schools, foundation schools, voluntary controlled schools, voluntary aided schools, free schools and academies. All locally maintained schools (i.e. community, foundation, voluntary controlled, voluntary aided, community special and foundation special schools) are treated on Balance Sheet based on the risks and rewards the council is deemed to have. This is under constant review and is updated in line with guidance from CIPFA. This means that the Council recognises the Property, Plant and Equipment of these schools in the financial statements.
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Schools Income and Expenditure

All locally maintained schools (i.e. community, foundation, voluntary controlled, voluntary aided, community special and foundation special schools) are deemed to be under the council's control. For this reason, schools' transactions and balances attributable to the governing bodies are consolidated into the council's financial statements, applying accounting policies for recognition and measurement consistent with those applied by the council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the council and the schools have been eliminated. Assets provided to a school without the right to continuing use, such that they can be taken back by the owners at some point, are not recognised in the council's financial statements.

Academy and free schools are independently managed. None of these schools' income and expenditure, assets, liabilities or reserves are included within the council's financial statements.

1.14 Provisions and Contingent Liabilities

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 considering relevant risks and uncertainties.

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

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.

1.15 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.

1.16 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 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.

1.17 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, housing rents and parking income.

Council tax and business rate income included in the CIES is the total of the precept on the collection fund and the Council's share of the surplus/deficit on the collection fund at the end of the current year, adjusted for the Council's share of the surplus/deficit on the fund at the preceding year end that has not been distributed or recovered in the current year.

Housing Rent income included in the CIES 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. Landlords are expected to move the actual rent of a property to this formula rent, over time.

1.18 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 several 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 a 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 operator consist of

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

1.19 VAT

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

1.20 Accounting Standards Issued, But not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not adopted.

The most relevant standards for local authorities are:

IFRS 16 Leases- this requires lessees to recognise most leases on their Balance Sheet as right of use assets with corresponding liabilities from 1st April 2021.

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.

The Council incorporates its subsidiaries, Homes for Haringey, Alexandra Palace Charitable Trust and Alexandra House Wood Green Ltd within these accounts to present group financial statements. They are consolidated on the basis of control over relevant activities.

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.

The items in the Council's Balance Sheet as at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are:

Non-Current Assets

To meet the objective of IFRS 13 (Fair Value Measurement), the valuers have worked on the basis that all reasonably available information has been considered. 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 aim is 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 achieve 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 based on 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.

The Coronavirus pandemic has impacted heavily on property markets with a marked reduction in transactions occurring at the end of March. As a result, the Council's valuers have produced valuations of property plant and equipment on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, there is a higher degree of uncertainty regarding these valuations than would usually be the case. At the current time, it is not possible to accurately predict the full impact of Coronavirus on the economy, and property prices. Therefore, values have been based on the situation prior to the pandemic, on the assumption that values will hold when the property market begins to function normally.

Pension Fund Liability

During 2019/20, the Council's actuaries advised that the net pension liability had decreased by £183.3m as a result of estimates being revised and the updating of 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 note 35.

4. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 25 June 2020. There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

5. Notes to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

a) Adjustments between Funding and Accounting Basis

	2019/20				2018/19			
	Adjustments for Capital Purposes (Note 1)	Net change for Pensions Adjustments (Note 2)	Other Differences (Note3)	Total Adjustment	Adjustments for Capital Purposes (Note 1)	Net change for Pensions Adjustments (Note 2)	Other Differences (Note3)	Total Adjustment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing - GF	12,315	221	(1)	**12,535**	1,495	109	(5)	**1,598**
People - Children's	426	9,864	946	**11,236**	5,828	7,345	(686)	**12,487**
People - Adults	3,286	1,901	(5)	**5,181**	774	1,310	(21)	**2,062**
Place	7,175	1,727	(5)	**8,897**	13,475	1,173	(20)	**14,628**
Economy	7,622	1,170	(3)	**8,789**	9,954	882	(11)	**10,825**
Your Council	13,492	1,157	(1)	**14,648**	16,203	7,224	(6)	**23,421**
Housing - HRA	13,491	138	(0)	**13,629**	20,098	105	(2)	**20,201**
Net Cost of Services	**57,806**	**16,177**	**931**	**74,914**	**67,826**	**18,149**	**(752)**	**85,221**
Other income and expenditure	(102,447)	16,472	(97)	**(86,071)**	(54,221)	15,235	(4,162)	**(43,148)**
Difference between General Fund surplus or deficit and the CIES surplus or deficit on the provision of services	**(44,640)**	**32,649**	**834**	**(11,157)**	**13,605**	**33,384**	**(4,915)**	**42,074**

Note 1 - Adjustments for capital purposes

'Adjustments for capital purposes' adds depreciation, impairment and revaluation gains and losses in the service lines, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income – the statutory charges for capital financing, i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. This line is credited with capital grants receivable without conditions or for which conditions were satisfied in the year.

Note 2 – Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services, this represents the removal of the employer contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income – the net interest on the defined benefit liability is charged to the CIES.

Note 3 – Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

For Financing and investment income and expenditure, the other differences column recognises adjustments for the timing differences for premiums and discounts.

The charge under Taxation and non-specific grant income and expenditure represents the timing difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

INCOME AND EXPENDITURE ANALYSED BY NATURE

b) Income by Nature

Income Category	2019/20 £000	2018/19 £000
Fees, charges & other service income	(217,974)	(223,707)
Grants & Contributions	(577,121)	(575,497)
Income from Council Tax & NNDR	(205,596)	(220,886)
Interest and investment income	(12,975)	(8,034)
Gain on disposal of assets	(22,797)	(22,197)
Movement in FV of Investment Properties*	(17,611)	
	(1,054,074)	**(1,050,321)**

* This was treated within Depreciation, amortisation, impairment in Note 5c for 2018/19 (£4.57m)

c) Expenditure by Nature

Expenditure Category	2019/20 £000	2018/19 £000
Depreciation, amortisation, impairment	66,366	64,120
Employee Benefits expenses	309,176	280,208
Other Service Expenses	636,586	702,388
Levies	9,399	6,388
Payments to Housing Cap Receipts Pool	1,728	1,733
Interest payable & similar charges	29,803	17,530
NBV Write-off/ Disposal Costs	7,801	12,640
	1,060,859	**1,085,007**

(Surplus) or Deficit on Provision of Service	**6,789**	**34,687**

6. Other operating expenditure

Other operating expenditure Includes all levies payable, total payments made to the Government Housing Receipts Pool in line with statutory arrangements for certain property sales within the HRA and gains/losses generated from in-year disposals of non-current assets:

	2019/20			2018/19		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Levies - North London Waste Authority (NLWA)	8,020	0	8,020	5,755	0	5,755
Levies - Others	1,379	0	1,379	633	0	633
Payments to Govt. Housing Capital Receipts Pool	1,728	0	1,728	1,733	0	1,733
Losses / (gains) on disposal of non-current assets	7,801	(22,797)	(14,995)	12,640	(22,197)	(9,556)
	18,928	**(22,797)**	**(3,869)**	**20,762**	**(22,197)**	**(1,435)**

7. Financing and investment income and expenditure

Financing and investment income and expenditure includes interest receivable and payable on the Council's investment portfolio. The Council's net rental income on the properties it holds purely for investment purposes is also included net of fair value movements. It also includes the interest element of the pension fund liability and expected credit loss impairment (previously known as bad debt provisions).

	2019-20			2018-19		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Interest Payable and similar charges	29,803	0	29,803	25,917	0	25,917
Net Int on defined Ben Liab	16,472	0	16,472	15,235	0	15,235
Interest Receivable	0	(1,000)	(1,000)	0	(674)	(674)
Income from Investment Proproperties	4,458	(27,604)	(23,145)	0	(8,688)	(8,688)
Other Invest Inc & Expenditure	789	(1,858)	(1,069)	1,455	(1,221)	234
	51,522	**(30,462)**	**21,060**	**42,607**	**(10,584)**	**32,023**

8. Taxation and non-specific grant income

This note consolidates all non-specific grants and contributions receivable that cannot be identified to particular service expenditure and therefore cannot be credited to the gross income amount relevant to the service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of council tax and business rates used to fund in year service activities:

	2019/20	2018/19
	£'000	£'000
Council tax income	(105,106)	(104,732)
Non domestic rates	(100,490)	(116,154)
Non-ringfenced government grants	(19,770)	(9,004)
Capital grants and contributions	(35,591)	(22,340)
	(260,957)	**(252,230)**

The non-domestic rates income under the Government's business rates retention arrangement consists of £34.431 million (£49.491 million in 2018/19) collected locally and a 'top-up' of £66.059 million (£66.663 million in 2018/19), re-distributed from a national pool.

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 arrive at 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 relating to 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 Account (CGUA)

The CGUA 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 2019/20	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve
	£'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)	(32,547)	(102)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	103	0	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	32	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	(931)	0	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	(8,740)	(21,550)	0	0	(37,916)
Total Adjustments to Revenue Resources	**(42,084)**	**(21,652)**	**0**	**0**	**(37,916)**
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the CRR	13,171	9,626	(22,797)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(322)	(134)	456	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(1,728)	0	1,728	0	0
- Posting of HRA resources from revenue to the MRR	0	19,971	0	(19,971)	0
- Statutory provision for the repayment of debt (transfer from the CAA)	4,756	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	30	29,523	0	0	0
Total Adjustments between Revenue and Capital Resources	**15,907**	**58,986**	**(20,613)**	**(19,971)**	**0**
Adjustments to Capital Resources					
- Use of the CRR to finance capital expenditure	0	0	21,190	0	0
- Use of the MRR to finance capital expenditure	0	0	0	19,547	0
- Application of capital grants to finance capital expenditure	0	0	0	0	19,769
- Cash payments in relation to deferred capital receipts	0	0	(363)	0	0
Total Adjustments between Revenue and Capital Resources	0	0	20,827	19,547	19,769
Total Adjustments	**(26,177)**	**37,334**	**214**	**(424)**	**(18,146)**

Movement during 2018/19	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve
	Usable Reserves				
	£'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)	(33,289)	(95)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	224	0	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	3,975	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	750	2	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	(33,878)	(38,226)	0	(24,802)	0
Reclassification of HRA Smoothing Reserve		6,339			
Total Adjustments to Revenue Resources	**(62,217)**	**(31,979)**	**0**	**(24,802)**	**0**
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the CRR	6,487	15,710	(22,197)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(258)	(214)	472	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(1,733)	0	1,733	0	0
- Posting of HRA resources from revenue to the MRR	0	17,211	0	0	(17,211)
- Statutory provision for the repayment of debt (transfer from the CAA)	4,029	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	0	17,231	0	0	0
Total Adjustments between Revenue and Capital Resources	**8,525**	**49,938**	**(19,992)**	**0**	**(17,211)**
Adjustments to Capital Resources					
- Use of the CRR to finance capital expenditure	0	0	19,108	0	0
- Use of the MRR to finance capital expenditure	0	0	0	0	17,249
- Application of capital grants to finance capital expenditure	0	0	0	25,155	0
- Cash payments in relation to deferred capital receipts	0	0	(240)	0	0
Total Adjustments between Revenue and Capital Resources	0	0	18,868	25,155	17,249
Total Adjustments	**(53,692)**	**17,959**	**(1,124)**	**353**	**38**

10. Transfers to/from General Fund, HRA and 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 2019/20.

	Note	Balance at 31/03/18	Transfer In 2018/19	Transfer Out 2018/19	Balance at 31/03/19	Transfer In 2019/20	Transfer Out 2019/20	Balance at 31/03/20
		£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
General Fund Reserve	i	**(15,493)**	**(346)**	**0**	**(15,839)**	0	12	**(15,827)**
General Fund earmarked reserves:								
Schools reserve	ii	(7,707)	(2,675)	0	(10,382)	(1,868)	1,925	**(10,325)**
Transformation reserve	iii	(8,075)	(3,345)	5,325	(6,095)	(8,574)	4,023	**(10,646)**
Services reserve	iv	(6,420)	(7,809)	6,351	(7,878)	(1,941)	13,919	**4,100**
PFI lifecycle reserve	v	(9,764)	(3,920)	0	(13,684)	(1,396)	0	**(15,080)**
Debt repayment reserve	vi	(5,413)	0	367	(5,046)	0	0	**(5,046)**
Insurance reserve	vii	(5,161)	(751)	0	(5,912)	(329)	0	**(6,240)**
Unspent grants reserve	viii	(8,491)	(9,235)	10,387	(7,339)	(3,867)	2,229	**(8,978)**
Community infrastructure reserve	ix	(3,000)	0	3,000	0	0	0	**0**
Labour market growth resilience reserv	x	(1,255)	0	550	(705)	(142)	334	**(513)**
Financing reserve	xi	(6,291)	0	0	(6,291)	0	4,600	**(1,691)**
IT infrastructure reserve	xii	(838)	(2,162)	0	(3,000)	0	0	**(3,000)**
Resiliance reserve	xiii	(5,074)	(2,229)	0	(7,303)	0	0	**(7,303)**
Covid 19 Grant	xiv	0	0	0	0	(8,094)	0	**(8,094)**
Other reserves	xv	(726)	0	0	(726)	0	0	(726)
GF earmarked reserves:		**(68,215)**	**(32,126)**	**25,981**	**(74,359)**	**(26,211)**	**27,029**	**(73,541)**
Total General Fund Usable Reserves		**(83,708)**	**(32,472)**	**25,981**	**(90,198)**	**(26,211)**	**27,041**	**(89,368)**
Housing Revenue Account		**(30,552)**	**(897)**	**124**	**(31,325)**	**0**	**16,451**	**(14,874)**
Housing Revenue Account earmarked Reserves:								
HRA Smoothing reserve		**(6,339)**	**0**	**6,339**	**0**	0	0	**0**
Homes for Haringey		**(1,301)**	**(124)**	**0**	**(1,425)**	0	716	**(709)**
HRA earmarked reserves		**(7,640)**	**(124)**	**6,339**	**(1,425)**	**0**	**716**	**(709)**
Total HRA Usable Reserves		**(38,192)**	**(1,021)**	**6,463**	**(32,750)**	**0**	**17,167**	**(15,583)**

i. The purpose of the general fund reserve is to manage the impact of emergencies or unexpected events. Without such a reserve, the financial impact of such events could cause a potential financial deficit in the general fund, which would be severely disruptive to the effective operation of the authority. The reserve should militate against immediate service reductions if there were any unforeseen financial impacts.

ii. This balance represents the net balances held by the Council's 61 schools. 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.

iii. 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.

iv. It is Council policy that services may request funds to be carried forward, this is 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. This reserve also includes the Dedicated Schools Grant (DSG) balance which is currently a negative £10.2m balance for 2019/20, it is planned that this amount will be recouped in future years to bring this into a positive position. Government guidance is that this balance cannot be met from general fund resources without secretary of state approval.

v. The PFI reserve is increased by PFI grant received in excess of contractual payments. This will be utilised to fund future years' PFI related costs.

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

vii. 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 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.

viii. This reserve holds grant income recognised in the CIES when received, but which will finance related expenditure in future years

ix. These reserves monies have been reallocated to other reserves upon review.

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

xi. 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. This includes a recognition at the close of 2019/20 of the risks associated with funding the Transformation programmes in 2020/21.

xii. The Council has built into base budgets, a 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.

xiii. This reserve will be used as a one off measure to offset non-delivery / delay of planned savings contained within the MTFS. It will provide additional robustness and financial resilience for the Council.

xiv. This grant reserve is to help mitigate the costs and loss of income that will arise from the Covid 19 Pandemic. This represents a payment of £8.1m made by central government to the Council at the end of March 2020 which by accounting rules must be recognised as revenue immediately and transferred to reserves. This will be utilised in full in the 2020/21 financial year.

xv. This reserve represents other small reserve balances held by the Council.

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 1 April 2019	1,391,880	785,846	269,128	22,842	20,543	19,115	11,507	2,520,861	172,421
Additions	37,654	69,166	20,696	1,848	1,137	11,531	185	142,217	839
Revaluation increases / (decreases) recognised in the Revaluation Reserve	37,369	32,598	0	0	0	0	4,703	74,670	4,747
Revaluation increases / (decreases) recognised in SDPOS	18,660	(5,577)	0	0	0	0	2	13,086	2,149
Derecognition - disposals	(3,333)	0	0	(203)	0	0	(2,487)	(6,023)	0
Reclassifications and transfers	0	1,414	0	0	0	0	(901)	513	0
Other movements in cost or valuation	(2,000)	(433)	(0)	0	0	2,425	0	(8)	9,772
At 31 March 2020	**1,480,231**	**883,013**	**289,824**	**24,487**	**21,681**	**33,071**	**13,008**	**2,745,315**	**189,929**
Accumulated Depreciation and Impairment at 1 April 2019	(67,957)	(11,505)	(103,875)	(14,597)	(1,892)	(5,061)	0	(204,886)	(537)
Depreciation charge	(17,505)	(8,754)	(9,693)	(917)	0	0	0	(36,869)	(2,054)
Accumulated Depreciation written out	20,296	8,313	0	0	0	0	0	28,609	1,877
Impairment (losses)/reversals recognised in the Revaluation Reserve	15	(3,204)	0	0	0	0	0	(3,188)	(481)
Impairment (losses)/reversals recognised in surplus/deficit on the provision of services	(28,444)	(2,826)	0	(237)	0	(1,997)	(91)	(33,592)	0
Derecognition - disposals	22	0	0	139	0	0	0	160	0
Other movements in depreciation & impairment	(2,040)	7	0	(0)	1	0	0	(2,032)	0
At 31 March 2020	(95,613)	(17,968)	(113,568)	(15,612)	(1,891)	(7,057)	(91)	(251,797)	(1,195)
Net Book Value at 31 March 2020	**1,384,618**	**865,045**	**176,256**	**8,875**	**19,790**	**26,014**	**12,917**	**2,493,517**	**188,734**

The above note includes the figures from Single Entity only. Group Entity Property, Plant and Equipment assets total £109.6m as at 31 March 2020 (£99.6m as at 31 March 2019). Further details are in Note 37.

