23 September 2011

To: All Members of the Corporate Committee

Dear Member,

Corporate Committee - Tuesday, 27th September, 2011

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 ACCOUNTS 2010/11 AND ISA 260 AUDIT REPORT (PAGES 1 - 182)

This report presents the Council Accounts for 2010/11 and the Annual Governance Report of the external auditors, Grant Thornton, which reports on their annual audit of the Council's accounts.

Yours sincerely

Ayshe Simsek X2929
Principal Committee Co-ordinator

Agenda Item 8

Haringey Council

Report for:	Corporate Committee 27th September 2011	**Item number**	

Title:	**Statement of Accounts 2010/11 and Annual Governance Report.**

Report authorised by :	for the Director of Corporate Resources

Lead Officer:	Graham Oliver Tel: 020 8489 3725; Email: Graham.Oliver@haringey.gov.uk

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

1 Describe the issue under consideration

1.1 To present the Statement of Accounts for 2010/11 following the completion of the external audit.

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

2 Cabinet Member Introduction

2.1 N/A

3 Recommendations

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

3.2 That the Committee approves the Statement of Accounts 2010/11, subject to any final changes required by the conclusion of the audit, delegated to the Director of Corporate Resources in consultation with the Chair.

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

Haringey Council

4 Executive Summary

4.1 The approval of the Council's accounts is a non-executive function fulfilled by the Corporate Committee. The Statement of Accounts 2010/11 is appended to this report for approval.

4.2 The final outturn in the audited statement confirms that reported to Cabinet in June 2011.

4.3 The statutory report of Grant Thornton on certain matters relating to the Council's governance responsibilities needs to be considered before a final opinion of the council's financial statement for 2010/11 is given.

4.4 It is expected that an unqualified opinion on the accounts will be given by the deadline of 30 September 2011.

5 Background information

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

5.2 This report sets out:

- The Statement of Accounts for the financial year ended 31 March 2011.
- The External Auditors "Annual Report " (ISA 260) containing:
  - Executive Summary
  - Key Audit Issues
  - Value for Money conclusions
  - Various appendices, including an agreed action plan.

6 Statement of Accounts

6.1 The appended financial statements are recommended for approval and have been produced in line with all the relevant accounting codes and statutory regulations.

6.2 The accounts have been audited by Grant Thornton, the Council's external auditors, and their Annual Report to those charged with Governance (ISO 260) is attached.

6.3 The Council's Draft Outturn 2010/11 was reported to Cabinet on 7 June 2011 and detailed an overall underspend on the General Fund revenue budget of £51k, which has been confirmed following the production of the annual accounts.

7 Explanation of the Accounts

Haringey Council

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

7.2 **<u>The Impact of IFRS</u>**

- The accounts reflect the move from Generally Accepted Accounting Practice for the UK (UK-GAAP) to full International Financial Reporting Standards (IFRS). The changes can be summarised in three areas, Format, Disclosures and Technical adjustments.
- As a result of the move to IFRS the **Format** of some of the statements will look different from previous years, although the substance of the accounts remains the same.
- In respect of **Disclosures** there are a number which have been added, some examples include;
- <u>Component Accounting</u> where there is a requirement to identify, value and depreciate individual components of an asset e.g. splitting the value of a building from the land it sits upon.
- Similarly the Council's <u>Leases</u> (both as leasor and leasee) have been reanalysed.
- <u>Employee Benefits</u>, such as leave entitlement outstanding at 31 March has to be calculated, valued and accrued for if material to the accounts.
- The definition of associate organisations has changed to include "ability to influence" which, if substantial, means the accounts of that organisation have to be included in the <u>Group Accounts</u>.
- All the above additional disclosures have strict methodologies by which the financial effect must be calculated which can then, if material, give rise to **technical accounting adjustments**.
- The biggest change that can be seen to the accounts, except for the presentational changes, is to the Group Accounts. The IFRS requirement for the determination of whether a group relationship exists is a change from that under UK GAAP which has resulted in the grouping with the Council of the Alexandra Palace Park and Palace accounts. The most significant impact of this change is the need to re-instate in the Council's account the long-term debt that is due to the Council from AP&P (£42.6 million in 2010/11 which has a contra entry in the same amount against the bad debts provision). Once the two entities are grouped these transactions are eliminated as any intra-group transactions are eliminated.

7.3 **<u>Sections of the Statements</u>**

Haringey Council

- The Explanatory Forward takes the reader through the various sections of the statements and what they contain. The following is a short version of its main headings.
- The Movement in Reserves Statement shows the money that the Council had in reserve at the beginning of the financial year, and details the money coming in and out of those reserves resulting in the closing balance on 31 March 2011. This statement reflects the final outturn of the Council, as reported to Cabinet in June 2011.
- The Comprehensive Income and Expenditure Statement shows the costs incurred and income received in respect of the services provided by the Council within the financial year and contains a number of 'accounting' entries that are required to be made by the code of practice governing the presentation of the accounts.
- The Balance Sheet lists the financial value of the assets and liabilities of the Council as at the end of March 2011. For comparative purposes the previous year's figures are shown at the end and the beginning of the financial year when IFRS came into effect.
- Unlike the Income and Expenditure Statement the Cashflow Statement shows movement during the year based on cash transactions which may also relate to previous or future years.
- The Notes page provides the detail of the figures on the main statements which are described above. The reference on the statements directs the reader to the relevant note(s).
- The Pension Fund accounts will also be contained in the final published version. These are being reported and considered as a separate item on the agenda.

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

8.1 The purpose of Grant Thornton's report is to detail their findings and matters arising during the course of auditing the financial statements.

8.2 This reporting requirement is in accordance with the Audit Commission's statutory Code of Practice for Local Government bodies. It requires auditors to report to those charged with governance before the audit is finalised.

8.3 The Grant Thornton report at Appendix 2 sets out the findings of the auditors under various headings and contains an agreed action plan for making further improvements to the accounts closing procedures.

8.4 The Council has worked closely with Grant Thornton throughout the accounts and audit process, ensuring a smooth and efficient audit.

Haringey Council

8.5 The report from Grant Thornton also contains the 2011 Value for Money conclusion. Grant Thornton will present their report to the Committee.

8.6 There are no areas of dispute between the Council and the auditors and all amendments the auditors have asked to be made to the accounts have been actioned, except for an estimate in respect of the Housing Benefit subsidy creditor (£236k) which officers have not amended on the basis of believing it would be imprudent to reduce the provision for this high risk creditor.

8.7 The report from Grant Thornton contains details of all major changes undertaken to the accounts from the original draft along with matters arising and an action plan, which contains the management responses and implementation dates.

8.8 Overall the Annual Governance report is very positive and draws conclusions in respect of the Council's financial affairs, some of the key issues are summarised below:

"Our evaluation of the Council's key financial control systems did not identify any control issues that present a risk to the accuracy of the financial statements."

8.9 The Value for Money conclusion heading Securing Financial Resilience:

Financial Governance "The Council has a well established approach to financial governance that has delivered solid results in recent years".

Financial Control "The Council has a robust approach to financial and performance management, and has a largely good record in controlling spend in non demand led services".

8.10 It also cautions on the challenges involved with Strategic Financial planning with the scale of savings required and maintaining budgetary control in a period of financial management culture change.

8.11 During the course of the audit a number of changes were suggested to the accounts and these are detailed in Appendix B of the auditor's report.

8.12 The agreed action plan is at Appendix C of their report. The individual actions are in the process of being assigned to responsible officers and their achievement will form part of ongoing monitoring.

9 Next Steps

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

Haringey Council

9.2 The Director of Corporates Resources is required to sign a letter of representation to acknowledge the responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. A draft of this letter received from Grant Thornton is contained as Appendix 2.

9.3 The report from Grant Thornton includes an action plan which requires a formal management response from the Council. The Council has agreed all of the recommendations and its response is included at the end of this report.