	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 1 April 2018	1,349,870	795,716	250,661	18,556	20,090	5,798	4,322	2,445,013	133,625
Additions	33,993	33,235	18,467	4,286	454	13,317	0	103,751	1,084
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,179)	(24,078)	0	0	0	0	4,324	(20,933)	38,773
Revaluation increases / (decreases) recognised in SDPOS	14,810	(8,438)	0	0	0	0	(214)	6,159	(1,062)
Derecognition - disposals	(5,614)	(4,837)	0	0	0	0	0	(10,451)	0
Reclassifications and transfers	0	(2,948)	0	0	0	0	254	(2,696)	0
Other movements in cost or valuation	0	(2,804)	0	0	0	0	2,822	18	0
At 31 March 2019	**1,391,880**	**785,846**	**269,128**	**22,842**	**20,543**	**19,115**	**11,507**	**2,520,861**	**172,421**
Accumulated Depreciation and Impairment at 1 April 2018	(54,426)	(5,663)	(94,760)	(13,288)	(1,438)	(3,239)	0	(172,813)	(492)
Depreciation charge	(17,045)	(11,149)	(9,115)	(1,305)	0	0	0	(38,614)	(2,305)
Accumulated Depreciation written out	19,016	11,538	0	0	0	0	8	30,562	2,619
Impairment (losses)/reversals recognised in the Revaluation Reserve	13,748	(3,415)	0	0	(90)	0	0	10,244	(359)
Impairment (losses)/reversals recognised in surplus/deficit on the provision of services	(29,376)	(2,866)	0	(4)	(363)	(1,822)	0	(34,430)	0
Derecognition - disposals	126	42	0	0	0	0	0	168	0
Other movements in depreciation & impairment	0	8	0	0	0	0	(8)	0	0
At 31 March 2019	(67,957)	(11,505)	(103,875)	(14,597)	(1,891)	(5,061)	0	(204,883)	(537)
Net Book Value at 31 March 2019	**1,323,923**	**774,341**	**165,253**	**8,245**	**18,652**	**14,054**	**11,507**	**2,315,979**	**171,885**

Capital commitments

At 31 March 2020, the Council has entered into several contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years, budgeted to cost £140 million (£20 million as at 31 March 2019). The major commitments at 31 March 2020 were:

- HRA Acquisitions - £102 million
- External/Communal Works - £13.4 million
- Fire Protection Works - £12.8 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 31 March are analysed as follows.

	31/03/20	31/03/19
	£'000	£'000
Office units	4,805	3,127
Commercial units	61,825	49,541
Land	16,734	11,775
Other investment property	5,246	6,054
Total	**88,610**	**70,497**

There were no transfers between any of the three levels during 2019/20 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.

	2019/20	2018/19
	£'000	£'000
Rental income from investment property	(9,993)	(8,169)
Direct operating expenses arising from investment property	4,458	4,051
Net gain	**(5,534)**	**(4,118)**

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 the fair value of investment properties over the year.

	2019/20	2018/19
	£'000	£'000
Balance at start of the year	70,497	66,865
Subsequent Expenditure	40	239
Disposals	0	0
Net gain / (losses) from FV adjustments	17,611	4,570
Transfers to/from AHFS & PPE	463	(1,177)
Balance at the end of the year	**88,610**	**70,497**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out externally by Wilks, 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 and liability between two parties. This note discloses the Council's financial instruments. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial instruments are disclosed based on considerations around the business model for holding the instruments, and contractual cashflow characteristics. All of the Council's financial instruments are classified as held at 'amortised cost', and none at 'fair value through profit or loss' (FVTPL) or 'fair value through other comprehensive income' (FVOCI).

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 liabilities held during the year are measured at amortised cost and comprised:

- Borrowing: Long term loans from the Public Works Loans Board and commercial lenders, short term loans from other local authorities, plus accrued interest on these loans
- Finance leases detailed in note 32
- Private Finance Initiative contracts detailed in note 33
- Trade payables for goods and services received

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

	Long Term		Short Term	
	31/03/20	31/03/19	31/03/20	31/03/19
Financial liabilities at amortised cost:	£'000	£'000	£'000	£'000
Borrowing (including accrued interest)	(498,577)	(360,394)	(40,994)	(36,298)
PFI liabilities	(15,978)	(19,071)	(3,093)	(2,942)
Finance lease liabilities	(11,325)	(11,485)	(776)	(1,244)
Payables	(2,171)	(1,512)	(68,355)	(63,327)
Total Financial Liabilities	**(528,051)**	**(392,462)**	**(113,218)**	**(103,812)**

The short-term creditors line in the Balance Sheet includes £72.7 million (31 March 2019 £60.5million) 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.

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:

- Cash and cash equivalents, including current account deposits with Barclays Bank, and short term investments with other local authorities and the Debt Management Office (DMO) maturing within 3 months of the balance sheet date), Bank current and deposit accounts
- Short Term Investments - Loans to other local authorities maturing 3 months or more after the balance sheet date (including accrued interest), Loans made to community organisations and other bodies for service purposes (including soft loans)
- Trade receivables for goods and services delivered

Allowances for impairment losses for trade receivables are calculated using the simplified approach recognising lifetime expected losses. Allowances for impairments made on loans made for service purposes are made on the expected loss model.

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

	Long Term		Short Term	
	31/03/20	31/03/19	31/03/20	31/03/19
Financial assets at amortised cost:	£'000	£'000	£'000	£'000
Cash and cash equivalents	0	0	89,379	33,763
Short Term Investments	0	0	15,012	10,012
Loans made for service purposes	20,300	3,463	0	0
Trade receivables	4,763	4,787	64,409	63,774
Total Financial Assets	**25,063**	**8,250**	**168,800**	**107,549**

The short-term debtors line in the Balance Sheet includes £38 million (31 March 2019 £22.9 million) of items that do not meet the definition of a financial asset and are therefore not included in the above table.

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.

Income, expense, gains and losses

The income and expense recognised in the CIES in relation to financial instruments consist of the following items. There were no gains or losses on revaluation, or items recognised in other comprehensive income and expenditure.

	Financial Liabilities measured at amortised cost	Financial Assets carried at amortised cost	Financial Liabilities measured at amortised cost	Financial Assets carried at amortised cost
	£'000	£'000	£'000	£'000
	2019/20	2019/20	2018/19	2018/19
Interest expense	18,502	0	17,530	0
Impairment losses (Non-HRA)	11,301	0	8,387	0
	29,803	0	25,918	0
Impairment losses (HRA)	815	0	2,137	0
Total expense in SDPOS	30,618	0	28,055	0
Interest and investment income	0	(1,000)	0	(675)
Total income in SDPOS	0	(1,000)	0	(675)

Financial instruments – fair values

Financial assets and liabilities are carried in the Balance Sheet at amortised cost. The fair values for all financial assets are the same as the carrying values, reported earlier in this note to the accounts. Fair values for financial liabilities are estimated by calculating the present values of remaining contractual cash flows as at 31 March 2020, 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 31 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	
		31/03/20	31/03/19	31/03/20	31/03/19
		£'000	£'000	£'000	£'000
PWLB loans	2	(431,772)	(290,361)	(384,361)	(243,378)
LOBO loans	2	(240,357)	(221,818)	(130,189)	(130,222)
Lease payables	2	(15,582)	(19,023)	(12,101)	(12,729)
PFI liability	2	(24,228)	(25,064)	(19,071)	(22,013)
Total		**(711,939)**	**(556,266)**	**(545,723)**	**(408,342)**
Liabilities for which fair value is not disclosed				(91,676)	(87,931)
Total financial liabilities				**(637,399)**	**(496,273)**
Recorded on balance sheet as:					
- short term creditors				(68,355)	(67,514)
- short term borrowing				(40,994)	(36,298)
- long term creditors				(2,171)	(1,512)
- long term borrowing				(498,577)	(360,394)
- other long term liabilities				(27,302)	(30,555)
Total financial liabilities				**(637,399)**	**(496,273)**

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 several 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	
		31/03/20	31/03/19	31/03/20	31/03/19
		£'000	£'000	£'000	£'000
Cash and Cash Equivalents	2	77,300	20,615	77,300	20,615
Short Term Investments	2	15,012	10,012	15,012	10,012
Total		**92,312**	**30,627**	**92,312**	**30,627**
Assets for which fair value is not disclosed				101,551	85,172
Total financial assets				**193,863**	**115,799**
Recorded on balance sheet as:					
- short term debtors				64,409	63,774
- short term investments				15,012	10,012
- long term debtors				25,063	8,250
- cash and cash equivalents				89,379	33,763
Total financial assets				**193,863**	**115,799**

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 2019/20 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 £5 million is placed on the amount of money that can be invested with a single counterparty (other than the UK government). 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 31 March 2020) 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 its deposits, but there was no evidence at the 31 March 2020 that this was likely to happen, hence no loss allowance is made.

The nominal value of the Council's investment portfolio at 31 March

2020 was £90.3 million with nil deposit with UK commercial banks (£30.6 million and nil respectively at 31 March 2019). All investments were made in line with the Council's approved credit rating criteria.

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 set percentages of the Council's borrowing matures in any one financial year.

The maturity analysis of the nominal value of the Council's debt at 31 March 2020 was as follows:

Maturing within (years)	31/03/2020	31/03/2019
	£'000	£'000
Public Works Loans Board	652,906	461,402
Market debt	360,569	372,825
Local government	25,145	23,115
Total	**1,038,620**	**857,342**
Less than 1 year	57,730	51,213
Between 1 and 2 years	30,517	20,916
Between 2 and 5 years	80,892	69,769
Between 5 and 10 years	93,402	63,583
Between 10 and 20 years	218,064	151,585
Between 20 and 30 years	160,890	153,655
Between 30 and 40 years	225,289	178,439
Between 40 and 50 years	171,835	168,182
	1,038,619	**857,342**

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 financial year.

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 limits on the percentages of external debt that can be subject to variable interest rates. At 31 March 2020, 100% of the debt portfolio was held in fixed rate instruments and 0% 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.

	31/03/2020
	£'000
Increase in interest recievable on variable rate investments	973
Increase in interest payable on variable rate borrowings	0
Impact on Surplus or Deficit on Provision of Services	973
Decrease in fair value of fixed rate borrowing liabilities	105,715

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

Foreign Exchange Risk: The Council had no direct foreign exchange rate exposure at 31 March 2020 as all investments were denoted in Sterling.

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 31 March 2020 and which at that date was yet to be received. The Council has painstaking the collectability of the debt and has impaired the debt for the amounts it may not recover.

Short Term Debtors	Gross Debtor	31st March 2020 Expected Credit Loss	Net Debtor	Gross Debtor	31st March 2019 Expected Credit Loss	Net Debtor
	£000	£000	£000	£000	£000	£000
Central Government	15,417	0	15,417	12,971	0	12,971
Commercial Waste	1,794	0	1,794	341	0	341
Health Authorities	16,694	0	16,694	12,327	0	12,327
Housing Benefit Overpayments	35,915	(30,654)	5,261	38,143	(30,654)	7,489
HRA Rent Payers	35,085	(21,874)	13,211	35,068	(20,786)	14,282
Local Taxation	27,817	(18,882)	8,934	27,886	(18,133)	9,753
Other Local Authorities	13,586	0	13,586	10,143	0	10,143
Other Receivables	23,349	(5,488)	17,861	16,715	(3,605)	13,110
Parking	29,158	(26,666)	2,492	18,913	(17,320)	1,593
Payment in Advance	2,559	0	2,559	1,832	0	1,832
Trade Receivables	4,608	0	4,608	2,796	0	2,796
Total Short Term Debtors	**205,981**	**(103,564)**	**102,418**	**177,135**	**(90,498)**	**86,637**

Long Term Debtors	31st March 2020 Net Debtor	31st March 2019 Net Debtor
	£'000	£'000
Advances & Deposits	85	88
Service Loans	24,978	8,162
Total Long Term Debtors	**25,063**	**8,250**

Short Term Debtors	Gross Debtor	Group Amounts 31st March 2020 Expected Credit Loss	Net Debtor
	£000	£000	£000
Central Government	15,417	0	15,417
Commercial Waste	1,794	0	1,794
Health Authorities	16,694	0	16,694
Housing Benefit Overpayments	35,915	(30,654)	5,261
HRA Rent Payers	35,085	(21,874)	13,211
Local Taxation	27,817	(18,882)	8,934
Other Local Authorities	13,586	0	13,586
Other Receivables	25,175	(5,488)	19,687
Parking	29,158	(26,666)	2,492
Payment in Advance	2,559	0	2,559
Trade Receivables	4,608	0	4,608
Total Short Term Debtors	**207,807**	**(103,564)**	**104,244**

Long Term Debtors	Group 31st March 2020 Net Debtor
	£000
Advances & Deposits	85
Service Loans	3,991
Total Long Term Debtors	**4,076**

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.

15a Debtors for Local Taxation

The past due and impaired amounts for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Council Tax	31/03/20	31/03/19
	£'000	£'000
One year or less than one year	2,146	2,113
More than one year	4,263	4,359
	6,409	**6,472**

Non-Domestic Rates	31/03/20	31/03/19
	£'000	£'000
One year or less than one year	650	1,444
More than one year	1,874	1,837
	2,524	**3,281**

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.

	Single Entity		Group Amounts	
	31/03/20	31/03/19	31/03/20	31/03/19
	£'000	£'000	£'000	£'000
Cash in hand and at bank	12,078	13,136	14,251	20,727
Short-term deposits	77,300	20,627	77,300	20,627
Total	**89,378**	**33,763**	**91,551**	**41,354**

17. Creditors

The following tables provide an analysis of money owed by the Council as at 31 March 2019.

	Long Term		Short Term	
	31/03/20	31/03/19	31/03/20	31/03/19
	£'000	£'000	£'000	£'000
Central Govt bodies	0	0	(25,253)	(14,448)
Other local authorities	0	0	(4,785)	(5,074)
NHS bodies	0	0	(2,881)	(2,936)
Receipt in Advance	0	0	(16,759)	(16,391)
Commercial Waste	0	0	(1,257)	(47)
Trade Payables	(2,171)	(1,512)	(24,149)	(19,866)
Other Payables	0	0	(42,420)	(44,734)
PFI	0	0	(4,135)	(3,985)
Council Tax, NNDR & Housing Benefit Overpayments	0	0	(23,509)	(21,094)
Total	**(2,171)**	**(1,512)**	**(145,149)**	**(128,575)**

	Single Entity		Group Amounts	
	31/03/20	31/03/19	31/03/20	31/03/19
	£'000	£'000	£'000	£'000
Central Govt bodies	(25,253)	(14,448)	(25,253)	(14,448)
Other local authorities	(4,785)	(5,074)	(4,785)	(5,074)
NHS bodies	(2,881)	(2,936)	(2,881)	(2,936)
Receipt in Advance	(16,759)	(16,391)	(16,759)	(16,391)
Commercial Waste	(1,257)	(47)	(1,257)	(47)
Trade Payables	(26,320)	(21,378)	(26,320)	(21,378)
Other Payables	(42,420)	(44,734)	(45,963)	(52,530)
PFI	(4,135)	(3,985)	(4,135)	(3,985)
Council Tax, NNDR & Housing Benefit Overpayments	(23,509)	(21,094)	(23,509)	(21,094)
Total	**(147,320)**	**(130,087)**	**(150,863)**	**(137,883)**

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:

	Insurance	NDR appeals	Other	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	**(5,182)**	**(5,383)**	**(499)**	**(11,064)**
Provisions made in 2019/20	(1,401)	(475)	0	**(1,876)**
Amounts used in 2019/20	1,439	743	406	**2,587**
Balance at 31 March 2020	**(5,144)**	**(5,116)**	**(94)**	**(10,354)**
Of which:				
Long Term	(3,959)	(3,503)	**(94)**	(7,557)
Short Term	(1,185)	(1,613)	**0**	(2,797)

The **insurance provision** is required as 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 many years.

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.

19. Unusable reserves

	31/03/20	31/03/19
	£'000	£'000
Financial Instruments Adjustment	4,097	4,323
Collection Fund Adjustment	(8,082)	(8,050)
Accumulated Absences	7,147	6,217
Revaluation Reserve	(776,596)	(685,107)
Capital Adjustment Account	(1,121,287)	(1,086,587)
Pensions Reserve	493,540	676,870
Deferred Capital Receipts	(68)	(27)
Total	**(1,401,249)**	**(1,092,361)**

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. The Revaluation Reserve includes the figures from the Single Entity only but excludes those from the Group Entity. This is an additional £93m as at 31 March 2020 (£100m at 31 March 2019).

	2019/20	2018/19
	£'000	£'000
Balance as at 1 April	**(685,107)**	**(677,791)**
(Surplus) or deficit on revaluation of property, plant and equipment	(100,056)	(21,156)
Difference between fair value depreciation and historical cost depreciation	7,410	6,734
Revaluation balances on disposed assets	1,156	7,107
Balance as at 31 March	**(776,596)**	**(685,107)**

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

	2019/20	2018/19
	£'000	£'000
Balance as at 1 April	(1,086,587)	(1,080,901)
Reversal of items relating to capital expenditure debited or credited to CIES		
- charges for depreciation and impairment of NCA	72,266	73,045
- revaluation losses and reversals of losses on PPE	(13,085)	(6,157)
- amortisation of intangible assets	1,181	1,803
- REFCUS	12,017	20,617
- amounts of NCA written off on disposal or sale as part of the gain/loss on disposal to CIES	7,345	12,169
	79,724	**101,476**
Adjusting amounts written out of Revaluation Reserve	(8,566)	(13,841)
Net written out amount of the cost of NCA consumed in the year	**71,158**	**87,636**
Capital financing applied in the year		
- Capital Receipts	(21,191)	(19,108)
- Major Repairs Reserve	(19,546)	(17,249)
- Capital Grants	(19,769)	(25,155)
- Revenue Contributions	(29,552)	(17,231)
- Minimum revenue provision	(4,756)	(4,029)
	(94,814)	**(82,772)**
Movements in the market value of Investment Properties debited or credited to CIES	(17,611)	(4,570)
Other adjustments	6,568	(5,980)
Balance as at 31 March	**(1,121,288)**	**(1,086,587)**

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.

	2019/20	**2018/19**
	£'000	£'000
Balance as at 1 April	**676,870**	**577,267**
Remeasurements recognised in Other Comprehensive Income and Expenditure	(215,979)	66,219
Reversal of items relating to retirement benefits debited or credited to SDPOS	32,649	33,384
Balance as at 31 March	**493,540**	**676,870**

20. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

	2019/20	2018/19
	£'000	£'000
Interest received	1,000	675
Interest paid	(18,554)	(17,054)

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

	2018/19	2018/19
	£'000	£'000
Depreciation	38,910	38,614
Impairment, downward revaluations (including revaluation gains reversing previous losses)	26,841	30,275
Amortisation	1,181	1,803
Increase/(decrease in impairment for bad Debts)	123	606
Movement in creditors	16,267	10,220
Movement in debtors	(28,986)	(3,447)
Movement in inventories	337	136
Movement in pension liability	32,649	33,384
Carrying amount of non-current assets	7,345	12,169
Other non-cash items charged to SDPOS	(18,681)	(2,815)
Total	**75,986**	**120,945**
Adjustments for intra-group transactions	(5,374)	(4,219)
Homes For Haringey	(6,229)	(786)
Alexandra Park and Palace Charitable Trust	2,828	6,478
Group Total	**67,211**	**122,418**

The surplus on the provision of services has also been adjusted for the following items that are investing and financing activities:

Investing and financing activities	2019/20	2018/19
	£'000	£'000
Proceeds from the sale of PPE, investment property and intangible assets	(22,838)	(22,197)
Capital grants credited to SDPOS	(37,916)	(24,802)
Total	**(60,754)**	**(46,999)**

21. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2019/20	2018/19
	£'000	£'000
Purchase of PPE, investment property and intangible assets	(167,222)	(109,341)
Purchase of investments		
Proceeds from the sale of PPE, investment property and intangible assets	32,797	22,204
Capital grants and other investments received	38,122	24,274
Total	**(96,303)**	**(62,863)**

22. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

	2019/20	2018/19
	£'000	£'000
Cash receipts from borrowing	174,500	61,431
Other payments/ (receipts) from financing activities	4,114	(3,410)
Cash payments for the reduction of finance lease and PFI outstanding liabilities	(3,570)	(2,993)
Repayments of borrowing	(31,569)	(38,050)
Total	**143,475**	**16,978**

23. Members allowances

The total of Members' allowances paid in 2019/20 was £1.125 million compared to £1.106 million in 2018/19. These figures are included in the 'Your Council' line of the CIES.

24. External audit costs

BDO are the Council's appointed auditor under the Local Audit and Accountability Act 2014. Fees payable in respect of the annual audit of the Statement of Accounts are indicated below.

	2019/20	2018/19
	£'000	£'000
Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the year	140	159
Fees to BDO for HB subsidy claims audit	46	38
Fees payable to BDO in respect of grant claims and other services provided during the year	28	7
Total	**214**	**204**

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25. Pooled budgets

In 2019/20, Haringey Council (the Council) entered into 2 pooled budget arrangements with Haringey Clinical Commissioning Group (the CCG) established under Section 75 (s75) of the NHS Act 2006:

a) Better Care Fund which provides the financial support to jointly plan and deliver local services.

b) Commissioning and provision of integrated learning disabilities service

2019/20 Section 75 Pooled Budget

	Gross Expenditure 2019/20	CCGS Contribution 2019/20	Haringey Contribution 2019/20	TOTAL Contribution 2019/20
	£'000	£'000	£'000	£'000
Adult Learning Disabilities Support	42,678	(13,134)	(29,544)	(42,678)
Adults Mental Health	62,346	(45,141)	(17,205)	(62,346)
Better Care Fund (BCF)	18,801	(18,801)	0	(18,801)
Disabled Facilities Grant (DFG) & Winter Pressures	3,647	(87)	(3,560)	(3,647)
Improved Better Care fund (iBCF)	8,370	0	(8,370)	(8,370)
Child and adolescent mental health services (CAMHS)	7,163	(6,229)	(934)	(7,163)
Violence Against Women and Girls (VAWG)	172	(25)	(147)	(172)
Children & Young Persons (CYP)	6,499	0	(6,499)	(6,499)
TOTAL	149,676	(83,417)	(66,259)	(149,676)

2018-19 Section 75 Pooled Budget

	Gross Expenditure 2018/19	CCGS Contribution 2018/19	Haringey Contribution 2018/19	TOTAL Contribution 2018/19
	£'000	£'000	£'000	£'000
Adult Learning Disabilities Support	34,988	(7,586)	(27,402)	(34,988)
Adults Mental Health	56,730	(39,199)	(17,531)	(56,730)
Better Care Fund (BCF)/ Disabled Facilities Grant (DFG) & Winter Pressures	20,174	(17,621)	(2,553)	(20,174)
Improved Better Care fund (iBCF)	7,100		(7,100)	(7,100)
Child and adolescent mental health services (CAMHS)	5,293	(4,231)	(1,062)	(5,293)
Violence Against Women and Girls (VAWG)	272	(51)	(221)	(272)
Children & Young Persons (CYP)	6,446		(6,446)	(6,446)
TOTAL	131,003	(68,688)	(62,315)	(131,003)

Haringey and CCG contribution is presented net of recharges for both prior and current year.

In 2019/20, the Council and the CCG continued the expanded and unified partnership agreement, under Section 75 of the NHS Act 2006, to support the implementation of strategic plans for more integrated commissioning and provide for:

a) Lead commissioning and the establishment and maintenance of pooled fund for the commissioning of learning disability services for eligible adults resident in Haringey;

b) Lead commissioning and the establishment and maintenance of a pooled fund for the commissioning of mental health services for eligible adults resident in Haringey;

c) Joint commissioning and the establishment and maintenance of a pooled fund for the commissioning of older people's services for eligible adults resident in the London Borough of Haringey;

d) Joint commissioning and the establishment and maintenance of a pooled fund for the commissioning of child and adolescent mental health services for the residents of the London Borough of Haringey;

e) Lead commissioning and the establishment and maintenance of a pooled fund for the commissioning of the Independent Domestic Violence Advocacy Service and the Identification and Referral to Increase Safety Service for eligible adults resident in Haringey.

f) Lead commissioning and the establishment and maintenance of a pooled fund for the commissioning of a range of young people's health and wellbeing services for eligible young people resident in Haringey.

It should be noted that whilst the Partnership Agreement allows for all budgets mentioned above to be pooled, it is only the BCF, DFG, Winter Pressures Grant and the learning disability staffing budgets which are in fact pooled, all other budgets are aligned. The partnership agreement for the Better Care Fund comprises the CCG and the Council for the provision of services to facilitate closer integration of health and social care for local people. Haringey CCG, as the host Authority, held the revenue element whilst the Council held the capital element of the pooled budget.

The gross expenditure of the Better Care Fund (not including Improved Better Care Fund) was £22.4m in 2019/20 to which the Council's contribution was £3.6m and £18.8m was the contribution of Haringey CCG. In relation to the improved Better Care Fund the Council utilised the entire amount of £8.4m.

26. Officers remuneration

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

Post Holder Details	Salary, Fees and Allowances		Employer Pension Contribution		Total Remuneration	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£	£	£	£	£	£
Chief Executive - Z Etheridge	197,197	191,199	52,060	47,609	249,257	238,808
CEO (Gladesmore Community School & Crowland Primary School) - AM Hartney	174,253	205,622	0	0	174,253	205,622
Director of Finance - JR Warlow - Start Date 27/10/2018	157,560	69,194	41,596	17,229	199,156	86,423

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

Post Holder Details	Salary, Fees and Allowances		Compensation for Loss of Office		Employer Pension Contribution		Total Remuneration	
	2019/20 £	2018/19 £	2019/20 £	2018/19 £	2019/20 £	2018/19 £	2019/20 £	2018/19 £
Director of Housing & Regeneration Planning - Left 30/06/2019*	42,761	133,000	373,803	-	8,954	33,117	425,518	166,117
Director of Housing & Regeneration Planning - Appointed to post in 2019/20	126,226	-	-	-	33,304	-	159,530	-
Director of Adults & Health	133,965	131,561	-	-	35,367	32,703	169,332	164,264
Director of Childrens Services	130,560	130,065	-	-	34,468	32,386	165,028	162,451
Director of Customers, Transformation & Resources	132,741	130,138	-	-	35,044	32,404	167,785	162,542
Director of Environment & Neighbourhoods	127,500	125,000	-	-	33,660	31,125	161,160	156,125
Assistant Director of Corporate Governance (Monitoring Officer)	105,900	103,824	-	-	27,958	25,852	133,858	129,676

*Director of Housing, Regen & Planning - (left 30.06.2019) and position filled in 2019/20.

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27. Termination benefits

The tables below show the number of exit packages including pension strain contributions agreed in the year together with the total cost per band:

2019/20	No of compulsory redundancies	No of other agreed departures	Total number	Total cost £
£0 - £20,000	4	23	27	293,086
£20,001 - £40,000	7	11	18	469,132
£40,001 - £60,000	4	5	9	428,473
£60,001 - £80,000	0	1	1	63,941
£80,001 - £100,000	0	1	1	69,033
£150,001 - £200,000	1	0	1	151,572
£300,001 - £350,000	1	0	1	339,888
Total	**17**	**41**	**58**	**1,815,125**

2018/19	No of compulsory redundancies	No of other agreed departures	Total number	Total cost £
£0 - £20,000	26	4	30	298,245
£20,001 - £40,000	11	10	21	548,023
£40,001 - £60,000	1	4	5	254,416
£60,001 - £80,000	4	1	5	335,978
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	1	1	118,541
£150,001 - £200,000	1	0	1	152,474
Total	**43**	**20**	**63**	**1,707,677**

The number of employees whose remuneration including redundancy payments but excluding pension contributions was £50,000 or more is detailed in the table below (this excludes senior officers who are disclosed in the previous tables):

	2019/20	**2018/19**
	No. of employees	No. of employees
£50,000 - £54,999	262	261
£55,000 - £59,999	194	154
£60,000 - £64,999	86	68
£65,000 - £69,999	54	50
£70,000 - £74,999	28	32
£75,000 - £79,999	34	26
£80,000 - £84,999	20	20
£85,000 - £89,999	16	15
£90,000 - £94,999	15	9
£95,000 - £99,999	9	7
£100,000 - £104,999	6	5
£105,000 - £109,999	5	8
£110,000 - £114,999	3	2
£115,000 - £119,999	3	4
£120,000 - £124,999	1	1
£125,000 - £129,999	0	0
£130,000 - £134,999	0	1
£135,000 - £139,999	1	1
£140,000 - £144,999	1	2
> £145,000	0	0
Total	**738**	**666**

28. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2019/20 are as follows.

	£'000	£'000	**£'000**
Final DSG for 2019/20 before Academy recoupment			**256,221**
Academy figure recouped for 2019/20			**69,089**
Total DSG after academy recoupment for 2019/20			**187,132**
Brought forward from 2018/19			**(2,229)**
Agreed initial budget distribution in 2019/20	54,973	129,930	**184,903**
In Year Adjustment	0	0	**0**
Final budgeted distribution for 2019/20	**54,973**	**129,930**	**184,903**
Less Carry forward to 2019/20 agreed in advance			**112**
			184,791
Less actual central expenditure	65,046		65,046
Less actual ISB deployed to schools		129,930	129,930
Carry forward to 2020/21	**(10,073)**	**0**	**(10,185)**

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29. Grant income

The Council credited the following grants, contributions and donations to the CIES in 2018/19.

	2019/20	2018/19
	£'000	£'000
Credited to Services		
Benefit Subsidy	(218,770)	(247,551)
Dedicated Schools Grant	(187,132)	(187,351)
Local Taxation Admin Grants	(1,947)	(2,221)
Pupil Premium	(9,364)	(9,988)
Public Health	(19,675)	(20,209)
PFI Revenue	(5,669)	(5,669)
Flexible Housing Grant	(6,726)	(8,307)
Universal Infant Free School Meals	(2,748)	(2,919)
Better Care Fund (Dept of Health via CCG)	(8,370)	(7,097)
Discretionary Housing Payments	(1,564)	(1,594)
Adult Social care New Burdens	(5,614)	(1,870)
Adult Learning & 6th Form Grant	(3,110)	(6,056)
Tackling Troubled Families	(1,725)	(1,422)
Ministry of Housing, Communities and Local Government grants	(3,710)	(3,216)
Department for Education grants	(5,421)	(6,410)
Home Office miscellaneous grants	(2,552)	(2,174)
TFL Grants	(8,202)	(4,312)
Other miscellaneous revenue grants	(5,047)	(2,315)
Capital Grants treated as revenue	(2,361)	(2,463)
Contributions- NHS Bodies	(17,802)	(15,601)
Other contributions and reimbursements	(4,252)	(5,408)
Total	**(521,760)**	**(544,154)**

	2019/20	2018/19
	£'000	£'000
Credited to Taxation and Non-Specific Income		
Business Rates - top-up	(66,059)	(66,663)
New Homes Bonus Grant	(3,040)	(3,058)
Section 31 grant	(8,094)	(10)
Small Business Rate Relief	(5,511)	(4,774)
Business Rates Inflation Cap	(2,727)	(1,106)
Local Services Support Grant	(22)	(20)
Other miscellaneous general grants	(376)	(35)
Capital Grants	(35,591)	(22,340)
Total	**(121,420)**	**(98,007)**

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30. 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, most 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 29 'Grant income'.

Pooled Budgets
The Council has entered into partnership agreements under Section 75 of the Health Act 2006. The specific details of these partnerships are shown in note 25 relating to Pooled Budgets.

Pension Fund
The pension fund accounts are set out elsewhere in the Statement of Accounts. The pension fund operates a separate bank account and makes investments separately from the Council. The Council owed the pension fund £0.477m as at 31 March 2020 and the Council charged the fund £0.649m for administration in 2019/20 (£0.161m and £0.651m respectively in 2018/19).

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 Accounts. The net value of payments and receipts in 2019/20 were £69.0million and £6.7 million respectively (£61.0 million and £6.8 million in 2018/19).
There are historic debt balances owed by the Trust that have not been legally discharged, totalling £46.7m. Of this £4m relates to loans for refurbishment of the Ice Rink facility, West Yard Storage and lighting, which are being repaid by the Trust in line with the agreed loan agreements. A further £43.1m is legally outstanding but does not currently have repayments being made, this debt dates back to previous decades when the Council expended funds on behalf of the Trust. Although this £43.1m debt has not been legally discharged, the Council has agreed that it will only seek to recover this when the Trust is in a position to repay amounts due.

Alexandra House Wood Green Limited

The Council acquired a new subsidiary in March 2020, Alexandra House Wood Green Ltd, which is a company that owns one of the Council's office buildings. The Council made a loan to Alexandra House Wood Green of £16.6m. There were no other material payments or receipts between the two entities in 2019/20.

North London Waste Authority (NLWA)
NLWA has seven participating boroughs and each borough can appoint up to 2 members to the board. 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 2019/20 is shown in note 23. 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 2019/20 Haringey has provided financial support to, or purchased services from 14 charitable or voluntary organisations (17 in 2018/19) in which 24 members have declared an interest (27 in 2018/19). 16 of these instances were as a representative of the Council and 8 in a personal capacity (20 and 7 respectively in 2018/19). In 2019/20 the total value of payments made was £1.732 million (£1.720 million in 2018/19) and the total value of receipts was £0.817 million (£0.690 million in 2018/19).

The only related balance due to Haringey at the end of the year was in respect of a loan made to Bernie Grant Centre in the sum of £0.340m. The Centre is a registered charity and performing arts centre in Tottenham set up in memory of MP Bernie Grant. There are no other amounts due to or from related parties at the year-end.

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.

31. 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.