9.4 The result of this audit will be incorporated in the Annual Audit and Inspection Letter which needs to be completed and agreed with officers and the Leader of the Council by the end of January 2012. It will then be made available to all Councillors and reported to the Cabinet. The final letter will contain references to the final opinion and a summary of the Annual Governance report issues.

10 Comments of the Chief Financial Officer and Financial Implications

10.1 There are no direct financial implications arising from the recommendations in this report other than the increase in the Council's available reserves noted in section 8.

11 Head of Legal Services comments

11.1 There are no specific legal implications beyond those stated in the body of this report.

12 Policy Implication

12.1 N/A

13 Use of Appendices

13.1 Appendix 1: Statement of Accounts for 2010/11

13.2 Appendix 2: Report of the Council's external auditor: London Borough of Haringey Audit 2010/11; Annual Report to those Charged with Governance.

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

14 Local Government (Access to Information) Act 1985

14.1 Director of Corporate Resources Report to Cabinet on 7 June 2011 'Financial Outturn 2010/11'.

Haringey Council

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LONDON BOROUGH OF HARINGEY

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

SECTION 1

EXPLANATORY FOREWORD

2010/11

Explanatory Foreword

This document sets out the financial statements for Haringey Council, the Pension Fund and the group accounts together with the purposes of each of the main financial statements. This explanatory forward provides a review of the financial year 2010/11, setting out the Authority's spending in the year on both capital and revenue across all services. Also set out are the major changes in this year's accounts and further details of my responsibilities, as the Authority's Chief Financial Officer.

The Statement of Accounts

The Authority's financial statements are set out in the pages following this explanatory foreword. The Statement of Accounts for 2010/11 is the first to be prepared on a basis consistent with International Financial Reporting Standards (IFRS). Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

They consist of the following:

Section 2 Annual Governance Statement

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

Section 3 The Statement of Accounts

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

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

Balance Sheet

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

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

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

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

- presenting information about the basis of preparation of the financial statements and the specific accounting policies used;
- disclosing the information required by the CIPFA Code of Practice on Local Authority Accounting that is not provided elsewhere in the financial statements; and,
- providing information that is not provided elsewhere in the financial statements, but is relevant to an understanding of any of them.

The Accounting Policies are presented as note 1 to the statements.
The authority’s accounting policies set out the specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting the financial statements. Wherever possible the accounting policies are based on interpretations and adaptations for the public sector set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

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

Housing Revenue Account – Income and Expenditure Statement

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

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

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

Section 4 - The Group Accounts

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

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

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

Section 5 - The Pension Fund Account
The objective of reporting by the Pension Fund is periodically to provide information about the financial resources and activities of the pension fund that is useful in assessing the relationship between its benefit obligations and the accumulation of resources available to meet those benefit obligations over time.

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

Review of the Financial Year

The year 2010/11 saw the Comprehensive Spending Review and many significant changes introduced following the election of the coalition government in May 2010. There has been major reform in areas as wide-ranging as the NHS, regeneration, housing, schools and the welfare system.

The Council priorities for 2010/11 were:

A Cleaner, Greener Haringey
A Safer Haringey
A Healthy, Caring Haringey
Thriving Haringey
Delivering High quality, efficient services

A self assessment of the Council's performance was presented to Cabinet on 7th June. A summary is given below.

The year 2010/11 saw a number of positive achievements including:

- A fall in serious violent crimes in the borough compared to the previous year.
- Improvements in services for vulnerable residents, with a large decrease in the number of delayed transfers of care, making Haringey one of the best in London.
- Exceeding our target for the number of social care clients receiving self-directed support. This progress is echoed in the positive feedback received from our service users and carers.
- Improved recycling rates and cleaner streets continuing our ambition to become London's greenest borough.
- Improvements in call centre performance.

The Council will maintain focus on:

- Responding to the recession through boosting enterprise and employment opportunities
- Children's safeguarding,
- Addressing the continuing high number of households still in temporary accommodation. Given the coalition government's wider changes in housing policy, the Council will have to carefully consider how best to reduce this in 2011.

Changes during 2010/11 include the Council taking on responsibility for health improvement, developing new ways of working including shared services with other boroughs and partners, and developing strategic commissioning.

Looking forward

The financial settlement for 2011/12 was a far higher level of reduction than expected and represents the biggest reduction in financial resources the Council has ever known. To help meet the above challenge and the increased demand for some services, this year the Council undertook significant restructuring as set out in the Chief Executive's *Rethinking Haringey* paper "One Borough One Future". The focus is on transforming services and how the Council works, to ensure it meets the needs of our communities and the ambitions of our elected members. The changes have helped us to reduce the budget by approximately £41 million for 2011/12.

Rethinking Haringey describes the vision for the kind of borough the Council is striving for and outcomes to achieve that vision for 2011 onwards:

'One Borough One Future: Reducing inequalities - working for a better society'

1) Thriving
Regenerating the borough; creating opportunities for employment and educational attainment; tackling low income and poverty; providing a balance of different types of homes which offer quality, affordability and sustainability

2) Healthier
Tackling health inequalities amongst children and adults; promoting healthier lifestyles and independence

3) Safer
Reducing the incidents and fear of crime and anti-social behaviour; safeguarding children and adults

4) Sustainable
Tackling climate change and managing our environmental resources more effectively; ensuring an attractive, clean, sustainable environment

5) Empowered
Promoting opportunities for community involvement and volunteering; enabling self-reliant communities

The council's key priorities for the coming year are:

- Tackling unemployment, promoting social inclusion, youth employment initiatives and attracting investment for business and enterprise
- Reducing the high number of households still in temporary accommodation across the borough
- Continuing to focus on children's safeguarding
- Continuing to tackle concern about fear of crime in the borough

Financial Planning 2011/12 to 2013/14

There were a number of financial planning assumptions and national policy issues that were considered as part of the Council's financial and business planning process for the period 2011/12 to 2013/14. The process was conducted in the context of the government's stated objective of a significantly accelerated reduction in the structural national deficit over the course of a Parliament, with the main burden of deficit reduction borne by reduced spending.

The Council has outlined its plans for the issues faced in its strategy report "Medium Term Financial Planning 2011-12 to 2013-14" that was presented to the full Council on 24th February 2011.

The following commentary sets out the Authority's performance for the financial year 2010/11 in its principal financial areas:

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

There is also then a review of the Pension Fund.

The General Fund – How council tax is spent

The General Fund contains income and expenditure relating to all of the services of the Council, other than council housing which is recorded separately in the Housing Revenue Account.

The following table presents the income and expenditure as per the Council's operational structure. The Comprehensive Income and Expenditure statement on page 35 is a presentation under headings as per the Best Value Accounting Code of Practice (BVACOP) structure which allows comparison between councils.

In 2010/11 the Council planned net expenditure of £245.6 million. The following table presents the planned expenditure and the final outturn in 2010/11 against services.

Directorate	**Budget £'000**	**Outturn £'000**	**Variance £'000**
Children and Young People	70,557	78,312	7,755
Adults, Culture & Community	78,590	78,349	(240)
Corporate Resources	6,071	5,328	(743)
Urban Environment	56,862	56,786	(76)
Policy, Performance, Partnerships & Communications	1,722	1,616	(106)
People, Organisation and Development	(729)	(1,479)	(750)
Chief Executive Service	999	905	(95)
Services	**214,072**	**219,817**	**5,745**
Non service revenue	31,523	25,727	(5,796)
Total on General Fund	**245,595**	**245,544**	**(51)**
Housing Revenue Account	**2,871**	**(296)**	**(3,167)**
Dedicated Schools Grant:			
Children and Young People non-schools DSG	0	(1,274)	(1,274)
Schools DSG	0	1,808	1,808

There is a net service overspend of £5.7m. After taking into account the non-service revenue account, transfers into earmarked reserves and the transfer of the ring-fenced Dedicated Schools Grant into reserves there was an underspend on the General Fund of £0.051m which will be added to general balances.