	2019/20	2018/19
	£'000	£'000
Capital Financing Requirement at 1 April	633,679	591,940
Adjustment to Opening CFR	6,018	
Revised Opening CFR	**639,697**	**591,940**
Capital investment		
- Property, Plant and Equipment	165,103	103,544
- Investment Properties	40	239
- Intangible Assets	1,404	111
- REFCUS	12,017	20,617
	178,564	**124,511**
Sources of finance		
- Capital receipts	(21,190)	(19,108)
- Government grants and other contributions	(19,769)	(25,155)
- Major Repairs Allowance	(19,546)	(17,249)
- Direct revenue contributions	(29,553)	(17,231)
- Minimum Revenue Provision	(4,756)	(4,029)
	(94,814)	**(82,772)**
Closing CFR	**723,447**	**633,679**
Explanation of movements in year		
Increase / (decrease) in underlying need for supported borrowing	82,604	40,594
Assets acquired under finance leases	1,145	1,145
Increase / (decrease) in CFR	**83,750**	**41,739**

32. Leases

Authority as Lessee - Finance leases

The Council holds several 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.

	31/03/20	31/03/19
	£'000	£'000
Other Land and Buildings	10,362	6,587
Vehicles, Plant, Furniture and Equipment	3,126	3,939
Total	**13,488**	**10,526**

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.

	31/03/20	31/03/19
	£'000	£'000
Finance lease liabilities (NPV of minimum lease payments)		
- current	776	1,244
- non-current	11,325	11,485
Finance costs payable in future years	20,835	21,330
Total	**32,936**	**34,059**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Less than one year	1,289	1,797	776	1,244
Between one and five years	3,989	4,269	2,323	3,264
Later than five years	27,658	27,993	9,002	8,221
Total	**32,936**	**34,059**	**12,101**	**12,729**

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.

Authority as Lessee - 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:

	31/03/20	31/03/19
	£'000	£'000
Not later than one year	1,397	1,241
Later than one year and not later than five years	2,828	2,616
Later than five years	4,900	6,662
Total	**9,125**	**10,519**

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 - 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.

	31/03/20	31/03/19
	£'000	£'000
Not later than one year	1,761	2,129
Later than one year and not later than five years	4,411	6,836
Later than five years	29,142	53,700
Total	**35,313**	**62,665**

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.

33. 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 that the Council has with the contractor is for the repayment of the outstanding liability of debt incurred when the original PFI works were first undertaken. This debt has also been recognised within the Council's Balance Sheet. Payments to the contractor were £4.273 million in 2019/20 (£4.268 million in 2018/19). The PFI arrangement ends in September 2025.

The Council receives a £5.669 million revenue grant annually from the Government to assist in financing the PFI scheme.

Future payments to be made

Future payments to be made in respect of the PFI arrangement are shown below. These future payments take into account any future indexation of the cost that may be agreed between the provider and the Council in future years, however the impact of any future indexation is minimal as the majority of the unitary charge is fixed.

	Payment for Services	Reimbursement of Capital Exp	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 1 year	153	3,093	978	**4,224**
Payable within 2 to 5 years	614	14,041	2,243	**16,898**
Payable within 6 to 10 years	77	1,936	99	**2,112**
Total	**844**	**19,070**	**3,320**	**23,234**

34. 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 2019/20 the Council paid £13.675 million (£10.544 million in 2018/19) to Teachers' Pensions in respect of teachers' pension costs which represented 16.48% of teachers' pensionable pay from April 2019 to August 2019 and 23.68% from September 2019 to March 2020. Expected contributions for 2010/21 are £15.979 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 35.

35. 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 £16.216 million (£18.521 million in 2018/19) in respect of Teachers unfunded pensions. At 31st March 2020 the Scheme had 1,043 members in respect of LGPS and 382 members in respect of Teachers unfunded pensions (1,096 and 400 respectively as at 31st March 2019).

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	
	2019/20	**2018/19**	**2019/20**	**2018/19**
	£'000	£'000	£'000	£'000
Cost of Services				
- current service cost	49,294	41,537		
- past service cost	251	7,030		
Total	**49,545**	**48,567**	**0**	**0**
Net Interest Expense	15,315	13,960	1,157	1,275
Total Charged to SDPOS	**64,860**	**62,527**	**1,157**	**1,275**
Other Comprehensive Income and Expenditure				
- return on plan assets	57,693	(30,685)		
- actuarial gains/losses (changes in financial assumptions)	(34,809)	95,335	(1,637)	421
- actuarial gains/losses (changes in demographic assumptions	(128,597)		(1,884)	
- other	(106,354)		(391)	1,019
Total	**(212,067)**	**64,650**	**(3,912)**	**1,440**

	Group	
	2019/20	**2018/19**
	£'000	£'000
Cost of Services		
- current service cost	58,095	48,852
- past service cost	251	8,277
Total	**58,346**	**57,129**
Net Interest	16,835	15,159
Total debited to SDPOS	**75,181**	**72,288**
Other Comprehensive Income and Expenditure		
- return on plan assets	71,278	(34,810)
- actuarial gains/losses (changes in financial assumptions)	(53,964)	110,803
- other	(232,111)	1,019
Total	**(214,797)**	**77,012**

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

	2019/20	**2018/19**
	£'000	£'000
Reversal of net IAS 19 charges	(66,017)	(63,802)
Actual amount charged for pensions in the year	33,368	30,418

Pension assets and liabilities recognised in the Balance Sheet

	LGPS		Unfunded	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Present value of obligation	(1,532,785)	(1,755,306)	(43,497)	(49,906)
Fair value of plan assets	1,082,742	1,128,342	0	0
Net liability	**(450,043)**	**(626,964)**	**(43,497)**	**(49,906)**

	Single Entity		Group Amounts	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(1,576,282)	(1,805,212)	(1,768,891)	(1,999,287)
Fair value of plan assets	1,082,742	1,128,342	1,255,220	1,308,744
Net liability	**(493,540)**	**(676,870)**	**(513,671)**	**(690,543)**

Reconciliation of Movement in Fair Value of Scheme Assets

Scheme Assets	LGPS		Unfunded	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Opening fair value	1,128,342	1,079,411	0	0
Interest income	26,959	27,920	0	0
Remeasurement gain / (loss)				
- the return on plan assets	(57,693)	30,685	0	0
Employer contributions	29,714	26,590	3,654	3,699
Contributions from employees into the scheme	7,862	7,262	0	0
Benefits paid	(52,442)	(43,526)	(3,654)	(3,699)
Closing fair value	**1,082,742**	**1,128,342**	**0**	**0**

	Single Entity		Group Accounts	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	1,128,342	1,079,411	1,308,744	1,248,712
Interest income	26,959	27,920	31,313	32,516
Remeasurement gain / (loss)				
- the return on plan assets	(57,693)	30,685	(71,278)	34,810
Employer contributions	33,368	30,289	37,256	34,435
Contributions from employees into the scheme	7,862	7,262	9,243	8,559
Benefits paid	(56,096)	(47,225)	(60,058)	(50,288)
Closing fair value	**1,082,742**	**1,128,342**	**1,255,220**	**1,308,744**

Reconciliation of Present Value of Defined Benefit Obligation

Scheme Liabilities	LGPS		Unfunded	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,755,306)	(1,605,788)	(49,906)	(50,890)
Current service cost	(49,294)	(41,537)		
Past service cost	(251)	(7,030)		
Interest cost	(42,274)	(41,880)	(1,157)	(1,275)
Contributions from scheme participants	(7,862)	(7,262)		
Remeasurement gain / (loss)				
- demographic assumptions	34,809		1,637	
- financial assumptions	128,597	(95,335)	1,884	(421)
- other experience changes	106,354		391	(1,019)
Benefits paid	52,442	43,526	3,654	3,699
Balance as at 31st March	**(1,532,785)**	**(1,755,306)**	**(43,497)**	**(49,906)**

	Single Entity		Group Accounts	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,805,212)	(1,656,678)	(1,999,287)	(1,824,313)
Current service cost	(49,294)	(41,537)	(58,095)	(48,852)
Past service cost	(251)	(7,030)	(251)	(8,277)
(Losses) on curtailments	0		0	
Interest cost	(43,431)	(43,155)	(48,148)	(47,752)
Contributions from scheme participants	(7,862)	(7,262)	(9,243)	(8,559)
Remeasurement gain / (loss)				
- demographic assumptions	130,481		135,597	
- financial assumptions	36,446	(95,756)	53,964	(110,803)
- other experience changes	106,745	(1,019)	96,514	(1,019)
Benefits paid	56,096	47,225	60,058	50,288
Balance as at 31st March	**(1,576,282)**	**(1,805,212)**	**(1,768,891)**	**(1,999,287)**

Analysis of Scheme Assets:

Single Entity

2019/20	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	7,661		**7,661**	1
Private equity		75,763	**75,763**	7
Debt securities	85,332		**85,332**	8
Real estate: UK property		108,506	**108,506**	10
Investment funds and unit trusts				
- equities	626,771		**626,771**	58
- bonds	145,256		**145,256**	13
- infrastructure		33,453	**33,453**	3
Sub-total	772,027	33,453	**805,480**	74
Total assets	**865,020**	**217,722**	**1,082,742**	**100**

Group Accounts

2019/20	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	8,881		**8,881**	1
Private equity		87,832	**87,832**	7
Debt securities	98,925		**98,925**	8
Real estate: UK property		125,791	**125,791**	10
Investment funds and unit trusts				
- equities	726,614		**726,614**	58
- bonds	168,395		**168,395**	13
- infrastructure		38,782	**38,782**	3
Sub-total	895,009	38,782	**933,791**	74
Total assets	**1,002,815**	**252,405**	**1,255,220**	**100**

2018/19	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	15,021		**15,021**	2
Private equity		73,442	**73,442**	7
Debt securities	102,930		**102,930**	10
Real estate: UK property		78,810	**78,810**	7
Investment funds and unit trusts				
- equities	662,933		**662,933**	58
- bonds	159,656		**159,656**	14
- infrastructure		35,550	**35,550**	3
Sub-total	822,589	35,550	**858,139**	75
Total assets	**940,540**	**187,802**	**1,128,342**	**100**

2018/19	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	17,423		**17,423**	2
Private equity		85,184	**85,184**	7
Debt securities	119,387		**119,387**	10
Real estate: UK property		91,410	**91,410**	7
Investment funds and unit trusts				
- equities	768,924		**768,924**	58
- bonds	185,182		**185,182**	14
- infrastructure		41,234	**41,234**	3
Sub-total	954,106	41,234	**995,340**	75
Total assets	**1,090,916**	**217,828**	**1,308,744**	**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 2.3% (2.4% in 2018/19).

The Council's Pension Scheme liabilities as at 31st March 2019 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 2016. 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.

	2019/20	2018/19
Mortality assumptions		
- Longevity at 65 for male current pensioners	21.5 years	21.8 years
- Longevity at 65 for female current pensioners	23.7 years	24.1 years
- Longevity at 65 for male future pensioners	22.7 years	23.8 years
- Longevity at 65 for female future pensioners	25.3 years	26.0 years
Rate of increase in salaries	2.9%	3.1%
Rate of increase in pensions	1.9%	2.5%
Rate for discounting scheme liabilities	2.3%	2.4%

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	9	137,121
0.5% increase in salary increase rate	1	8,615
0.5% increase in pension increase	8	127,677

Investment Strategy

The Pensions Committee and Board of the 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 to invest 85% of the fund 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.

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 20 years. Funding levels are monitored on a quarterly basis.

The next triennial valuation is due to be completed as at 31st March 2022, during 2022/23.

To mitigate the existing funding deficit, the Council anticipates paying contributions of £29.2m for the period to 31st March 2021.

36. 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, 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. The percentage levy on claims payments is currently set at 25%; no further increases in the percentage levy have been required since 1 April 2016 but the Council will continue to monitor claims payments. The worst case estimate for this liability would be approximately £2.3m.

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 £1.680 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 potential liability could be in excess of £6 million in addition to any Solicitors costs. The appeal of the High Court decision did not proceed, but the Council, with other Councils, is investigating supporting a test case to challenge the decision.

West Indian Cultural Centre
The leaseholder has served a schedule of dilapidations identifying a potential claim against the Council, as freeholder, in respect of failure to repair the external fabric of the building. We are seeking our own professional advice.

McCloud pensions legal challenge
The McCloud case relates to age discrimination in the judges public sector pension scheme. This ruling will be applicable to all other public sector schemes, such as the LGPS, teachers and NHS schemes, of which Haringey has staff members who participate in. When the public service pension schemes moved from final salary to career average revalued earnings (CARE), members approaching retirement were given protected benefits, which has been challenged due to the differential treatment based on the age of members in the scheme. The Government's appeal of this ruling was refused in June 2019, and the government has confirmed that the remedy to this ruling when determined by the courts will apply to all public service schemes. The precise remedy has yet to be determined by the courts, but Haringey Pension Fund's actuary has calculated that the ruling could increase the Council's pension liabilities by around £6m in total. This is a source of uncertainty nationally, and the Council will follow developments closely. The additional liabilities are reflected within the figures in these accounts.

37. 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
- Alexandra Park and Palace Charitable Trust (APPCT)
- Alexandra House Wood Green Ltd

The entities have prepared accounts in line with UK GAAP and:

- The Charity SORP 2015, 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 and Alexandra House Wood Green Ltd.

With the exception of the Alexandra Park and Palace valuation, detailed below, there are no other material areas where these accounting standards conflict with the Council's accounting policies. 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.

APPCT carry its main asset, the Park and Palace, at £30m on its Balance Sheet (all of which are leaseholder improvements) as allowed under the Charity SORP. Upon consolidation however, the Council is required to value this as an operational asset and depreciate it in accordance with its accounting policy. The Group Balance Sheet therefore includes £91.340 million (£97.714 million as at 31 March 2019) in Property Plant and Equipment in respect of this asset. The basis of valuation is mainly Depreciated Replacement Cost with some elements using the Existing Use Value method.

Key information on a group basis has been included alongside the single entity disclosure notes for 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 Arm's 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 as a wholly owned subsidiary of Homes for Haringey Limited to deliver a private lettings and property management agency. Move 51 Degrees North ceased trading in March 2017.

The financial performance of HfH Limited is summarised below:

	2019/20	2018/19
	£000	£000
Turnover	(66,269)	(58,453)
Deficit for the year	4,262	4,577
Accumulated deficit/ (Surplus)	20,535	14,028

The accumulated deficit was mainly as a result of losses on Pension Scheme of £2.245 million (£10.839 million deficit in 2018/19).

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 organisation consists of two elements; Alexandra Park and Palace Charitable Trust responsible for the charitable activities, including maintaining, restoring and repairing the Park and Palace and a wholly owned trading subsidiary, Alexandra Palace Trading Ltd, (APTL), which donates its taxable profit to the Trust in the form of Gift Aid. APTL delivers and manages events, entertainment, leisure and hospitality activities assisting the charitable purposes by providing not just funding but enlivening the venue for the purposes of its creation and encouraging a broad cross section of the public to access and enjoy it.

The financial performance of the Trust is summarised below:

	2019/20	2018/19
	£000	£000
Turnover	(19,329)	(20,071)
(Surplus) / Deficit for the year	1,579	(272)
Reserves:		
Unrestricted Reserves	(24,203)	(25,356)
Restricted Reserves	(944)	(1,614)
	(25,147)	(26,970)

APPCT Property, Plant and equipment consolidated in Group Accounts:

	Palace & Park	Asset Under Construct	Vehicles, plant and equipm't	Total
	£000	£000	£000	£000
Cost at 1 April 2019	97,714		2,845	100,559
Additions	1,756	101	383	2,240
Revaluations	(6,958)			(6,958)
Disposals	(21)			(21)
Transfers	(3)			(3)
At 31 March 2020	92,488	101	3,228	95,817
Depreciation				
At 1 April 2019			1,044	1,044
Transfers			10	10
Charge for the year	1,148		315	1,463
Disposals				0
At 31 March 2020	1,148	0	1,369	2,517
NBV as 31 March 2020	91,340	101	1,859	93,300
NBV as 31 March 2019	97,714	0	1,870	99,584

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

Alexandra House Wood Green Ltd (Registered Company No. 12146142)

The Council acquired a 100% shareholding in a new subsidiary in March 2020 - Alexandra House Wood Green Ltd, which is a company that the owns one of the Council's office buildings. The Council made a loan to Alexandra House Wood Green of £16.6m, and the only material items in this company's accounts are this loan and the office building which is valued at £16.3m. There were no other material payments or receipts between the two entities in 2019/20.

A full copy of the company's accounts can be obtained from The Company Secretary, Alexandra House Wood Green Ltd, 225 High Road, Wood Green, London N22 8HQ. The director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

HOUSING REVENUE ACCOUNT

2018/19	HRA Income & Expenditure Statement	2019/20	
£'000			£'000
	Expenditure		
21,105	Repairs and maintenance	22,478	
41,703	Supervision and management	34,126	
1,767	Rents, rates, taxes and other charges	1,839	
17,211	Depreciation and impairment of non-current assets	19,971	
14,784	Revaluation losses / (gains)	13,491	
18	Debt Management Costs	51	
2,137	Movement in the allowance for bad debts	815	
98,725	**Total Expenditure**		**92,771**
	Income		
(82,712)	Dwelling rents	(81,649)	
(761)	Non-dwelling rents	(916)	
(26,410)	Charges for services and facilities	(18,947)	
(851)	Contributions towards expenditure	(261)	
(110,734)	**Total Income**		**(101,773)**
(12,009)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**		**(9,002)**
572	HRA service share of Corporate and Democratic Core		557
(11,437)	**Net expenditure or (income) for HRA Services**		**(8,445)**
	HRA share of operating income and expenditure included in the Comprehensive I&E Statement		
(10,008)	Gain on sale of HRA non-current assets	(6,181)	
10,577	Interest payable and similar charges	10,734	
(1,067)	Interest and net investment income	(1,154)	
95	Net interest on the net defined benefit liability	102	
(676)	Capital grants and contributions receivable	(15,222)	
			(11,721)
(12,516)	**(Surplus) or deficit for the year on HRA services**		**(20,166)**

HOUSING REVENUE ACCOUNT

2018/19	Movement on the HRA Statement		2019/20
£'000			£'000
(30,553)	**Balance on the HRA at the end of the previous year**		**(31,326)**
(12,516)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(20,166)	
	Adjustments between accounting basis and funding basis under the legislative framework		
	- Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	0	
(15,525)	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	1,732	
10,008	- Gain on sale of HRA non-current assets	6,181	
(95)	- HRA share of contributions to or from the Pensions Reserve	(102)	
17,231	- Capital expenditure funded by the HRA	29,523	
17,211	- Transfer to/(from) Major Repairs Reserve	19,971	
(17,211)	- Transfer to/(from) Capital Adjustment Account	(19,971)	
(897)	**Net increase before transfers to or from reserves**	**17,168**	
	Transfers to or (from) reserves		
124	- Homes for Haringey Reserve	(716)	
(773)	Increase in year on the HRA		16,452
(31,326)	**Balance on the HRA at the end of the year**		**(14,874)**

HOUSING REVENUE ACCOUNT

1. Vacant possession

As at 1st April 2019, the vacant possession value of dwellings within the HRA was £5,502 million (£5,282 million as at 1st April 2018). The difference 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

	31 March 2020	31 March 2019
Hostels	127	127
Houses and bungalows	5,014	5,024
Flats and maisonettes	9,964	9,928
Shared ownership	10	7
Affordable rent housing	18	18
Total	**15,133**	**15,104**

3. Value of assets held on the balance sheet

	31 March 2020	31 March 2019
Value of assets	£'000	£'000
Dwellings	1,384,618	1,323,934
Other land and buildings	51,885	12,618
Investment properties	4,950	5,147
Total	**1,441,453**	**1,341,699**

4. Capital expenditure

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

	2019/20	2018/19
	£'000	£'000
Expenditure on dwellings	97,341	45,848
Funded by		
Borrowing	24,455	1,171
Usable capital receipts	14,812	2,392
Revenue contributions	29,523	17,231
Grants and contributions	9,004	7,805
Major Repairs Reserve	19,547	17,249
	97,341	**45,848**

5. 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.

	2019/20	2018/19
	£'000	£'000
Dwellings	(8,962)	(14,485)
Land and other property	(664)	(1,287)
	(9,626)	**(15,772)**

6. Depreciation

	2019/20	2018/19
	£'000	£'000
Operational assets		
Dwellings	19,761	17,045
Other land and buildings	210	166
	19,971	**17,211**

7. Major repairs reserve

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

	2019/20	2018/19
	£'000	£'000
Balance at 1st April	**(191)**	**(229)**
Amount transferred to Major Repairs Reserve during financial year	(19,971)	(17,211)
Capital expenditure on dwellings during financial year	19,547	17,249
Balance at 31st March	**(615)**	**(191)**

8. Rent Arrears

The rent arrears as at 31st March 2019 are set out below.

	31 March 2020	31 March 2019
	£'000	£'000
Type of tenancy		
Permanent (including licences)	11,777	11,610
Temporary	784	816
Total arrears	12,561	12,426
Less Provision for bad and doubtful debts	(9,847)	(9,703)
Net Arrears	**2,714**	**2,723**

The average rent for permanent tenants was £102.37 per week in 2019/20, a decrease of £0.69 (-0.7%) over the 2018/19 average rent of £103.06 per week.

The total provision included in the Balance Sheet in respect of all HRA uncollectable debts is £11.44 million (£11.12 million as at 31st March 2019).

COLLECTION FUND

2018/19					Note	2019/20			
£000	£000	£000	£000			£000	£000	£000	£000
Council Tax	NDR	BRS	Total	**Amounts required by statute to be credited to the Collection Fund**		Council Tax	NDR	BRS	Total
(126,701)	(70,256)		(196,957)	Council Tax & Business Rate Income (net of benefits, discounts and transitional relief)		(132,718)	(74,985)		(207,703)
		(1,554)	(1,554)	Income collectable in respect of Business Rate Supplements				(1,729)	(1,729)
				Amounts required by statute to be debited to the Collection Fund					
				Precepts and demands from major preceptors and the Council					
98,800	46,576		145,376	- London Borough of Haringey		101,981	34,793		136,775
22,683	26,199	1,467	50,349	- Greater London Authority		24,764	19,571	1,625	45,960
			0	- Central Government			18,121		18,121
	(4,221)		(4,221)	Non-domestic rates transitional protection payments			(1,052)		(1,052)
	308	6	314	Charge to General Fund for allowable collection costs			302	6	308
(2,107)	(1,226)	81	(3,252)	Impairment of debts and appeals		2,087	4,005	99	6,191
4,957	(1,374)		3,583	Contribution towards previous year's estimated surplus / (deficit)		5,337	(2,974)		2,363
(2,367)	**(3,994)**	**0**	**(6,362)**	**Movement on fund balance**		**1,452**	**(2,218)**	**0**	**(766)**
(5,816)	2,234	0	(3,582)	Accumulated balance brought forward at 1st April	1	(8,183)	(1,761)	0	(9,943)
(8,183)	**(1,761)**	**0**	**(9,943)**	**Accumulated balance at 31st March**	1	**(6,730)**	**(3,979)**	**0**	**(10,709)**

COLLECTION FUND

1. Income from Business Rates

Under the Business Rates Retention Scheme the business rates collected by the Council are distributed so that the London Pool receives 48%, MHCLG receives 25% and the GLA receives 27% (2018/19- Council 64%; GLA 36%)

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 49.1 pence (48.0 pence in 2018/19); and
(ii) The standard multiplier was 50.4 pence (49.3 pence in 2018/19).

The total business rateable value for the Council at 31 March 2020 was £200.549 million (£195.161 million in 2018/19) of which £53.381 million (£54.369 million in 2018/19) related to small businesses. There has been a decrease in number of small businesses due to Rateable value changes made by the VOA within the financial year.

2. Council Tax

In 2019/20, the tax base for Haringey was 77,265 properties (77,093 in 2018/19) which was used to calculate the Band D Council Tax of £1,640.40 (£1,575.80 in 2018/19), 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	Number of chargeable dwellings		Proportion	Band D Equivalent No.	
	£	£	2019/20	2018/19		2019/20	2018/19
A	up to	40,000	4,307	4,336	0.67	2,872	2,891
B	40,001	52,000	11,824	11,721	0.78	9,196	9,117
C	52,001	68,000	24,624	24,404	0.89	21,888	21,692
D	68,001	88,000	19,448	19,991	1.00	19,448	19,992
E	88,001	120,000	8,999	8,875	1.22	10,998	10,848
F	120,001	160,000	4,756	4,745	1.44	6,870	6,854
G	160,001	320,000	4,450	4,405	1.67	7,418	7,341
H	320,001	and above	689	681	2.00	1,378	1,362
			79,097	79,158		80,067	80,097
Collection rate after allowance for non-collection						96.5%	96.3%
Council Tax base used to calculate Band D						**77,265**	**77,093**

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PENSION FUND

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

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

2019/20	Pension Fund Account	Note	2018/19
£000			£000
	Dealings with members, employers and others directly involved in the fund		
46,945	Contributions	7	44,194
4,788	Transfers in from other pension funds	8	3,738
51,733			47,932
(51,457)	Benefits	9	(49,774)
(4,555)	Payments to and on account of leavers	10	(44,409)
(56,012)			(94,183)
(4,279)	**Net withdrawals from dealings with members**		**(46,250)**
(7,670)	Management expenses	11	(7,448)
(11,949)	**Net withdrawals including fund management expenses**		**(53,698)**
	Returns on Investments:		
12,083	Investment Income	12	7,236
(7)	Taxes on income	13	(11)
(56,311)	Profit and losses on disposal of investments and changes in market value of investments	14a	73,337
(44,235)	**Net return on investments**		**80,562**
(56,184)	**Net increase in the net assets available for benefits during the year**		**26,864**
1,382,767	**Opening net assets of the scheme**		**1,355,903**
1,326,583	**Closing net assets of the scheme**		**1,382,767**

31/03/20	Net Asset Statement	Note	31/03/19
£000			£000
	Long Term Investments		
150	London CIV	1	150
150			150
	Current Investments		
1,311,199	Investment assets	14	1,365,784
17,314	Cash deposits	14	18,384
1,328,513			1,384,168
1,283	Current assets	21	822
(3,363)	Current liabilities	22	(2,373)
1,326,583	**Net assets of the fund available to fund benefits at the period end**		**1,382,767**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the year end. The actuarial present value of promised benefits is disclosed at note 20.

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Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2020

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

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 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 2017/18*, 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 2016

The Net Asset Statement sets out the assets and liabilities for the Fund as at 31st March 2020.

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 2016.

The Pensions Committee and Board 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 Investment Strategy Statement (ISS), which is published in the Pension Fund Annual Report. The ISS 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 made no significant changes to its Investment Strategy in 2019/20.

Fund administration and membership

At 31st March 2020, there were 6,091 (2019: 6,445) active fund memberships with employees contributing to the Fund and 7,905 (2019: 7,794) pensioner and dependent memberships with individuals receiving benefits. There were also 9,027 (2019: 8,733) deferred pensioner memberships. Some individuals have multiple memberships due to having had multiple contracts of employment with fund employers.

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

Transferee Admission Bodies:
- Cofely Workplace Limited
- Fusion Lifestyle
- Veolia Environmental Services (UK) PLC
- Lunchtime UK Limited (five school contracts)
- ABM (two school contracts)
- Caterlink
- Absolutely Catering
- Cooperscroft Care Home
- K M Cleaning
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Amey Community Limited
- Pabulum (nine school contracts)
- Hillcrest Cleaning (two school contracts)
- Ategi Ltd
- Hertfordshire Catering Ltd
- Haringey Education Partnership
- Olive Dining (five school contracts)
- ISS Mediclean
- Braybourne
- Schools Office Services
- Birkin Cleaning Services
- NVIRO Ltd

Community Admission Bodies:
- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:
- Homes for Haringey
- Greig City Academy
- Fortismere 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
- St Thomas More RC Academy
- Brook House Primary
- Millbrook Primary School
- Harris Academy Tottenham
- The Octagon
- Dukes Aldridge Academy
- The Grove School
- LDBS Central

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.

Description of the Fund

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 contributions 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 and Board. Details of the individuals who served on the Pensions Committee and Board during 2019/20 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The Committee and Board consists of six elected Councillors and four employer and employee representatives, (one of which was vacant in 2019/20). Councillors are selected by their respective political groups and their appointment is confirmed at a meeting of the full Council. Councillors are not appointed for a fixed term but the membership is reviewed regularly, normally annually, by the political groups. The membership of the Committee and Board during the 2019/20 year was:

Cllr Matt White	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Dr. James Chiriyankandath	-	Member
Cllr Noah Tucker	-	Member
Cllr Viv Ross	-	Member
Cllr Paul Dennison	-	Member
Randy Plowright	-	Employee representative
Ishmael Owarish	-	Employee representative
Keith Brown	-	Employer representative

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its position at year-end as at 31st March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.
The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. 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.

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

<u>Investment income</u>
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 posted to the fund

account. Interest is recognised on an effective interest rate basis.

Benefits

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

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. Up front 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 and carried at fair value or amortised cost on 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. See note 16 for further detail including the valuation methodology for different investments.

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 2018. 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. These are used in the day-to-day cash management of the Fund.

<u>Actuarial Present Value of Promised Retirement Benefits</u>
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 and CIPFA guidance, the Fund has opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements, however a brief summary of this is also included as note 20 in these accounts.

<u>Additional Voluntary Contributions ("AVCs")</u>
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 2016, 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 23 to the financial statements.

4. 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 Private Equity 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. Further detail is given in note 16.

Actuarial present value of promised retirement benefits – the 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 liability is calculated by the Fund's qualified Actuary on a three yearly basis with annual updates in the intervening years. The three yearly triennial valuation provides the basis for setting employer contributions for the following three year period. The Actuary has advised that this has provided a reasonable estimate of the actuarial present value of promised retirement benefits. Further detail is given in Annex 1 to these accounts.

5. 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 judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, Pension increase 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% decrease in the discount rate would result in a increase in the pension liability of £169m (9%) - 0.5% increase in assumed salary earnings would increase the value of the liabilities by approximately £11m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £161m (9%)
Private Equity	Private Equity investments are valued at fair value in accordance with international Private Equity and Venture Capital Guidelines. These assets are not publicly listed, and as such there is a degree of estimation.	The total private equity investments in the financial statements are £113m. There is a risk that this may be over or understated. Further detail is shown in Note 16 regarding the sensitivity of this valuation.

Items	Uncertainties	Effect if actual results differ from assumptions
McCloud Ruling	The McCloud case relates to age discrimination in the judges public sector pension scheme, and this ruling is applicable to all other public sector schemes, including the LGPS and Haringey Pension Fund. When the public service pension schemes moved from final salary benefit structures to career average revalued earnings (CARE), members approaching retirement were given protected benefits, which has been challenged due to the differential treatment based on the age of members in the scheme. The Government's appeal of this ruling was rejected by the Courts. This will increase the liabilities of the Fund, potentially increasing the costs for employers in the future, and worsening the funding positions of employers who participate in the fund. The precise size and scale of such liabilities are as yet unknown, as the remedy to McCloud is likely to be highly complex, and is yet to be decided by the courts. This is a source of uncertainty nationally and could take years to clarify. The Fund's Officers will follow developments closely. An estimate for the impact of McCloud is included within the actuarial	There is a risk that the estimate of the McCloud additional liabilities may be over or understated in these accounts. The value of the additional liability relating to the McCloud ruling in these accounts is £8m.

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Items	Uncertainties	Effect if actual results differ from assumptions
Effect of Coronavirus pandemic on investment valuations	The valuations of the Fund's level 3 investments in private equity and property may be affected by the Coronavirus pandemic The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. The Fund's private equity investments are usually valued in the accounts based on the 31st December valuations, with adjustments for cashflows and foreign exchange movements that have taken place between December and March. However, given the significant market distortions that took place in March 2020, in this set of accounts, the private equity valuations have been reviewed and revised downwards taking into account public market movements, this has resulted in a downwards movement in the valuations of private equity investments of £5.4m. The Fund's property valuations are difficult to ascertain as professional valuers have not been actively valuing assets at the end of March 2020. Valuations have been rolled forward from February 2020 valuations in the majority of cases.	There is a risk that valuations may be over or understated. Further detail is shown in Note 16 regarding the sensitivity of these valuations.

6. Events after the reporting date

There were no significant events which occurred after the reporting date.

7. Contributions receivable

2019/20		2018/19
£000	**By category**	£000
10,122	Employee contributions	9,619
	Employer contributions	
25,534	- Normal contributions	24,392
10,495	- Deficit recovery contributions	9,488
793	- Augmentation contributions	695
36,822	Total employers' contributions	34,575
46,944	**Total**	**44,194**

2019/20		2018/19
£000	**By authority**	£000
36,957	- Administering authority	33,789
9,122	- Scheduled bodies	9,549
865	- Admitted bodies	856
46,944	**Total**	**44,194**

8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2019/20 of £4.788 million (£3.738 million in 2017/18) and these all related to individuals.

9. Benefits payable

2019/20		2017/18
£000	**By category**	£000
42,122	- Pensions	40,446
7,372	- Commutation and lump sum retirement benefits	7,916
1,963	- Lump sum death benefits	1,412
51,457	**Total**	**49,774**

2019/20		2018/19
£000	**By authority**	£000
46,842	- Administering authority	45,473
3,331	- Scheduled bodies	3,069
1,284	- Admitted bodies	1,232
51,457	**Total**	**49,774**

10. Payments to and on account of leavers

2019/20		2018/19
£000		£000
175	Refunds to members leaving service	92
0	Bulk Transfers	40,436
4,380	Individual transfers	3,881
4,555	**Total**	**44,409**

In 2018/19 one of the Fund's employers, the College of Haringey, Enfield and North East London (CoNEL) left the fund following a merger with another college. This is the £40.4m bulk transfer shown in the 2018/19 year above.

11. Management expenses

2019/20		2018/19
£000		£000
794	Administrative costs	1,306
6,509	Investment management expenses	5,814
367	Oversight and governance costs	328
7,670	**Total**	**7,448**

This analysis of the costs of managing the Haringey Pension Fund during the period has been prepared in accordance with CIPFA guidance. The oversight and governance costs category includes £16k for external audit fees in 2019/20 (£16k in 2018/19).

2019/20		2018/19
£000		£000
6,035	Management Fees	5,590
0	Performance Related Fees	0
42	Custody fees	71
432	Transaction Fees	154
6,510	**Total**	**5,815**

12. Investment income

2019/20		2018/19
£000		£000
12,044	Pooled investments - unit trusts and other managed funds	7,200
39	Interest on cash deposits	36
12,083	**Total**	**7,236**

12a. Property income

Property income from the Fund's pooled property funds is included in the above figures and totals £5.954 million in 2019/20 (£3.369 million in 2018/19). The Fund does not directly own property, and no contingent rents were recognised as income during the period.