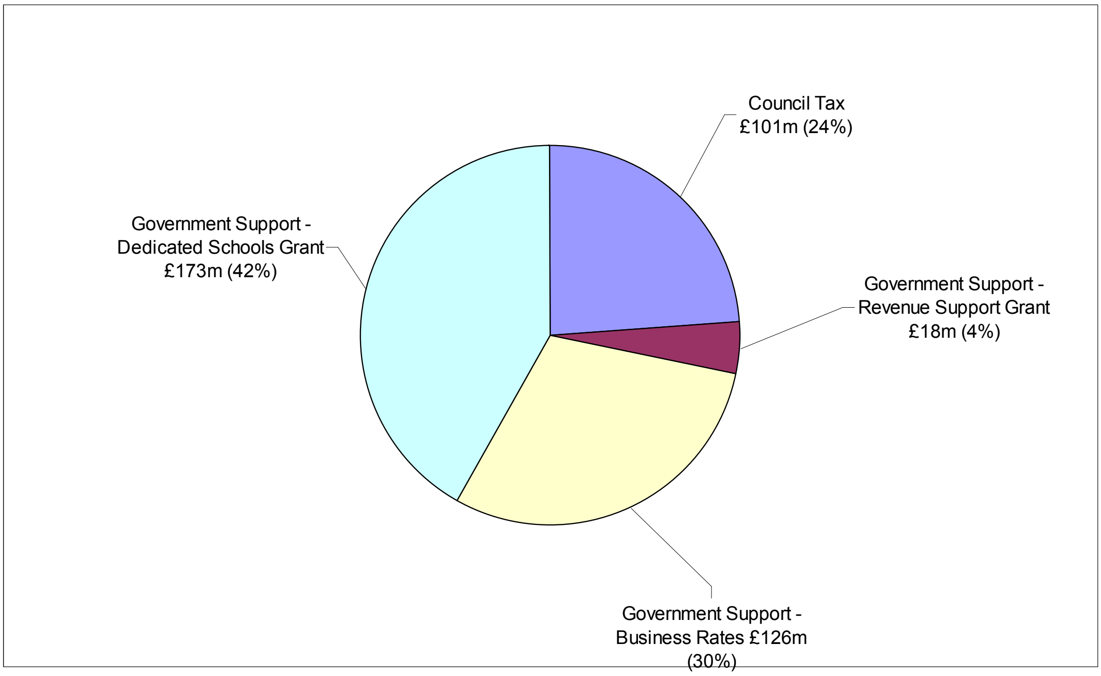
The Council produces an analysis of the variances as part of its Financial Outturn 2010/11 report that went to the Council's Cabinet in June 2011.

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

	Balance at 31/03/2010 £000	Movement in year	Balance at 31/03/2011 £000
General Fund			
Schools reserve	4,407	(1,809)	2,598
Services reserve	930	3,855	4,785
Insurance reserve	8,643	284	8,927
PFI reserve	5,978	1,203	7,181
Infrastructure reserve	1,633	750	2,383
Transition reserve	10,160	(8,360)	1,800
Financing reserve	7,710	832	8,542
Debt repayment / capital reserve	17,434	(4,173)	13,261
Total General Fund	56,896	(7,418)	49,478
HRA			
Major Repairs Reserve	817	(817)	(0)
Total HRA	817	(817)	(0)
Total Earmarked	57,713	0	54,702

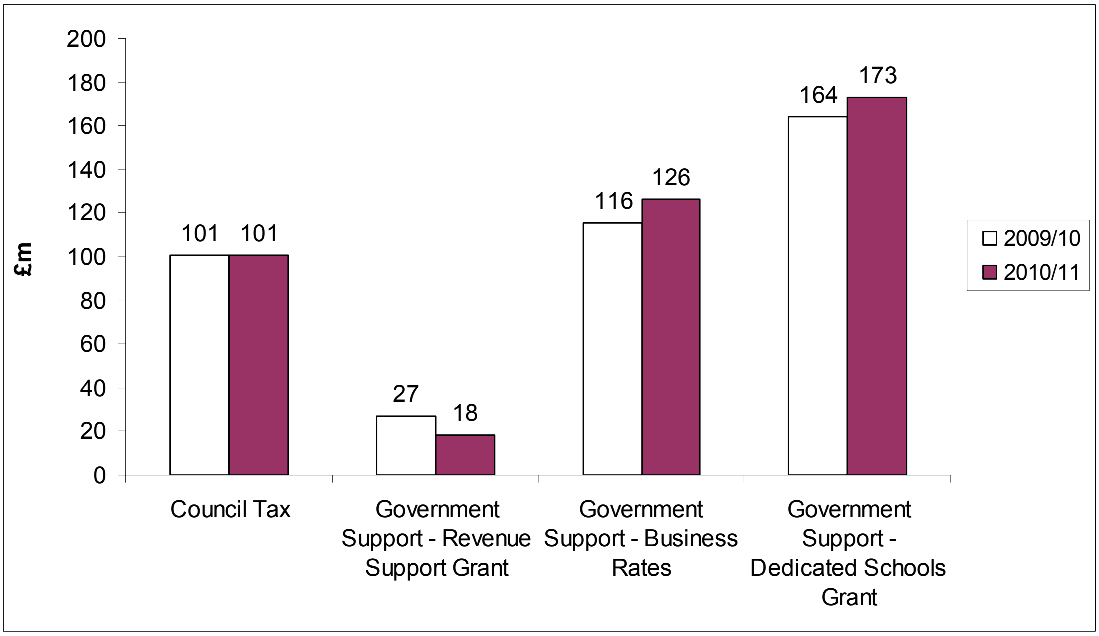
Sources of Revenue Funding 2010/11 – Total £418m

The diagram below shows the revenue funding sources of Government Grants, business rates (National Non-Domestic Rates) and Council Tax for the net costs of the spend in 2010/11.



As can be seen from the above, council tax funds only 24% of the full net cost of services.

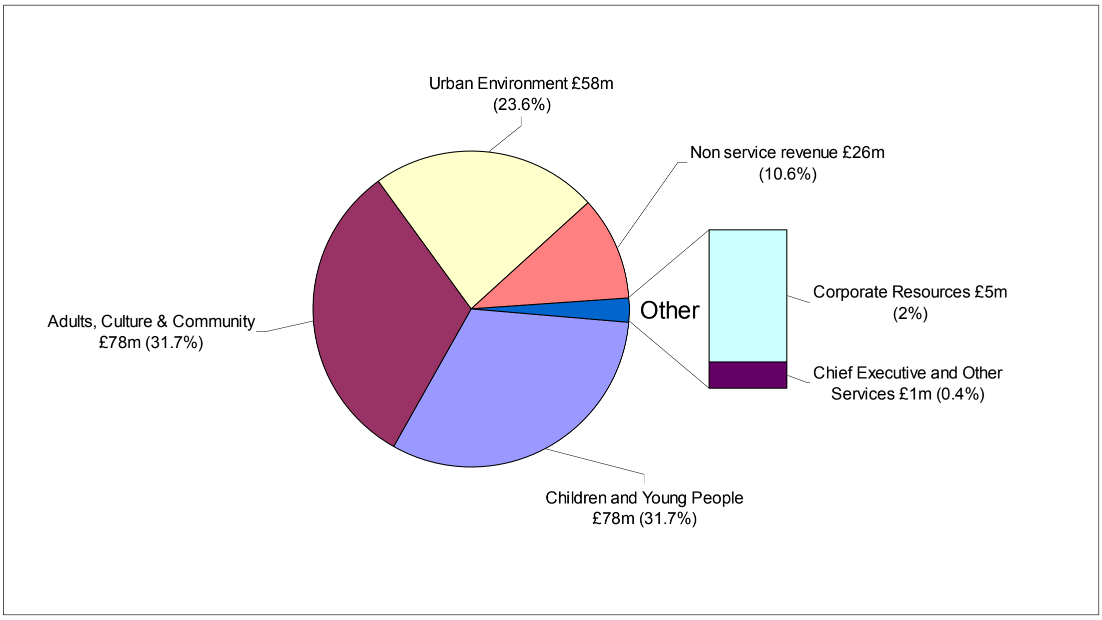
Sources of Revenue Funding 2010/11 (£418m) and 2009/10 (£408m)



How the money was spent – Total £246m

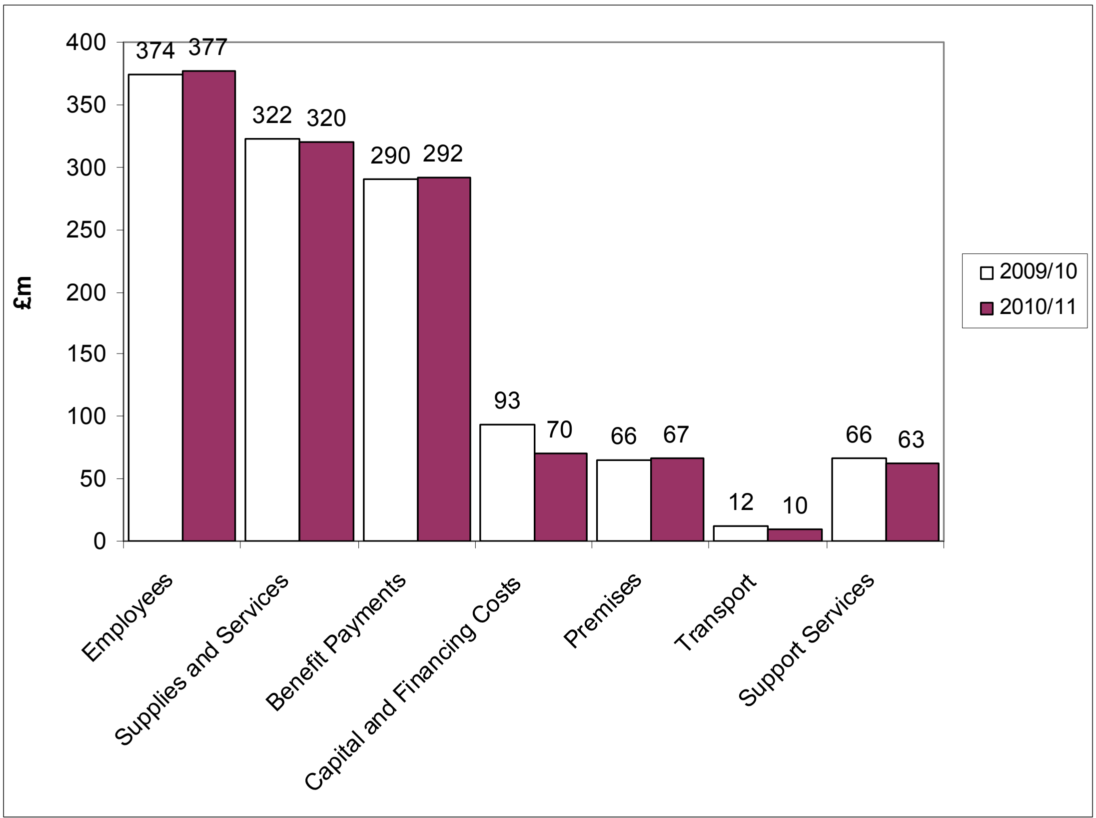
The following two graphs show how the Authority's budget was used across each service and then, of the money spent, what it was spent on e.g. staff costs, supplies and services etc.

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



Subjective Analysis of Gross Revenue Expenditure (£1198m 2010/11 and £1224m 2009/10)

The graph below shows what the Council has paid out expenditure on, e.g. employee costs, before any income received is taken into account.



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

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

Although the Authority is able to supplement these sources of income through Council Tax, the level of annual Council Tax rises is carefully monitored and controlled by Central Government.

The Authority is able to generate additional income from provision of certain services to the public, however, in many cases the charges for such services are nationally determined.

The Housing Revenue Account – How Housing Rents are used

The Housing Revenue Account is a statement of the income and expenditure on council housing. The Authority is the landlord for 16,272 dwellings and the income and expenditure relating to these is ring-fenced, that is the Authority is prevented by legislation from subsidising the cost of Council Housing from its General Fund. The Housing Revenue Account services are primarily funded from rents (£72.431 million), charges for services (£20.901 million) and government grant (£17.187 million). The total funding requirement is £110.5 million.

In 2010/11, the Authority spent £75.3 million on its council housing, including £22.7 million on repairs and maintenance and £37.7 million on supervision and management. After financing and appropriation adjustments, there was a surplus of £0.3 million on the account.

Capital Investment

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

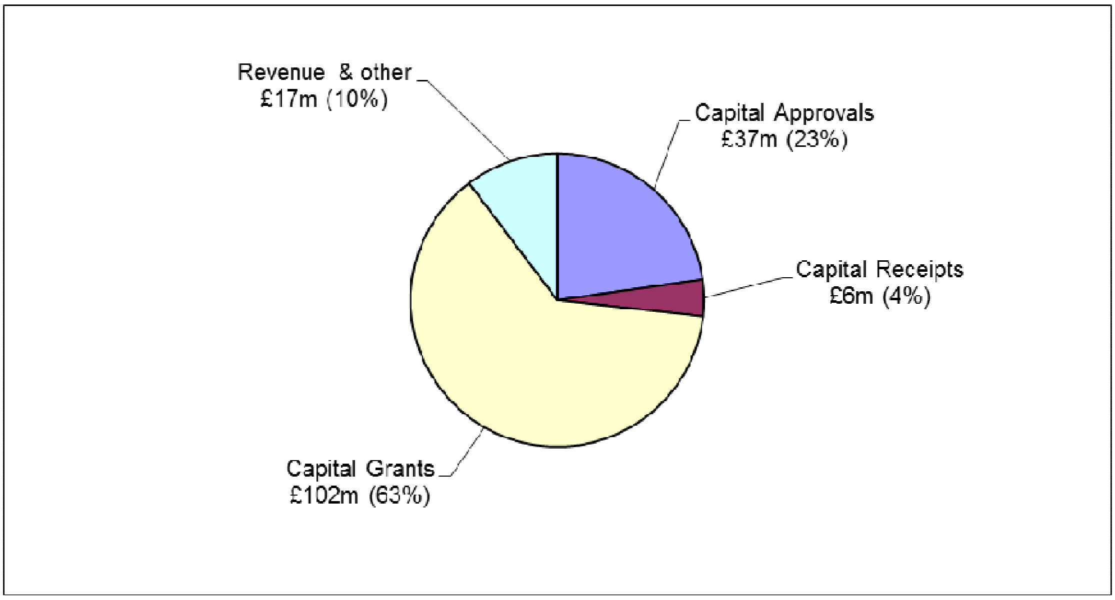
In 2010/11, the Authority planned to spend £170 million on its assets, as shown in the following table. The actual expenditure was £155 million. The total long-term debt of the Authority is £631 million and relates to capital investment which the Council has undertaken in the current and previous years. 68% of this debt relates to investment in council housing.

Directorate	**Budget**	**Outturn**	**Variance**
	£'000	**£'000**	**£'000**
Children & Young People	79,719	71,298	(8,421)
Adults, Culture & Community	9,079	7,186	(1,893)
Corporate Resources	8,337	5,566	(2,771)
Urban Environment – General Fund	17,531	15,887	(1,644)
Urban Environment – HRA Housing	55,033	54,966	(67)
Total	**169,699**	**154,903**	**(14,796)**

The principal reasons for the variance between the outturn and capital budget are detailed in the Financial Outturn 2010/11 report that went to the Council's Cabinet in June 2011.