13. Taxes on income

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

14. Investments

14a. 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.

2019/20	Value at 31st March 2019	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2020
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,360,742	87,663	(80,907)	(56,348)	1,311,150
Cash deposits	18,384	59,023	(60,129)	36	17,314
Other investment assets/ liabilities	5,043	15	(5,010)	1	49
Total	**1,384,168**	**146,701**	**(146,047)**	**(56,311)**	**1,328,513**

2018/19	Value at 1st April 2018	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2019
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,283,646	153,682	(149,748)	73,162	1,360,742
Cash deposits	73,879	49,025	(104,755)	235	18,384
Other investment assets	(36)	5,140	(1)	(60)	5,043
Total	**1,357,489**	**207,847**	**(254,504)**	**73,337**	**1,384,168**

14b. Analysis of investments

31/03/2020	By category	31/03/2019
£000		£000
	Pooled Investment Vehicles	
140,867	Unit Trusts - Property - UK - quoted	96,717
217,520	Unitised Insurance Policies - UK - quoted	195,856
568,610	Unitised Insurance Policies - Overseas - quoted	655,352
0	Other managed funds - Property - Overseas - quoted	0
42,261	Other managed funds - Other - UK - quoted	43,611
228,927	Other managed funds - Other - Overseas - quoted	283,846
113,014	Private Equity - unquoted	90,403
1,311,199		**1,365,784**
	Cash Deposits	
13,344	Sterling	14,367
3,969	Foreign Currency	4,017
17,314		**18,384**
1,328,513	**Total Investments**	**1,384,168**

14c. Analysis by Fund Managers

31/03/2020		By fund manager	31/03/2019	
£000	%		£000	%
0	0.00	Capital International	5	0.0
786,127	59.2	Legal and General	854,075	61.7
97,260	7.3	CBRE Global Investors	99,657	7.2
42,260	3.2	Allianz Global Investors	44,216	3.2
96,013	7.2	CQS	126,935	9.2
71,031	5.3	Pantheon	67,718	4.9
26,743	2.0	BlackRock	22,488	1.6
132,914	10.0	Ruffer	158,286	11.4
15,952	1.2	CIP	3,538	0.3
47,865	3.6	Aviva	0	0.0
12,348	0.9	In house cash deposits	7,250	0.5
1,328,513	**100.0**	**Total**	**1,384,168**	**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.

31/03/2020		Name of holding	31/03/2019	
£000	%		£000	%
86,999	6.5%	Legal & General World Emerging Equity Index	99,382	7.2%
0	0.0%	Legal & General Index Linked Gilts	195,855	14.2%
245,870	18.5%	Legal & General Low Carbon Index	281,914	20.4%
132,914	10.0%	London CIV Ruffer Subfund	152,887	11.1%
96,013	7.2%	CQS Multi Asset Credit Fund	126,267	9.1%
235,740	17.7%	RAFI Multi Factor Global	274,055	19.8%

15. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2020.

16. Fair Value Hierarchy

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques, which represent the highest and best price available at the reporting date.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled equity and index (unitised insurance policies)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset credit fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset absolute return fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Infrastructure Debt (other managed funds)	Level 2	Most recent valuation	NAV published, cashflow transactions, i.e. distributions or capital calls	Not Required

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled UK property unit trusts	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period	NAV published, cashflow transactions, i.e. distributions or capital calls	Valuations could be affected by material events between the date of the financial statements fund's own reporting date, and by differences between audited and unaudited accounts. Valuations of underlying property assets.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Equity	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period. The Market approach may be used in some circumstances for the valuation of underlying assets by the fund manager.	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets, which may include market approach valuations: taking into account actual observed transactions for the underlying assets or similar assets to help value the assets of each partnership.	Valuations could be affected by material events between the date of the financial statements provided and the pension fund's own reporting date, and by differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data, current market trends and information received regarding the valuation techniques of the fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2020	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	140,867	143,685	138,050
Private Equity	5%	113,014	118,665	107,363
		253,882	**262,350**	**245,414**

16a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. 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. Cash and short term investment debtors and creditors are classified as level 1.

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.

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 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 and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. The figures below do not include the cash holdings of the fund.

Values as at 31/03/20	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss	48	1,057,269	253,882	1,311,198
Total	**48**	**1,057,269**	**253,882**	**1,311,198**

Values as at 31/03/19	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	5,042	1,168,622	187,079	1,360,742
Total	**5,042**	**1,168,622**	**187,079**	**1,360,742**

16b. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

16c. Reconciliation of fair value measurements within level 3

2019/20	Value at 1st April 2019	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2020
	£000	£000	£000	£000	£000	£000
Pooled UK	96,678	57,380	0	(12,895)	(296)	140,867
Private Equity	90,401	27,684	(11,778)	(1,430)	8,137	113,014
Total	**187,079**	**85,064**	**(11,778)**	**(14,325)**	**7,841**	**253,881**

17. Financial Instruments

17a. 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.

31/03/2020 Carrying Value	Name of holding	31/03/2019 Carrying Value
£000		£000
	Long Term Investments	
150	- London CIV	150
150		**150**
	Financial assets or liabilities at fair value through profit or loss	
1,311,150	- Pooled investment vehicles	1,355,701
48	- Other investment balances	5,042
1,311,198		**1,360,743**
	Financial assets at amortised cost	
17,314	- Cash deposits	18,383
1,283	- Debtors	822
18,597		**19,205**
	Financial liabilities at amortised cost	
(3,174)	- Creditors	(2,373)
(189)	- Cash overdrawn	0
(3,363)		**(2,373)**
1,326,581	**Net Assets**	**1,377,725**

The carrying values shown above are the same as the fair value for each line.

17b. Net gains and losses on financial instruments

2019/20		2018/19
£000		£000
	Financial Assets	
(56,348)	Fair value through profit or loss	69,961
37	Financial assets and liabilities at amortised cost	174
(56,311)		70,135

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

18. 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, although this leads to a potential higher volatility of future funding levels and therefore 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 and Investment of Funds Regulations 2016, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of an Investment Strategy Statement 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 held within pooled investment vehicles, representing 66% of the fund's investment strategy (this mandate is currently overweight in actual terms as newer investment mandates are funded from the passive portfolios), 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 three years.

As at 31/03/2020	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	568,610	8.5	617,104	520,115
UK bonds	217,520	5.2	228,789	206,251
Cash	17,314	0.0	17,314	17,314
Property	140,867	7.0	150,702	131,033
Alternatives	384,202	3.5	397,747	370,656
Total Assets	**1,328,512**		**1,411,656**	**1,245,369**

As at 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	0	12.6	0	0
Overseas equities	655,352	15.1	754,100	556,604
UK bonds	195,855	11.1	217,682	174,028
Cash	18,384	0.0	18,384	18,384
Property	96,678	4.2	100,725	92,632
Alternatives	412,858	8.7	448,930	376,786
Total Assets	**1,379,127**		**1,539,821**	**1,218,433**

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. Nine investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. Funds had been invested with nine of these fund managers as at 31st March 2020.

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 and Board.

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 59% of the Fund value on 31st March 2020, equivalent to £782 million (2018/19: £877 million). These arise from passive pooled equities, private equity, property and cash. Foreign currency exposures are hedged in the equity asset class only, via the purchase of units in hedged versions of index tracking funds.

The main non-sterling currency exposures at 31st March 2020 was the US dollar. Other major exposures were the Euro, other European, Asian and emerging market country currencies.

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The Fund acknowledges that adverse foreign currency movements relative to Sterling can reduce the value of the fund's investment portfolio. The table below demonstrates the potential value of the fund's investments based on positive or adverse currency movements by 10%.

As at 31/03/2020	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	568,610	10.0	625,470	511,749
Multi-sector credit	96,013	10.0	105,614	86,412
Private equity	113,014	10.0	124,316	101,713
Cash	3,969	10.0	4,366	3,572
Total Assets	**781,606**	**10.0**	**859,768**	**703,445**

As at 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	655,353	10.0	720,888	589,818
Multi-sector credit	126,935	10.0	139,629	114,242
Private equity	90,401	10.0	99,441	81,361
Cash	4,017	10.0	4,419	3,615
Total Assets	**876,706**	**10.0**	**964,377**	**789,035**

The cash balances managed internally are only permitted to be in sterling.

d) Interest Rate risk

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

	Interest earned 2019/20	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	39	96	(17)
Total	**39**	**96**	**(17)**

	Interest earned 2018/19	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	36	178	(107)
Total	**36**	**178**	**(107)**

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 2020 and 31st March 2019. The majority of bonds (2020: £218 million, 2019 £196m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA credit rating.

	Market value 31/03/2020	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	313,533	69	3	2	26
Total / Weighted Average	**313,533**	**69**	**3**	**2**	**26**

	Market value 31/03/2019	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	322,790	61	3	2	34
Total / Weighted Average	**322,790**	**61**	**3**	**2**	**34**

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.

31/03/2020			**31/03/2019**	
Exposure	**Credit rating**		**Exposure**	**Credit rating**
£000			£000	
10,707	AA-	Northern Trust	11,133	AA-
2	A	Barclays Bank Plc	5	A
6,605	AAAm	Money Market Funds	7,245	AAAm
17,314			**18,384**	

The limits for cash is 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 2019 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.

19. **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 2019. Based on the current regulations, the next valuation will take place as at 31st March 2022, (this valuation will be finalised prior to 31st March 2023).

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 2019 was £1,384 million. Against this sum liabilities were identified of £1,378 million equivalent to a small funding surplus of £6 million. The movement in the actuarial deficit between 2016 and the last valuation in 2019 is analysed below:

Reason for change	£m
Contributions greater than cost of accrual	12
Net transfers into/out of the Fund	(2)
Other cashflows	(4)
Interest on benefits already accrued	(164)
Membership Experience versus expectations	18
Investment returns higher than expected	395
Change in inflation assumptions	(38)
Change in actuarial assumptions	65
Total	**282**

The aim is to achieve and maintain 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. 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 2019 actuarial valuation, the fund was assessed as 100% funded (79% at the 31st March 2013 valuation). This corresponds to a surplus of £6m (2013 valuation: deficit of £277m) at that time.

Contribution increases or decreases may be phased in over the three-year period ending 31 March 2023 for scheme employers, or changes may take immediate effect from 1 April 2020. The actuary agreed that the Council's contribution rate could decrease by 1.5% over a three year period from April 2020, from 26.4% of pensionable salaries to 24.9%. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit.

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 2019 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 2019	%
Discount rate (annual nominal return rate)	4.2
Pay increase (annual change)*	3.3
Pay increase - Pension (annual change)	2.3
Retail Price Index (RPI)	3.3

*An allowance is also made for promotional pay increases.

20. 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.

31/03/20		31/03/19
£m		£m
(1,815)	Present Value of promised retirement benefits	(2,088)
1,327	Fair Value of scheme assets	1,383
(488)	**Net Liability**	**(705)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Please see Annex 1 to these accounts for more information.

21. Current assets

31/03/20		31/03/19
£000		£000
	Debtors	
157	- Contributions due - employees	95
1,008	- Contributions due - employers	639
118	- Sundry debtors	88
1,283	**Total**	**822**

The below is an analysis of debtors.

31/03/20		31/03/19
£000		£000
49	Central government bodies	33
72	Public corporations and trading funds	40
1,162	Other entities and individuals	749
1,283	**Total**	**822**

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22. Current liabilities

31/03/20 £000		31/03/19 £000
(2,757)	Sundry creditors	(1,922)
(417)	Benefits payable	(451)
(189)	Bank overdraft	0
(3,363)	**Total**	**(2,373)**

The below is an analysis of creditors.

31/03/20 £000		31/03/19 £000
(15)	Other local authorities	(210)
(675)	Public corporations and trading funds	(555)
(2,673)	Other entities and individuals	(1,608)
(3,363)	**Total**	**(2,373)**

23. 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 below:

31/03/2020 £000	Utmost Life and Pensions/Equitable Life Assurance Society	31/03/2019 £000
204	Value as at 6 April	231
0	Contributions received	0
(11)	Retirement benefits and changes	(36)
8	Changes in market value	9
201	**Value as at 5 April**	**204**
0	Equitable with profits	83
0	Equitable with deposit account fund	0
201	Equitable unit linked	121
201	**Total**	**204**
1	Number of active members	1
25	Number of members with preserved benefits	28

31/03/2020 £000	Prudential Assurance	31/03/2019 £000
1,020	Value as at 1 April	856
196	Contributions received	168
(166)	Retirement benefits and changes	(32)
73	Changes in market value	28
1,123	**Value as at 31 March**	**1,020**
570	Prudential with profits cash accumulation	564
264	Prudential deposit fund	210
257	Prudential unit linked	246
1,091	**Total**	**1,020**
72	Number of active members	77
19	Number of members with preserved benefits	19

31/03/2020	Clerical and Medical	31/03/2019
£000		£000
31	Value as at 1 April	28
2	Contributions received	2
(5)	Changes in market value	1
28	**Value as at 31 March**	**31**
6	Clerical Medical with profits	6
22	Clerical Medical unit linked	25
28	**Total**	**31**
2	Number of active members	2
2	Number of members with preserved benefits	2

24. Agency Services

There were no agency services provided by the fund in the year.

25. Related party transactions

Haringey Council

In 2019/20 the Pension Fund paid £0.649m to the Council for administration and legal services (£0.649 million in 2018/19). As at 31st March 2020 an amount of £0.477m was due from the Council to the Fund (£0.161 million in 2018/19).

Governance

During 2019/20 no Council members who served on the Pensions Committee and Board were also members of Haringey Pension Fund. Two of the employer and employee representatives for the Committee and Board were fund members. Committee and Board members are required to declare their interests at the beginning of each Committee meeting and as necessary during the discussion of individual items of business at Committee meetings if it becomes clear that a conflict of interest has arisen.

Key Management Personnel

The key management personnel for the fund is the Section 151 Officer for Haringey Council. The Council recharges the pension fund for a portion of this officer's costs. The Section 151 Officer was a permanent member of staff who was a member of the fund.

26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £124.9m (£69.2m with Pantheon – Private Equity, £9.0m with Blackrock, and £21.7m with Copenhagen Infrastructure Partners and £25.0m with Aviva Property at 31st March 2020 (2019: £182.4m). The commitments relate to outstanding call payments due in relation to the private equity, renewable energy infrastructure and property portfolios.

27. Contingent assets

Twelve 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.

Annex 1 to the Financial Statements

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Present value of Promised Retirement Benefits	Year ended 31/03/2020	Year ended 31/03/2019
Active members	601	877
Deferred pensioners	505	568
Pensioners	709	643
Total	**1,815**	**2,088**

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2020 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £156m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £39m.

Financial assumptions

Year ended	31 Mar 2020 % p.a.	31 Mar 2019 % p.a.
Inflation/Pensions Increase Rate	1.9	2.5
Salary Increase Rate	2.9	3.1
Discount Rate	2.3	2.4

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25%. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.5 years	23.7 years
Future Pensioners	22.7 years	25.3 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

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 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	9	161
0.5% increase in salary increase rate	1	11
0.5% increase in pensions increase rate	9	169

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2020 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Douglas Green FFA

7 May 2020

For and on behalf of Hymans Robertson LLP

ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement 2019-20

1. Scope of responsibility

1.1 We are responsible for ensuring that our 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. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, with regard to a combination of economy, efficiency and effectiveness.

1.1 In discharging this, we are also responsible for putting in place proper arrangements for the governance of our affairs, facilitating the effective exercise of our functions, which includes arrangements for the management of risk.

1.2 We have 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’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 our commitments as part of the Local Code of Corporate Governance, together with how we obtain 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 we direct and control the activities of the Council. The framework also comprises the activities through which we are accountable to, engages with and leads the community. Through the framework, we monitor the achievement of our strategic objectives and 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, but 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 our approved 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, ensuring that we are able to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place for the year ended 31st March 2020 and up to the date of the approval of the annual report and accounts.

2.4 Like all local authorities across the country, we rapidly changed our focus in March 2020 to respond to the global COVID-19 pandemic. This involved enacting emergency planning and business continuity arrangements, protecting and supporting the most vulnerable, supporting public health measures to reduce the spread of the virus and maintaining and adapting council services to continue to serve residents and businesses in the borough. This was not just a Haringey response, we have and continue to work with partners, local and regional authorities across London and government through London emergency planning arrangements.

2.5 The majority of our council staff moved to working from home. A deployment and staff volunteering hub was established with approximately 1,200 staff who could be temporarily redeployed to areas of most need, along with a further 200 staff volunteers. The connected communities' helpline was set up as the 'shop front' for advice, support and information with over 6,000 people having made contact by the end of May. Alongside this, we are workings with the NHS to support the c9,100 extremely vulnerable residents identified as part of the 'shielded group'. A food hub was established to help vulnerable people access food, and it continues to deliver nearly 350 food parcels including hot meals daily. We also made changes to parks to ensure their continued safe use, supported schools to open for children of key workers, facilitated payments of business grants of over £40m to 2,500 businesses and much more.