Capital Financing – Total £162m

The following diagram details how the capital expenditure in 2010/11 was financed.



The total financed includes accruals from 2009-10.

Significance of any pensions liability or asset disclosed in the statements

The Pension Fund is part of the Local Government Pension Scheme and funds the pensions and receives contributions from members of the scheme and employer bodies. In 2010/11, the Fund made payments to pensioners of £32.2 million and received contributions of £45.6 million (£10.6 million from members and £35.0 million from the employers).

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

The Council Fund has been valued at £592.7 million, most of which is invested in the stock market. In 2010/11 the Fund assets increased in value by £41.8 million. The Pension Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's assets to meet its long term obligations. The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2010 in a report dated 31 March 2011.

Material or Unusual Charge or Credit in the Accounts

Following the Chancellor's budget statement on 22 June 2010, future pension increases are linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the Non-distributed costs line for 2010/11 of the Comprehensive Income and Expenditure Statement of £115m. There is no impact on Council residents as statute allows this charge to be reversed via the movement in reserves statement and replaced by the actual cost of pensions in year.

Council Dwellings are valued using adjustment factors for Existing Use Value for Social Housing. There has been significant change in the housing market over the last five years. Over the period there has been significant growth in vacant possession values, falling yields in the private rented market and continued rent restructuring in the public sector. Consequently the adjustment factors have been revised downwards from 37% to 25% resulting in a significant downward valuation of the Council's Housing Stock (see note 12).There is no impact on Council residents as statute allows this charge to be reversed via the movement in reserves statement.

Changes to the Accounts

As from 1st April 2010 the Authority is required to present the annual Statement of Accounts in accordance with International Financial Reporting Standards (IFRS). As a consequence of this change the comparator figures presented in the 2009-10 Accounts have been re-stated from UK GAAP to IFRS.

The transition to IFRS has resulted in several significant changes to these statements as follows:

Financial Statements

The main financial statements have changed and there are additional reporting requirements regarding segment reporting. A Movement in Reserves Statement and a Comprehensive Income and Expenditure Statement have been introduced and the Balance Sheet and Cash Flow Statement formats have been revised.

The format of the HRA statements has changed to match the implementation of the Movement in Reserves Statement and Comprehensive Income and Expenditure Statement in respect of the General Fund.

Changes in Accounting Policies

The move to an IFRS-based Code of Practice from a UK GAAP-based Statement of Recommended Practice (SORP) has resulted in a number of significant changes in accounting practice. These require disclosure wherever the change relates to a change in the authority's accounting policies and the appropriate disclosures are as follows:

Grants and Contributions for Capital Purposes

Grants and contributions for capital purposes are now recognised as income immediately rather than being deferred and released to revenue to match depreciation. The grant or contribution will be credited to the Comprehensive Income and Expenditure Statement once any conditions of the grant or contribution have been satisfied.

Component Accounting

Components of fixed assets that are considered material will be separately accounted for with effect from 1st April 2010 in the authority's asset register and accounts and will be depreciated accordingly. Parts of an asset that are replaced will be de-recognised in the asset register and the accounts.

Property Leases

Property leases are classified and accounted for as separate leases of land and buildings. The authority also assesses whether any other contractual arrangement contains a lease.

Finance Lease Income

Finance lease income is calculated so as to produce a constant periodic rate of return on the net investment.

Investment Properties

Investment properties are measured at fair value as this is normally based on market value, with gains and losses recognised in the Surplus or Deficit on Provision of Services rather than through the revaluation reserve.

Changes in value are taken to the Surplus or Deficit on Provision of Services, and then reversed out to the Capital Adjustment Account.

Impairment Losses

Impairment reviews of assets take place annually. This includes any land assets that are not depreciable.

All impairment losses, including those relating to a clear consumption of economic benefits, are taken to the revaluation reserve, to the extent that there is a balance on that reserve relating to the specific asset in question. Impairment losses are only charged to the Surplus or Deficit on Provision of Services once the balance on the revaluation reserve has been reduced to zero.

Non-Current Assets Held for Sale

A new classification has been introduced for non-current assets held for sale and strict criteria under the Code have to be followed. The assets are valued at the lower of their carrying values and fair value less costs to sell.

Non-Current Assets Held for Sale are not depreciated. The previous classification of assets held for sale has been retained within Property, Plant and Equipment and used to record surplus assets that do not meet the strict criteria under the Code.

Employee Benefits

All employee benefits are accounted for as they are earned by the employee. This requires accruals to be made at the end of the financial year for all such benefits.

Group Accounts

The definition of associates is now based on the Council's ability to control rather than actual control.

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 short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Extraordinary Items

The authority is no longer permitted to present any items of income or expenditure as "extraordinary".

Prior Period Errors

The Authority is required to correct prior period errors where the errors are material. The requirement previously under SORP was to only correct fundamental errors.

Estimation Uncertainty

The Authority is required to identify any uncertainty that may exist at the balance sheet date in respect of any of the estimation techniques applied at that date.

Impact of Future Changes to Accounting Standards

The authority is required to identify the potential future consequences of any known future changes to accounting standards that have been approved but which were not required to be implemented at the balance sheet date.

Retrospective Application of Accounting Policies

The IFRS Code requires the authority to present a revised balance sheet as at the beginning of the earliest comparative period when it applies to an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements.

Statement of Responsibilities

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Chief Financial Officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,

- approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice in Local Authority Accounting in the United Kingdom ('the Code of Practice').

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

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

The Chief Financial Officer has also:

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

Statement of the Chief Financial Officer

I certify that the financial statements set out in sections 3 – 5 have been prepared in accordance with the accounting policies set out in note 1 and give a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31st March 2011.

Julie Parker, CPFA
Director of Corporate Resources / Chief Financial Officer
30th Speptember 2011

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

Opinion on the Council and Group statement of accounts

We have audited the Council and Group statement of accounts of London Borough of Haringey for the year ended 31 March 2011 under the Audit Commission Act 1998. The Council and Group statement of accounts comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Balance and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

This report is made solely to the members of London Borough of Haringey in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Corporate Resources and auditor

As explained more fully in the Statement of the Director of Corporate Resources' Responsibilities, the Director of Corporate Resources is responsible for the preparation of the Council and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and Group; and the overall presentation of the statement of accounts. We read all of the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts

In our opinion the statement of accounts:

- give a true and fair view of the state of London Borough of Haringey's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received; or
- the accounting statements are not in agreement with the accounting records and returns; or
- the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we have not received all the information and explanations we require for our audit.

Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. These accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Haringey in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Corporate Resources and auditor

As explained more fully in the Statement of the Director of Corporate Resources' Responsibilities, the Director of Corporate Resources is responsible for the preparation of the pension fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Our responsibility is to audit the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounts. We read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund accounts

In our opinion the pension fund accounts:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounts is prepared is consistent with the accounts.

Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, London Borough of Haringey put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirement of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Dossett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Grant Thornton House
Melton Street
London NW1 2EP

September 2011

SECTION 2

ANNUAL GOVERNANCE STATEMENT

2010/11

Annual Governance Statement

Annual Governance Statement 2010/11

1. Scope of responsibility

1.1 Haringey is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Haringey also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this, Haringey is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 The authority has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Haringey Council's local code of corporate governance is published on the Council's website and a copy can be obtained from the Council's Monitoring Officer. This statement explains how Haringey has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can provide a reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Haringey's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Haringey for the year ended 31st March 2011 and up to the date of the approval of the annual report and accounts.

3. The governance framework

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

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

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

The Council Plan is linked to the Community Strategy and sets out the priorities of the Council and how these will be achieved. The Council Plan for 2011–2012 is published on the Council's website and is monitored and reported using the corporate performance framework. The Council Plan is updated on an annual basis and the Council's objectives are informed by what residents and service users say and their views are captured in our annual residents' survey.

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

During 2010/11 the Council has transformed its approach to delivering services, adapting them to meet the changing needs of residents, targeted to those who need them most. In tackling the dramatic budget reductions the Council has responded to the challenge by adopting the vision 'one borough one future: reducing inequalities – working for a better society'. The vision is to be delivered by five outcomes: thriving, healthier, safer, sustainable, empowered and is underpinned by a set of principles (Rethinking Haringey January 2011). All the Council's business and financial planning documents reflect its vision and objectives. Delivery of these is through an integrated annual business and financial process, which are subject to full consultation and review by the Council's Overview and Scrutiny Committee, formal adoption by the Cabinet and approval by the Council.

Progress against the business plans is reviewed mid-year as part of the Council's formal pre-business plan review process. The Council's Medium Term Financial Strategy (MTFS) 2010-2013 sets out the three year budget for the Council and contains plans for achieving the required budget reductions resulting from the funding shortfall in this year's financial settlement for Haringey. The MTFS is reviewed and updated on an annual basis to provide a rolling three year planning period.

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

In facing up to the current financial challenges Haringey Council continues to strive for the improved well-being of local people. To achieve this we are targeting the use of resources and exploring ways of delivering better services for less money within a framework of delivering value for money and efficiency across all services. The Council is transforming service delivery and making changes quickly, whilst ensuring that its resources achieve the best outcomes. A new outcomes based performance management framework has been agreed (February 2011) which sets out how the Council will move from a top down approach, focusing on inputs and outputs, to an outcomes focused performance, based on the vision for the Council and the delivery of priorities. Outcome indicators will show when the Council's policies and activities are having the expected impact. Haringey has a comprehensive business planning system, and a robust performance management system. Performance measurement is undertaken at various levels and is subject to review both internally by managers and members and independently by the Council's external auditors.

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

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

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

The Constitution is reviewed on an ongoing basis and updated to reflect functional and organisational changes to the Council. The Council's scheme of delegation is contained within the Constitution and is reviewed and communicated on a regular basis to all appropriate officers and members. The Council at its meeting on 23 May 2011 approved significant changes to the Constitution following an intensive Governance Review carried out by an external body on behalf of the Council. A delivery group of Members was set up to consider constitutional changes required following this review. The Constitutional Review Working Group was also consulted on these proposed changes. The number of Committees was rationalised and the existing nine Non-Executive Committees were reduced to five. In general terms the previous General Purposes Committee, Remuneration Committee, Audit Committee and Pensions Committee are combined into a single Corporate Committee. The Licensing and Planning Committees, together with some "non-executive" licensing functions taken from the General Purposes Committee and Miscellaneous Functions Sub-Committee, are combined into a single Regulatory Committee. The new Regulatory Committee is to operate as both the statutory Licensing Committee and as a general non-statutory Regulatory Committee. Two Licensing sub-committees and a Planning sub-committee have been established under the Regulatory Committee. Other changes included the removal of Area Assemblies and its replacement with Area Committees which have some decision making powers. Informal Area Forums will come at the start of each Area Committee. The Council's website also has an 'Our Standards' page which sets out the expectations and standards required of both officers and members.

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

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

The Council's officer code of conduct has been reviewed and updated on a regular basis and is published on the Council's intranet site. All new members of staff receive training, including the code of conduct, as part of their induction processes. Regular articles are included in corporate and staff newsletters outlining expected standards of behaviour in specific areas.

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

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

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

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

In 2009/10, CIPFA produced a statement on the role of the Chief Financial Officer (CFO) in local government. The Council's CFO is a member of the Chief Executive's Management Board, as required by the CIPFA statement, and fulfils all the requirements of the statement in ensuring that appropriate financial, management, reporting, monitoring and governance arrangement are in place.

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

Using CIPFA and the Institute of Public Finance guidance, the Council's Audit Committee has been assessed as meeting all good practice requirements. The Audit Committee received a report on the outcome of the assessment undertaken in 2010/11. The Audit Committee receives reports from internal and external audit and reviews risk management and governance arrangements. These functions are now with the newly formed Corporate Committee.

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

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

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

During 2010/11, the Court of Appeal handed down a judgement against the Council in respect of the Wards Corner re-development site. The Council's consultation processes were adjudged not to have complied with relevant equality regulations. Following this decision, the Council improved its monitoring arrangements in relation to equality legislation, including the new Equality Act 2010, in order to ensure full compliance with all relevant laws and regulations.

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

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

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

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

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

All permanent staff within the Council receive an annual performance review and appraisal, which is linked to the Council's management standards and competency framework, and results in individual work targets and development plans. Every year, the Council provides a programme of learning events for managers and staff based on the council's vision and values, aims and objectives, and key service delivery requirements, as well as a series of senior manager seminars.

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

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

The Council has carried out a Governance Review to ensure that its arrangements are as efficient as possible and to allow decisions to be made in an effective and transparent way. The Neighbourhood Management service and the Area Assembly meetings have ceased and are being replaced by local Area Committees and Forums. These will have specific responsibilities and consultative powers and will be a vital part of local democratic engagement under the new arrangements.

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

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

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

The Council has been working with Alexandra Palace and Park (APP) to ensure that corporate governance arrangements and internal controls were adequate and this was continued during 2010/11. APP's independently appointed internal auditors confirmed the implementation of the Council's internal audit recommendations as part of their annual audit plan in 2010/11 and this was reported to the Audit Committee.

4. Review of effectiveness

4.1 Haringey has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the statements of assurance and annual governance self assessments by each director and assistant chief executive, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Risk Management's annual report, and also by comments made by the Council's external auditors and other review agencies and inspectorates.

4.2 The Audit Committee approves the annual internal audit plan, receives quarterly reports on internal audit work completed, reviews the corporate risk management strategy and risk register and, during 2010/11, has also reviewed reports from external assessments and actions taken by management to address any recommendations made. The Chair of the Audit Committee also reports annually to full Council on the activity of the Committee during the year. The Audit Committee functions are now subsumed into the newly formed Corporate Committee.

4.3 Children's safeguarding services in Haringey have received positive feedback from inspectors, as part of a comprehensive assessment of all services provided for local children by the Council. The annual assessment of Haringey's children's services by OFSTED highlighted 'good progress' in child protection following both unannounced and announced inspections in the last six months. Overall, inspectors found the majority of services for children 'good or better'. OFSTED judged services for children overall to be adequate and the capacity for improvement in both safeguarding and looked after children's services to be good.

4.4 The Council's Risk Management Strategy, which draws together the various elements of risk management, including risk registers, health and safety, business continuity and emergency planning and project management, is reviewed on an annual basis. The key elements of the strategy are monitored by the Audit Committee on the basis of reports received; and by officers as part of the Risk and Emergency Planning Steering Group's terms of reference.

4.5 Directors have submitted a statement of assurance covering 2010/11 which is informed by work carried out by departmental managers, internal audit, external assessments and risk management processes. The statements provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. Key governance issues which have been identified and which remain outstanding have been incorporated into the action plan attached to this statement.

4.6 The Cabinet undertakes regular monthly reviews of financial and service performance, based on a range of key performance indicators and financial and budget management information. The Leader and Cabinet also review the delegated decisions and significant actions undertaken by council officers, or urgent actions taken in consultation with Cabinet members, to ensure they comply with the scheme of delegation. Minutes of sub-bodies are also reviewed by Cabinet, including procurement decisions and actions. During 2010/11, the Council has responded to the shortfall in central government's financial settlement by starting to re-shape its services through the 'Re-thinking Haringey' programme and will continue to implement these proposals during 2011/12. This is a challenging process in order to achieve a balanced budget whilst continuing to deliver key services to the borough's residents. The Council will need to ensure that it's financial and information management processes are robust and effective in order to mitigate the associated risks with reduced levels of funding and staff.