2.6 As with any emergency, our Gold arrangements were enacted to be the primary focus for the council's emergency response, with regular Gold meetings. Alongside this, existing strategic boards were amended, and new meetings set up to ensure we had a coordinated response to managing demand, costs and new working practices. This included:

- LB Haringey COVID-19 Gold meetings – three times weekly in the beginning, moving to twice weekly;
- Series of Gold workstreams including health and adult social care, community response and workforce;
- Partners GOLD meeting – originally weekly, moving to fortnightly;
- Statutory Functions Board – move to weekly meetings to ensure focus on statutory duties;
- North Central London Adult Social Care Group - Weekly meeting;
- Director Adults Social Service virtual catch up (weekly);
- Adult Social Care Covid-19 Response and Resilience Group; and
- Finance meetings to develop tracking of costs and budget (bi-weekly).

2.7 We successfully enacted our business continuity plans in response to Covid-19 and were able to sustain most service by using technology to enable staff to work from home. Many services adapted their business model rapidly to move services online, or to provide support to residents remotely. Accordingly, the pressure for staff to return to the office is limited, and we are able to take a measured, phased approach to this. The facilities management team is working to introduce social distancing measures across the Council's operational estate, so that when government guidelines support this, we will be able to allow more staff to work from our offices. Particular attention is being paid to services that may need to resume a face-to-face offer, to ensure this is done safely. We will produce and where appropriate publish the risk assessments to support this. In addition, we will conduct individual risk assessments to identify any Council staff with higher levels of vulnerability, so that we ensure that we protect the health and wellbeing of all our staff through what will continue to be a period of elevated concern.

2.8 The following section highlights each of the seven governance principles set out in the CIPFA / SOLACE framework "Delivering Good Governance in Local Government" and the arrangements in place demonstrating how we meet the governance principles. Any gaps identified as part of the annual review will form an action plan agreed and monitored by the Statutory Officers with all actions to be completed by March 2021.

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
<u>Behaving with Integrity</u> a) The Council's Member Code of Conduct (July 2019) requires members to declare interests; applies to Members and co-opted voting members on election or appointment. Published on the internet: http://www.haringey.gov.uk/sites/haringeygovuk/files/lbh_constitution_part_5_section_a_-_part_1__0.pdf b) The offer of Induction is provided for all new Members when they are elected on expected standards of behaviour. c) The Officer Code of Conduct was reviewed in 2019 and a new version was published to staff in June 2019 following approval by Member. A copy of the Code	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
is provided to all new officers on appointment and annual reminders are made of the need for employees to make a declaration of a conflict of interest or to declare any offers of gifts or hospitality which are received. d) Haringey Values updated in 2015 (Human, Ambitious, Accountable, and Professional). Published on the internal website and internet: https://www.haringey.gov.uk/jobs-and-training/working-haringey/haringey-values e) Decision-making practices for member decisions follow legal and transparency requirements. Officer decisions are also recorded and published on Modern.gov: http://www.haringey.gov.uk/local-democracy/our-standards https://www.haringey.gov.uk/local-democracy/how-decisions-are-made f) Register of interests and gifts and hospitality for members/co-optees checked on election/appointment. Minutes show declarations of interest sought, and appropriate declarations made for each meeting. http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests g) Requirement for all new staff to complete Register of Interests declaration. Senior managers are required to complete a declaration every two years; staff should complete a new form as/when circumstances change. Gifts and hospitality for members are recorded with their declarations of interests and are published on the website, see link in f above. For officers, declaration forms are retained in Human Resources. h) Standard report format requires report authors to state how their proposal meets the corporate objectives and priorities. Report authors must also provide reasoning and evidence for proposals, so that the basis for decisions is clear and include statutory officer's advice, including legal and finance advice. Training for report	Training needs assessment will be completed in 2020/21.

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
authors on writing clear, logical and objective reports was provided for officers in 2016/17 and standard templates are held on the internal website.	
i) Anti-fraud and corruption strategy is in place, including the Whistle blowing policy (July 2018). The Head of Audit and Risk Management reports on actions, effectiveness and outcomes (and use of the whistle blowing policy) to Corporate Committee and provides awareness presentations to Corporate Management Group. Copies of the policies are on the internet: https://www.haringey.gov.uk/local-democracy/performance-and-finance/fraud-and-corruption	Review current policy during 2020/21.
j) Corporate and service specific complaints policies are in place and published on the website. Level of complaints upheld at Stage 1 and 2 is monitored and reported regularly to the Council's Corporate Management Group using Grip Indicators. More information is being published and made easily accessible to customers. Training sessions have been developed looking at examples of best practice in responses and getting it right first time. http://www.haringey.gov.uk/contact/council-feedback/complaints-about-council	
k) Local Code of Corporate Governance was refreshed in 2018/19 and was approved at Corporate Committee July 2019 it will also be presented at Full Council in 2020: https://www.minutes.haringey.gov.uk/documents/s110621/App%20B%20Code%20of%20corporate%20Governance%20for%20legal%20VB%20MJ%2014.11.18%20final.pdf	
Demonstrating strong commitment to ethical values	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
l) The Standards Committee, along with the Council's Monitoring Officer, establishes monitors and maintains the organisation's ethical standards and performance, reporting to full Council as necessary. The committee deals with allegations of breaches of the Member Code and issue (or require Groups to issue) reminders/advice notes to Members where issues of conduct cause concern. http://www.haringey.gov.uk/local-democracy/our-standards/standards-committee	
m) The Council incorporated the Social Value Act requirements into all procurement and contracts; including a standard clause referring to 'PREVENT' in all contracts, as well as safeguarding and health and safety.	
n) A major review of all the Human Resources policies & procedures began in 2019 and is ongoing. The policies for revision undergo extensive discussion with relevant groups within the council and with trade unions before the final version is presented to Members for their approval, only when approved are policies published and details communicated to officers.	Progress on updated policies to be tracked in 2020.
o) The Council encourages external providers of services to act with integrity and in compliance with high ethical standards expected by the organisation in information sharing: http://www.haringey.gov.uk/community/community-safety-and-engagement/crime-and-disorder-information-sharing-protocol In procurement: http://www.haringey.gov.uk/business/selling-council/council-contracts	
Respecting the rule of law	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
p) The Chief Executive is appointed by full Council. Any disciplinary action or dismissal of the statutory officers is dealt with in line with legal requirements that take into account the need for them to fulfil their responsibilities in accordance with legislative and regulatory requirements. A Statutory Functions Board was convened in 2019/20, meeting quarterly the group focuses on ensuring statutory compliance and is both forward and backward looking to support the Statutory Officers in fulfilling their roles. q) The Council optimises the powers available for the benefit of citizens, communities and other stakeholders. Decisions are taken, in accordance with relevant statutory requirements and the Council Constitution, by full Council, Cabinet, individual Cabinet members and officers under delegated powers. The Council Constitution is reviewed updated and published on the internet: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution r) Breaches of law/financial regulations can be the subject of a report to full Council by the relevant statutory officer. No statutory officer reports have been required in 2019/20. s) Statutory officers are available at meetings of the Council/Cabinet to advise and ensure law and regulations are not breached.	
B. Ensuring openness and comprehensive stakeholder engagement	
Openness/ Implementing good practice in transparency	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
a) The Council Publication Scheme sets out information available to view or download including under the requirements of the Transparency Code 2015. http://www.haringey.gov.uk/local-democracy/publications/publication-scheme b) Member decisions are rarely taken in the private (Part 2) section of meetings. Member delegated decisions are also taken at meetings advertised and open to the public. The constitution allows for deputations and petitions and a call-in procedure for cabinet key decisions is in place. The local and statutory requirements are set out in the Council Constitution: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution c) The Council carries out consultation on a regular basis with stakeholders. It has a consultation co-ordinator and a consultation charter and toolkit on its internal website. All consultations require a consultation plan, which is posted on the consultation e-plan on the internet. http://www.haringey.gov.uk/local-democracy/have-your-say-haringey. http://www.haringey.gov.uk/local-democracy/have-your-say-haringey/our-commitments-you https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan-2019-2023-consultation The Council publishes 'Performance Wheels' on Borough Plan priorities and outcomes on the website; feedback on our performance is encouraged through this route: https://www.haringey.gov.uk/local-democracy/policies-and-strategies/building-stronger-haringey-together Engaging comprehensively with institutional stakeholders d) A partnership with the community sector was approved in December 2015 designed to forge stronger relationships with the local voluntary sector, working with the Moracle Foundation to improve the strength of the voluntary sector,	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
enabling it to attract more funding and investment to support local communities. A voluntary and community sector pledge is included in the Borough Plan. e) Formal and informal partnerships allow for resources to be used more efficiently and outcomes achieved more effectively; the Borough Plan incorporates key partnership working across all its priorities, including the Local Safeguarding Children's Board (LSCB), Safeguarding Adults Board (SAB), Multi-Agency Risk Assessment Conference (MARAC) and the Community Safety Partnership (CSP). Agendas and minutes for the CSP are published on the website: http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=444&Year=0 Examples where the Council participates in partnership include the Joint Health & Wellbeing Partnership with Islington; delivering the STEM commission recommendations; working with our schools to improve outcomes for children. f) Resident engagement also occurs in formal consultation and engagement processes. More information on the Community Engagement Framework is available on our website. https://www.haringey.gov.uk/local-democracy/have-your-say-haringey/haringeys-community-engagement-framework g) The Council also uses social and print media to engage with residents and stakeholders, including the Council website, My Account, Twitter, Facebook, Haringey People and the weekly Haringey People online. The Council also has specific partnerships and stakeholder newsletters including Team Noel Park; and Northumberland Park to engage with residents.	
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits; and D. Determining the actions necessary to optimise the achievement of the intended outcomes	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
Defining actions/outcomes and sustainable economic, social and environmental benefits a) The Borough Plan sets out how the Council might work with partners and with communities to improve the borough and make Haringey a more successful place, while delivering around £30 million savings by 2024. The plan has five core priority areas, each under-pinned by a series of ambitious targets. It considers and balances the economic, social and environmental impact of policies, plans and decisions. The Plan includes a challenging set of performance measures. Programme planning and management require focus on outcomes and benefits identification and tracking as part of project implementation. There is a clear and consistent approach to the reporting of outcomes, benefits, risks and issues across Priority Boards. The Plan is published on the website: https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan b) The Council publishes updates on its website to show how the Council and partners are achieving against specific targets every three months. The outcome targets specify the intended impact on service users, residents and other stakeholders. c) The Council has an agreed Medium-Term Financial Strategy (MTFS) and Workforce Plan. These set out how the Council will deliver the corporate plan taking into account the full cost of operations and within available resources, balancing service priorities, and ensure its workforce has the right skills to enable it to achieve the agreed outcomes. Regular reports are provided to the Cabinet: https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=9157&Ver=4	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
d) Robust planning and control cycles cover strategic and operational plans, priorities and targets. An internal governance process has been implemented to provide regular monitoring and scrutiny of the achievement of the corporate plan and resources applied. For each priority, Priority Boards have been introduced. Performance against objectives is published on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance e) A five-year capital programme was approved by Full Council on 12 February 2019, which sets out the Council's longer-term investment requirements linked to policy objectives, updates are provided to Cabinet annually at the February meeting: https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=143&MId=8669&Ver=4 <u>Determining actions and optimising achievement of intended outcomes</u> f) The Council includes requirements to enhance social value in contracts. For example, construction projects over £1m in value must include an apprenticeship scheme, and where possible, employers are encouraged to pay the London Living Wage. High value procurements include a significant weighting in the 'social value' section and, where applicable, requirements as to the use of community assets.	
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	
<u>Developing the entity's capacity</u> a) The Council's Workforce Development Strategy 2019 – 2023 aims to create a better place to work and to ensure the Council has the right people in the right places with	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
the appropriate skills to deliver the Council's priorities. The plan is published on the website: https://www.haringey.gov.uk/search/haringey_cse/workforce%20development%20strategy b) Workforce expectations also form a clear part of contracting and commissioning processes, as our workforce is not limited to employed staff, including complying with minimum and London Living Wage requirements. Developing the capability of the entity's leadership and other individuals c) The Council Constitution specifies the types of decisions that is delegated and those reserved for the collective decision making of the full Council or Cabinet. http://www.haringey.gov.uk/local-democracy/about-council/council-constitution d) The Council's Constitution sets out the leader and chief executive roles to ensure the respective responsibilities are defined in accordance with decision-making accountabilities. These comply with relevant statutory requirements. It also includes the general scheme of delegation. Each service area also has a service area scheme of authorisation for officers, currently published on the intranet. e) Members who sit on Committees are provided with training specific to their responsibilities for these committees. Training sessions during 2019/20 included planning, licensing, audit, finance, pensions and treasury. f) The Council provides a programme of training for all members, and members have access to the Council's corporate training and development programme, which is published on the internal website.	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
g) During 2016/17 the Council rolled out 'My Conversation', a new performance management process, to all staff, which focuses on personal and organisational development and performance; the Staffing and Remuneration Committee receives regular reports on people management issues in line with the Workforce Plan objectives. Guidance and templates for all staff are published on the internal website. h) The Council's Workforce Development Strategy 2019 – 2023 aims to create a better place to work. A Healthy Workforce Strategy was drafted in 2019 and will be approved by members in 2020. The Council's corporate Health, Safety and Wellbeing Board monitors all key aspects of statutory and local requirements and has an action plan in place to address any identified gaps in compliance. Health and Wellbeing Fairs have been run to promote employee health. i) The Council has protocols in place which govern how the operational and working relationships between officers and members are managed and forms part of the Constitution: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution j) The Council reviews operations, performance and use of assets on a regular basis to ensure their continuing effectiveness; the Corporate Plan highlights key performance objectives, targets and outcomes, which are monitored and reported via the Council website. The performance reporting also compares current performance with statistical neighbours, London and England averages in most cases: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance	

F. Managing risks and performance through robust internal control and strong public financial management; and G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
Managing risk a) Haringey has a corporate Risk Management Policy and Strategy in place it was reviewed in 2019 and will be approved by Members in 2020. A project to strengthen risk management and embed the Strategy has commenced in 2020. Risk Management is embedded through a variety of processes and procedures, management teams, groups and boards across the organisation and is central to activities, including business planning and project management processes. https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=730&MId=8242&Ver=4 b) The Council's key risks are managed via corporate risk and Priority Boards risk registers; each is regularly reviewed via strategic and operational board meetings. Responsibility for individual risks and issues identified is clearly set out in risk registers. Internal audit reviews of key risks are undertaken as part of the annual audit programme. Performance objectives and outcomes are reported on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance c) 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. As noted previously the Council's Business Continuity Plans were implemented in response to Covid -19. One business continuity event outside of Covid-19 occurred on 26 July 2019 when the Council experienced an outage in its data centre due to severe heat. The majority of services were restored in a few hours, some took a few days, full service resumed	Policy and Action Plan to be agreed in 2020.

by 01 August 2019. In 2019/20, the Council participated in Exercise Safer City 2019, a pan London test of how councils respond to a simulated threat. The Business Continuity Team led the following exercises in 2019: • Cyber Resilience workshop for Adults Social Services Oct 2019. • Brexit BC workshop for Care Providers May 2019; and • Brexit Workshop for Corporate Leadership Group Sept 2019. The Team participated in a fuel supply disruption in March 2020. More information on business continuity and emergency planning is available at: https://www.haringey.gov.uk/environment-and-waste/major-emergencies/emergency-planning Managing performance d) The Council monitors service delivery effectively including planning, specification, execution and independent post implementation review which is set out in the Borough Plan and outcome priorities: https://www.haringey.gov.uk/local-democracy/policies-and-strategies/building-stronger-haringey-together e) Overview and Scrutiny takes a detailed look at the Council's decisions and policies and 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. Overview and Scrutiny Committee also reviews the Performance Wheels on a quarterly basis and individual Scrutiny Panels consider performance with reference to their reviews. The reports and recommendations are discussed and responded to by the Cabinet and published	

on the Council's website: http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=128&Year=0 <u>Strong public financial management and robust internal control</u> f) The Medium-Term Financial Strategy (MTFS) outlines the overall financial strategy for achieving the Council's priorities. The MTFS identifies a total of £43.9m of savings required, to deliver a balanced budget position each year between 2020 and 2025. Over half of this target (£28.4m) has been subject to consultation with residents, before being approved by Full Council in February 2020; the reminder has yet to be identified and will form part of the financial planning process during 2020/21. Each Priority Board considers finance and budgets at every meeting, looking at both the budget and savings positions and tracking progress on both. Transformation and delivery of outcomes are aligned to achieving savings and remaining within budget limits; the performance outcomes are reported on the website. g) 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. Managers submit monthly budget forecasts and the Cabinet receives quarterly budget management information. h) 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 2019/20, the Council investigated and recovered 56 illegally sublet properties; and prevented 90 potentially fraudulent Right to Buy applications in line with the anti-fraud policy. Referrals made using the whistle blowing policy were all reviewed, investigated and reported to the Corporate Committee, copies of the reports are on the website: https://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=730&Year=0	As noted elsewhere in this statement Covid-19 will have significant impact on the Council's MTFS and significant issues, actions and timelines have been identified in tables below.

i) The Council's internal and external auditors produce annual audit reports and the Annual Audit Letter, which were both reported to the Corporate Committee. External audit reported that the council had provided a good set of financial statements and working papers for 2018/19. No significant governance issues were raised by either report; recommendations were made to address some identified control weaknesses. j) Regular internal and external audit reviews check compliance with financial and contract procedure rules across the Council and the outcomes of these are reported to the Corporate Committee on a quarterly basis. All high priority recommendations, excluding those covering schools' audits, made by internal audit were found to be implemented when follow up audits were undertaken. The Corporate Committee fulfilled its terms of reference in relation to audit functions; and reported positive outcomes in relation to pro-active counter-fraud activities in 2019/20. k) The Council's internal control arrangements are subject to annual self-assessment by the Head of Audit and Risk Management; any gaps in compliance with mandatory standards are included in the statutory annual Head of Audit report.	
Managing data l) The Council has policies dealing with various aspects of data management including security and data protection; Freedom of Information Act; information asset registers; and general records management. These and supporting guidance are all published on the intranet. Data quality policy is published on the website: https://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance?_sm_au_=iHVH14V03WHLnWHq	A Data Breach was reported to the Information Commissioners Office (ICO) in February 2020, an internal investigation has produced an action plan to mitigate risk and ensure the suggestions of the ICO are completed.
Implementing good practices in reporting	

m) The Council produces an annual report to accompany its statement of accounts; for 2018/19, this received an unqualified opinion from the external auditor in 2019/20, 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. Under the Local Accountability Act, the Council is responsible for appointing its external auditors from 2019/20; approval for the preferred appointment process was obtained from Corporate Committee in November 2016 and Full Council in February 2017. The Council chose to participate in a sector led procurement exercise using Public Sector Audit Appointments (PSAA) as the Appointing Person. http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=143&MId=7868&Ver=4	
n) The Council's Annual Governance Statement (AGS) is produced in accordance with required guidance and included in the statement of accounts; the AGS is reviewed by the Corporate Board and the Corporate Committee to ensure that any gaps in assurance or compliance issues are identified and addressed. Significant issues reported in 2018/19 are being addressed. o) As part of the Corporate Plan delivery arrangements, five Priority Boards are responsible for delivering the Corporate Plan with a responsible manager allocated as owner for each corporate priority. Outcomes and performance against all the priorities' objectives are published on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance Assurance and effective accountability p) 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 internal audits are reported to the Corporate Committee on a quarterly basis. All outstanding recommendations are reported to Corporate Committee; a focus is maintained on ensuring all high priority recommendations are implemented. None remained outstanding in 2019/20. q) The Head of Audit and Risk Management and the internal audit service fully complied with the requirements of the mandatory UK Public Sector Internal Audit Standards, as evidenced by peer review and self-assessment. Access to officers, members and information is provided by the Constitution.	