4.7 The Council's Standards Committee is chaired by an independent person and receives reports from the Monitoring Officer on the referrals received from the Standards Board for England. In addition, complaints alleging breaches of the Members' Code of Conduct are made directly to the Assessment Sub Committee of the Council's Standards Committee. There are also Review Sub Committees to reconsider rejected complaints and Hearing Sub Committees to undertake formal hearings involving the relevant parties in order to determine complaints locally. The Council's new governance arrangements will be operational from 2011/12.

4.8 The CIPFA statement on the role of the Chief Financial Officer has been incorporated into the Council's overall governance arrangements. During 2010/11, the CFO fulfilled all the requirements set out within the CIPFA statement. No gaps in compliance were identified.

4.9 The Head of Audit and Risk Management provided an Annual Audit Report and opinion for 2010/11, which concluded that in most areas across the Council there are sound internal financial control systems and corporate governance arrangements in place and that risk management arrangements are satisfactory and compliant with best practice. The Council's key financial systems received a 'substantial' assurance rating in 2010/11. Four audits, out of a total of 50 system reviews completed during 2010/11, received a 'limited' assurance rating. These included a review of the Council's use of consultants, where audit testing identified a number of areas where the Council's Policy for Use of Consultants was not followed consistently. Recommendations were made to improve controls and implementation of these will be monitored as part of the audit follow up programme and by the Corporate Committee as part of its terms of reference. The issues identified were not considered to be significant for any further action to be taken. The follow up audit programme for 2010/11 concluded that all high priority recommendations had been appropriately addressed, or were in the process of being implemented at the time of the follow up and the Audit Committee were satisfied with the outcome and actions taken by managers.

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

5. Significant governance issues

5.1 In 2009/10, a number of actions were reported in the AGS to deal with outstanding governance issues. Some of these have been incorporated into the body of the AGS as actions that have been completed. The summary below highlights what the Council has done to address those issues for which work has been ongoing during 2010/11:

- Implementation of the Safeguarding (previously the Joint Area Review) action plan continued throughout 2010/11, with reports to officers and members detailing progress against agreed timescales; and
- The Housing Improvement Board has been monitoring implementation of the recommendations made by the Audit Commission review.

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

Issue	Action	Responsibility	Due date
Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions	Ensure that the new Council governance arrangements are fully implemented and embedded during 2011/12, with appropriate review mechanisms in place to ensure that risks and relevant regulations are appropriately managed and addressed.	Assistant Chief Executive P&OD	31/3/12
Financial and information management arrangements	Ensure that the new corporate finance structure is embedded across all departments and managers are fulfilling their responsibilities to ensure robust financial and information management in accordance with Council policies.	Head of Corporate Finance	30/9/11
Financial and information management arrangements	Upgrade the Council's financial management system (SAP) to ensure that all budget holders have the facility to manage their financial and budget information in accordance with corporate requirements.	Head of Corporate Finance	31/12/11

Councillor Claire Kober
Leader of the Council

Kevin Crompton
Chief Executive

SECTION 3

THE STATEMENT OF ACCOUNTS

2010/11

Movement in Reserves Statement 2010/11

This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’. Additional detail on these reserves is given in note 23 and note 24. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The ‘Adjustments Between Accounting Basis and Funding Basis under Regulations’ accounts for this difference and is detailed in note 7. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the increase or decrease on the General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £000	Capital Receipts Reserves £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance At 31st March 2010	(10,515)	(56,896)	(8,550)	(817)	(2,589)	(21,527)	(100,894)	(404,802)	(505,696)
Surplus Or Deficit On Provision Of Services (accounting basis)	188,568	0	352,047	0	0	0	540,615	0	540,615
Other Comprehensive Expenditure And Income							0	(175,835)	(175,835)
Total Comprehensive Expenditure And Income	188,568	0	352,047	0	0	0	540,615	(175,835)	364,780
Adjustments Between Accounting Basis And Funding Basis Under Regulations	(181,410)	0	(352,341)	817	(2,137)	(85)	(535,156)	182,815	(352,341)
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	7,158	0	(294)	817	(2,137)	(85)	5,459	6,980	12,439
Transfers To/(From) Earmarked Reserves	(8,026)	7,420	886	0		0	280	0	280
(Increase)/Decrease In Year	(868)	7,420	592	817	(2,137)	(85)	5,739	6,980	12,719
Balance At 31st March 2011	(11,383)	(49,476)	(7,958)	0	(4,726)	(21,612)	(95,155)	(397,822)	(492,977)

Movement in Reserves Statement 2009/10

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £000	Capital Receipts Reserves £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance At 31st March 2009	(7,539)	(70,347)	(7,249)	(6,558)	(6,170)	(13,177)	(111,040)	(784,504)	(895,544)
Surplus Or Deficit On Provision Of Services (accounting basis)	80,544	0	34,470	0	0	0	115,014	0	115,014
Other Comprehensive Expenditure And Income								309,277	309,277
Total Comprehensive Expenditure And Income	80,544	0	34,470	0	0	0	115,014	309,277	424,291
Adjustments Between Accounting Basis And Funding Basis Under Regulations	(83,667)	0	(35,771)	(106)	3,581	(8,350)	(124,313)	88,543	(35,770)
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	(3,123)	0	(1,301)	(106)	3,581	(8,350)	(9,299)	397,820	388,521
Transfers To/(From) Earmarked Reserves	147	13,451		5,846			19,444	(18,118)	1,326
(Increase)/Decrease In Year	(2,976)	13,451	(1,301)	5,740	3,581	(8,350)	10,145	379,702	389,847
Balance At 31st March 2010	(10,515)	(56,896)	(8,550)	(818)	(2,589)	(21,527)	(100,895)	(404,802)	(505,697)

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Comprehensive Income and Expenditure Statement

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

2009/10				2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
388,855	(265,060)	123,795	Education Services	352,308	(284,180)	68,127
71,712	(16,258)	55,454	Children's Social Care	73,324	(14,097)	59,227
112,255	(38,180)	74,075	Adult Social Care	112,534	(27,590)	84,944
323,117	(312,569)	10,548	Housing Services - General Fund	309,247	(296,292)	12,955
115,818	(112,203)	3,615	Housing Services - Housing Revenue Account	422,148	(108,566)	313,581
100,271	(29,923)	70,348	Cultural, Environmental and Planning Services	75,151	(28,125)	47,026
31,393	(15,830)	15,563	Highways, Roads and Transport Services	31,312	(16,289)	15,023
43,451	(38,337)	5,114	Central Services	16,417	(36,868)	(20,452)
1,044	(872)	172	Court Services	1,097	(910)	187
99,446	(75,886)	23,560	Corporate and Democratic Core	109,492	(70,583)	38,909
(947)	0	(947)	Non-Distributed Costs (Note 5)	(111,528)	(595)	(112,123)
1,286,415	**(905,118)**	**381,297**	**Cost of Services**	**1,391,502**	**(884,095)**	**507,405**
		7,177	Other Operating Expenditure (Note 9)			8,572
		59,519	Financing and Investment Income and Expenditure (Note 10)			54,040
		(367,449)	Taxation and Non-Specific Grant Income (Note 11)			(381,450)
		80,544	**(Surplus)/Deficit on Provision of Services**			**188,568**
		21,438	(Surplus)/Deficit on Reval'n of Fixed Assets			(66,221)
		279,488	Actuarial (Gains)/Losses on Pension Assets/Liabilities			(111,319)
		35	Other Comprehensive Income and Expenditure			1,705
		381,505	**Total Comprehensive Income and Expenditure**			**12,733**