4. Significant governance issues

4.1 Following our review of governance in 2018/19, we identified some key areas where work would be undertaken in 2019/20 to ensure governance arrangements were in place and effective. An action plan was drawn up and progress as at 31 March 2020 on this is set out below. Internal Audit monitored progress with regards these actions outlined below and in February 2020 produced an update report for Corporate Committee Members.

Issue	Agreed Action/ Deadline (as at May 2019)	Progress update (as at March 2020)
Delivery of MTFS Savings	The Council has developed a savings programme to respond to the reduction in funding and financial pressures in Children's and Adults Social Care provision and the use of temporary accommodation. For the financial year 2019/20, the Council's savings target is £13.7 million. This includes the impact of a review of savings proposals developed before 2019/20 which assessed whether the proposals would deliver the planned savings and where the savings where improbable, the savings proposals were written off. Reports setting out the full financial position of the Council for 2019/20 and the Medium-Term Financial Plan for 2020/21 to 2023/24 were reported to Cabinet on 12 February and Full Council on 25 February 2019. These reported total budget reductions required for the period 2019/24 of £50m, for which there were plans to deliver £30m. This represents a fundamental challenge to the Council. 31 March 2020	There is regular reporting of the financial position of the council to both Senior Officers and Members. The budget for 2020/21 was approved in February. The s151 officer confirmed via the follow up work completed for Committee in February 2020 that plans were in place to address the forecasted overspend for 2019/20, that existed at that time. In light of the Covid-19 pandemic the council's MTFS will have to be reviewed and for this reason and the financial risks identified this issue has been closed but a new MTFS related issue has been included for monitoring in 2020/21.
Schools performance.	During the financial year 2019/20, there has been a	The Audit and Risk team still see ad

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Issue	Agreed Action/ Deadline (as at May 2019)	Progress update (as at March 2020)
audit assurance outcomes and financial balances.	marked improvement in the assurances assigned by internal audit as part of the schools' audit programme with four (30% of schools audited; in 2017/18 this was 45%) schools receiving inadequate assurance. This area will continue to be monitored to ensure the positive trend continues. 31 December 2019	hoc evidence of poor financial management in schools, however there is an increasing cross team response to this to take necessary action including supporting the school to move forward. These governance mechanisms will continue to strengthen into 2020/21. It should be noted that overall, the assurances in audits continue to move in the right direction with a reduction in the number of schools receiving low levels of assurance. This action will continue to be monitored in 2020/21 by Corporate Committee but not remain as a significant governance issue on the statement. The school's audit programme will be reviewed to ensure focus on areas of risks identified from the annual school report.
Safety of two social housing buildings at Broadwater Farm.	Two residential tower blocks on Broadwater Farm (Northolt and Tangmere) did not pass structural survey tests. In June, Cabinet considered various options for the two block and on 11 Sept 2019, began consultation with the residents of the two blocks. On 13 November Cabinet agreed to demolish the two blocks and address the rehousing requirements. 31 March 2020	Update reports were provided to the Homes for Haringey Board periodically during 2019/20 and an update was also received by the CAB subgroup in November 2019 outlining progress to decant. Members of the Broadwater Farm Scrutiny panel were presented a report in March 2020. Work is on-going with the leaseholders, who remain, in both blocks to negotiate the purchase of

Issue	Agreed Action/ Deadline (as at May 2019)	Progress update (as at March 2020)
		properties. This issue will remain on the AGS for monitoring in 2020/21.
In October 2018, Ofsted carried out an inspection of Children's Social Care Services and published its final report on 14 December 2018. The inspection team recognised the progress the Council has made – and continues to make – in delivering children's social care. Ofsted also identified areas where improvements could still be made. Following the inspection, the service received a 'requires improvement' rating.	The Ofsted inspection of Children's Social Care Services was completed on 9th November 2018 and the report of the findings of the inspection was published on 14th December 2018. The inspection judged all areas inspected as 'requires improvement to be good' and listed nine areas for improvement. A high-level version of an action plan was created and reported to Cabinet on 12th March 2019. A more detailed operational plan which is specific, measurable, realistic and has targets for improvement (SMART) and sets out the actions to improve practice in the identified area has been created and is monitored quarterly through the Children's Improvement Board and at regular one-to-one meetings with the cabinet member for Children, Families and Education and the Director of Children's Services. Additionally, Ofsted will also review progress on the action plan at the Annual Engagement meeting with the Director of Children's Services. The Cabinet, Children's Scrutiny and Corporate Parenting Advisory Committee will all receive an annual update on the progress of the action plan. 31 March 2020	The update position reports in September 2019 indicates that at all actions raised were complete or on track to be completed by the target deadline, with the exception of two which were amber indicating more work needed to ensure achievement. These two actions related to placement sufficiency for vulnerable adolescents. It is noted that a full update is on the forward plan for cabinet in June 2020. This will pick up the most recent Ofsted focussed visit which took place in December 2019, most recent visits recognise positive improvements. This issue will continue to be monitored in 2020/21.
The Council invited the Local Government Association (LGA) to undertake a Corporate Peer	Peer challenge is a proven tool for improvement and is a process commissioned by a Council. A small team of experienced local government officers and councillors	The peer review action plan was discussed at Corporate Board on 27th February to review progress to

Issue	Agreed Action/ Deadline (as at May 2019)	Progress update (as at March 2020)
Challenge of the Council in February 2019. The report highlighted numerous examples of good practice and raised recommendations where the Council could make further improvements.	spend four days on-site and spoke with more than 120 people including a range of Council staff, Councillors, external partners, stakeholders and young people. The report from LGA highlighted many positive areas of the Council such as improvements in Children's Services and Health, Social Care Integration, and the ambitions of the Council as set out in its Borough Plan. The report also raised recommendations for improvement, these have been welcomed and action taken to implement the recommendations. 31 March 2020	implement the recommendations raised. Significant progress is noted across the eight areas for development, but many include longer term projects of work. The action plan will continue to be monitored by Corporate Board, but the issue will not remain a significant issue on the statement. The outcomes of the peer review will be revisited as part of the assessment of the Councils priorities for 2020/21.

4.2 We have identified the following significant governance issues during 2019/20. 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
Covid -19 Impact on Financial Planning & MTFS refresh	In light of the emergency situation, local authorities are relying on the statement from Robert Jenrick (Secretary of State for Housing, Communities and Local Government) of 16 March 2020 which said "the government stands ready to do whatever is necessary to support councils in their response to coronavirus" for approval to incur the essential expenditures required to fulfil their role. Notwithstanding this, Covid-19 must be expected to have a significant net financial impact on the Council in the short, medium and long term and the Council must recognise and start to address this. The financial planning timetable is being refreshed in the light of this and the assumptions in the currently agreed MTFS are being reviewed and challenged. The current Borough Plan outcomes are also being revisited to assess the impact of C-19 and if any amendments need to be made. The outcome of these reviews will drive the revised parameters for developing a balanced 2021/22, supported by budget and new 2021-2026 MTFS.	Cabinet & Corporate Board – led by Dir of Finance	March 2021
Clienting of Homes for Haringey	The Council has an Arm's Length Management Organisation, Homes for Haringey (HfH) to manage around 15,353 tenanted and 4,943 leasehold properties. A governance review is being undertaken to make sure the Council has the right processes and governance in place to fully and properly discharge its landlord	Director of Housing, Regeneration & Planning	March 2021

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Issue	Action	Responsibility	Due date
	responsibilities, including the Regulator of Social Housing's Home Standard, and with particular concern over the safety of the Council's tenants and leaseholders in their home. The review will consider whether the Council and HfH have appropriate resources in place, with the right level and type of capacity. Alongside the right governance arrangements and procedures to ensure effective oversight and delivery.		
During 2019/20 there have been issues raised with regards the robustness of decision making relating to acquisitions and disposals of property, this has required investigation to provide assurance that effective governance is in place and to ensure that decisions have been made and recorded in line with the constitution.	During 2019/20 as a result of learning from investigations, the structure of reporting and membership of officer boards such as Capital Delivery and Corporate Property Board have been considered and changes implemented to mitigate risk and generally strengthen governance. A Property Governance Review will be completed in 2020 to ensure that new arrangements are sound and fully embedded.	Director of Customers, Transformation and Resources	September 2020
In February 2020 the Council made a report to the Information Commissioners Office (ICO) with regards a data breach. A report was also made direct to the ICO by a third party.	An internal project to mitigate the risks associated with this data breach and impact on affected parties. Reports were made to the ICO and a response was received, with some suggested actions. An internal investigation was completed, picking up the ICOs suggestions and also raised a number of recommendations for control improvements. These recommendations will be tracked to completion. This is a high inherent risk area for the council, the arrangements	Director of Customers, Transformation and Resources	September 2020

Issue	Action	Responsibility	Due date
	in place are reviewed periodically as part of the risk management framework and the Council has an appointed Senior Information Risk Owner (SIRO). The events of 2019/20 have been considered as part of our risk analysis work and resulting decision making.		
Safety of two social housing buildings at Broadwater Farm.	As at 19/05/20 eight leaseholders still own homes in Tangmere (with a further 108 properties vacant). 13 leaseholders own homes in Northolt and 15 tenants are yet to move (with a further 74 homes vacant). Rehousing work will continue to ensure that vacant possession is achieved, and blocks can be demolished. Proposals to accelerate the acquisition of leasehold flats are due to be considered by Cabinet soon and officers will further recommend CPO proceedings by the Autumn if negotiations are not positive. Risks in each block are being mitigated by the provision of 24-hour security, the decommissioning of empty flats and the securing of front doors to prevent unauthorised access. Updates on the progress of the rehousing work will continue to be reported to members and senior officers through agreed Governance arrangements.	Director of Housing, Regeneration & Planning	March 2021
In October 2018, Ofsted carried out an inspection of Children's Social Care Services and published its final report on 14 December 2018. More recent inspections have recognised a positive direction of travel.	Improvement Board and at regular one-to-one meetings with the Cabinet member for Children, Families and Education and the Director of Children's Services. Ofsted are expected to visit again in 2020, we will also review progress on the action plan at the Annual Engagement meeting with the Director of Children's Services. The Cabinet, Children's Scrutiny and Corporate Parenting	Director of Children's Services	March 2021

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Issue	Action	Responsibility	Due date
	Advisory Committee all receive an annual update on the progress of the action plan.		
Schools performance, audit assurance outcomes and financial balances. In 2018/19 and 2019/20, there has been an improvement in the assurances assigned by internal audit as part of the schools' audit programme. The improvement is recognised, however there were still 6 schools from the 18 audited in 2019/20 where assurance provided was below expectations.	Covid-19 has given us some time to reflect on the schools audit approach. For 2020/21 the programme will be reviewed to ensure it is focused on highest risk areas, including any that have increased due to the response to COVID-19. A new approach to follow up has been designed to be more proactive. The team is also looking to work more closely with other council teams who work with schools, again to ensure efficient use of audit resources and added value from the work for stakeholders. Investment in training for governors and schools will continue. Annual reports are taken to the schools forum and Corporate Committee.	Director of Children's Services	March 2021
Covid-19 – Safe Service Provision and Financial Control	There is a risk that expenditure is incurred outside the agreed budgetary framework and without the required governance approvals and that decisions are made inconsistently around treatment of debt recovery. The Leaders signing report of 6 April 2020 provided a first new financial decision-making framework for the Council's response to the Covid-19 crisis. This will get updated as we move through the year, to respond to further developments, service and financial pressures and when there is greater certainty about the funding from Government.	Director of Finance Corporate Board – all Budget Holders	March 2021

Issue	Action	Responsibility	Due date
	There is an enhanced risk of fraud in this situation. Decisions are being made under pressure, there is urgency in acquiring resources and responding to vulnerable people. To mitigate this, current processes have been reviewed and amended / enhanced as required; new processes written and communicated to cover any new ways of operating. Initial focus on high risk areas such as cash handling, purchase cards, emergency payments and paying out grants to businesses. Compliance checks enhanced and agreed audit plan re-visited to re-prioritise where necessary. Covid-19 necessitated adapting working arrangement and condition to protect our staff and partners, our residents and people who use Council services. Our initial response was to set up practices to facilitate safe delivery of our services, with haste and with minimal impact on people who rely upon us. We are now considering the future of our governance arrangements in our services to build on good practices established during Covid-19 and consider the longer-term impact of the virus.	Directors of Children's and Adults Services	September 2020

5. Review of effectiveness

5.1 We take responsibility for conducting an annual review of the effectiveness of our 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 Director of Finance holds 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 2019/20. Their comments on the key governance issues are as follows:

- Director of Finance: The action we took in setting the 2019/20 Budget was appropriate. While there was still a forecast in year overspend at Qtr3 (Dec 2019), the future impact of the main underlying pressures has been addressed as part of the 2020/21. We have also taken advantage of making Live budgeting decisions in year such as the approval of a suite of invest to save proposals in Children's services which are now well underway and will contribute to better outcomes for our young people and their families. The 2019/20 draft outturn will maintain the unearmarked General Fund reserve at the agreed level and earmarked reserves will be protected at the expected level. This is more crucial than ever as we face an uncertain year ahead grappling with the immediate and longer-term impact of the Covid-19 epidemic. This has become the most serious financial risk facing the authority and will require strong governance and a forensic review of the current MTFS and how it will need to flex in line with a reshaped Borough Plan and revised resource base.

- Assistant Director of Corporate Governance: No significant governance issues were identified during the year in relation to the Monitoring Officer functions.

- Head of Audit and Risk Management: The work of the internal audit team provided satisfactory levels of assurances in the majority of council business although it also identified weaknesses in some areas. The proportion of schools receiving a satisfactory level of assurance has improved for 2019/20, though the performance will continue to be monitored in future years. The audit of the processes for delivery of capital schemes highlighted inconsistencies in approach and clarity over responsibility and accountability and management are taking steps to implement audit recommendations. An area of concern is around Information Governance. Following a data breach in Feb 2020, a number of weaknesses were identified following an audit review. The Council's Security Information Risk Officer was engaged in taking steps to improve governance in this area. Weaknesses were also noted within Property Services, Special Education Needs – Transport Services and the Delivery of Council Housing. In all cases, management have accepted audit recommendations to improve the internal control environment in these areas.

5.3 The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2019/20. The report concluded that in most areas across the Council, with the exception of those areas receiving 'limited' or 'Nil' assurance, there are sound internal financial control systems and corporate governance arrangements in place, and that risk management arrangements are satisfactory.

5.4 Priority Owners have discussed a statement of assurance covering 2019/20 which is informed by work carried out by Directors; Assistant Directors; heads of service and managers; internal audit; any 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 2019/20, the Council can confirm that both the 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 concerning the production of the Annual Governance Statement has been considered by the Chief Executive and the other members of the Corporate Board; and will be considered by the Council's Corporate Committee in July 2020. The Statutory Officers 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 along with the other members of the Corporate Board 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.

ANNUAL GOVERNANCE STATEMENT

Signed by:

Councillor Joseph Ejiofor
Leader of the Council

Date:

Zina Etheridge
Chief Executive

Date:

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