Balance Sheet

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

01 April 2009 £'000	31 March 2010 £'000		Notes	31 March 2011 £'000
1,795,108	1,727,561	Property, Plant and Equipment	12	1,521,265
44,450	48,099	Investment Property	13	52,706
1,792	1,785	Intangible Assets	14	1,237
4,297	440	Assets Held for Sale	20	540
483	438	Long Term Debtors	18	2,462
1,846,130	1,778,323	**Long Term Assets**		1,578,210
102,351	28,737	Short Term Investments	15	24,117
124	122	Inventories	16	89
70,704	88,613	Short Term Debtors	18	70,955
11,253	17,754	Cash and Cash Equivalents	19	19,293
184,432	135,226	**Current Assets**		114,454
(31,764)	(65,472)	Short Term Borrowing	15	(64,933)
(85,804)	(70,145)	Short Term Creditors	21	(75,496)
(3,700)	(3,009)	Provisions	22	(18,988)
(121,268)	(138,627)	**Current Liabilities**		(159,417)
(4,290)	(4,494)	Long Term Provisions		(4,572)
(619,283)	(587,254)	Long Term Borrowing	15	(580,760)
(372,975)	(651,660)	Other Long Term Liabilities		(432,607)
(17,198)	(25,816)	Capital Grants Receipts in Advance	38	(23,110)
(1,013,747)	(1,269,223)	**Long Term Liabilities**		(1,041,050)
895,547	505,699	**Net Assets**		492,198
111,042	100,896	Usable Reserves	23	94,397
784,504	404,803	Unusable Reserves	24	397,802
895,547	505,699	**Total Reserves**		492,199

Cash Flow Statement

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

2009/10	**Description**	**2010/11**
£'000		**£'000**
80,544	Net (surplus) or deficit on the provision of services	188,568
(72,828)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(237,999)
7,716	Net cash flows from Operating Activities (Note 25)	**(49,430)**
(10,606)	Investing Activities (Note 26)	43,809
9,392	Financing Activities (Note 27)	7,160
6,502		**1,539**
11,253	Cash and cash equivalents at the beginning of the reporting period	17,755
17,755	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**19,293**

Notes to the statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, 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.

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

1.4 Exceptional Items

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

1.6 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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
- amortisation of intangible fixed assets attributable to the service.

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

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

1.7 Minimum Revenue Provision

In accordance with the requirements of the Local Government and Housing Act 1989 and revised guidance contained within the prudential code, the Authority has set aside a minimum revenue provision for repayment of debt (see note 40). For capital expenditure incurred before 1 April 2008 and for supported capital expenditure after this date, this is 4% of the Council's capital financing requirement for the General Fund (Option 1 of CLG Guidance). For unsupported capital expenditure after 1 April 2008, MRP is linked to the life of the asset for which borrowing is undertaken (Option 3 of CLG Guidance). In addition the Council has set aside additional provision to cover debt repayments where it is deemed more prudent repay over a shorter period of time. Additional MRP charges are made in accordance with regulations to mitigate the impact on the General Fund of the conversion of operating leases to finance leases under the new IFRS accounting standards.

1.8 Employee Benefits

a) 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 for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg flexitime) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the service lines in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

c) Post Employment Benefits

Employees of the Authority are eligible to be members of one of two separate pension schemes:

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

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

d) The Local Government Pension Scheme

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

- The liabilities of the Haringey pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the Boxx Sterling Corporates AA Over 15 Years Index).
- The assets of Haringey pension fund attributable to the Authority are included in the Balance Sheet at their fair value, which is the bid price at Balance Sheet date
- The change in the net pensions liability is analysed into seven components:

(1) current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
(2) past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
(3) interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
(4) expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

(5) gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
(6) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – are taken through the Comprehensive Income and Expenditure Statement and reversed via the Pensions Reserve.
(7) contributions paid to the Haringey pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

1.9 Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.10 Financial Instruments
a) Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b) Financial Assets

Financial assets are classified into different types. The Council holds only loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

c) Loans and Receivables

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

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

1.11 Council Tax

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

1.12 National Non-Domestic Rates (NNDR)

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

1.13 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

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

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

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

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

1.14 Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. The ABG ended in 2010/11.

1.15 Intangible Assets

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

Intangible assets are measured initially at cost and carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 Interests in Companies and Other Entities

The Authority has a financial relationship with a number of companies and so is required to prepare group accounts. All the companies with which Haringey has a relationship have been assessed against the group account requirements and Homes for Haringey and Alexandra Park and Palace Charitable Trust are deemed to be within the Haringey group. Homes for Haringey Ltd is a wholly owned subsidiary and therefore group accounts have been prepared in accordance with the accounting standards. These have been produced using the acquisition method and all intra-group transactions have been removed.

1.17 Inventories and Long Term Contracts

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

1.18 Investment Property

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

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

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

1.19 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 Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

As part of the transition to IFRS, a review of all leases was undertaken to identify any leases that are finance leases under the international standards. Any lease with an annual rental of less than £50k is treated as an operating lease.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Authority as Lessor
Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet and rental income is credited to the Comprehensive Income and Expenditure Statement.

1.20 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

1.21 Property, Plant and Equipment

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

a) Recognition

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

b) Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs.
Assets are then carried in the Balance Sheet using the following measurement bases:

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value.
Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.
Where decreases in value are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired (a permanent loss in value). Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
Where impairment losses are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).
Depreciation is calculated, after the year of acquision or enhancement, on the following bases:
- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over 5 years
- infrastructure – straight-line allocation over 30 years.

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

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset

Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations (where material) that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.
The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Treatment of School Assets

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

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

The Dedicated Schools Grant is allocated between central Council Budget and budgets allocated to individual schools ("delegated school budgets"). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Education and Children's services. Individual schools' balances at 31st March 2011 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.
PFI Schemes
The Council has a number of schools subject to PFI contracts. The PFI buildings for community and schools are shown on the Council's balance sheet. The buildings for the voluntary aided, controlled foundation and academy schools are derecognised as the control of the right to use the buildings has passed to the school trustees and foundation bodies. The PFI liabilities in respect of all PFI schools remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

1.22 Private Finance Initiative (PFI)
The Council has a PFI financing arrangement for its secondary schools. The contract terms changed in February 2007 at which point the arrangement with the contractor was considered against Treasury Task Force guidance and the accounting standards in force at the time. The ownership of these assets is with the Council and therefore they are contained within the balance

sheet and valued in accordance with the non-current asset accounting policies. PFI contracts are now required to be compliant with IFRIC 12 (Service Concessions and Arrangements). The scheme has been reviewed against this standard and is fully compliant.

In addition the total value of the liability that is due to the PFI partner is contained on the balance sheet and is written down each year as payment is made. This liability is split between a long-term liability and short term creditor, for the sum due within the next 12 months. The interest payable each year is charged against the "Financing and Investing Income and Expenditure" line on the face of the income and expenditure account. The principal repayment due under the contract is accounted for within the Statutory provision for the repayment of debt (Minimum Revenue Provision) and is funded by the PFI grant given each year by the government. Finally any residual amount within the PFI costs is added to a PFI Lifecycle reserve which is utilised over the period of the contract ending September 2025, to fund building lifecycle expenditure.

1.23 Provisions and Contingent Liabilities

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed as a note in the accounts (note 48).

1.24 Reserves

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

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

The general fund reserve is not earmarked and is to allow for any future unknown contingencies that may arise. This reserve is set by the Chief Financial Officer at what is deemed to be a prudent level and in accordance with the reserves policy agreed at Full Council.

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

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

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Heritage Assets: impact of the adoption of the new standard on the financial statements - effective for the 2011/12 financial year

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

Full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored in Bruce Castle museum. The five principal collections of heritage assets held in the museum include:

-postal,

-ceramics, numismatic and textiles,

-art and photographic,

-memorabilia and ephemera, and

-archaeological and geological collection.

The collection is not currently recognised in the financial statements as no information is available on the cost of the assets. Detailed records are kept on each asset by the curators of the museum as is set out below, this includes insurance valuation information.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the authority is able to recognise more of its collections of heritage assets in the Balance Sheet. The authority is unlikely to be able to recognise the majority of the heritage assets in future financial statements as it is of the view that obtaining valuations for the vast majority of these would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.

The authority holds information on the estimated value of the heritage assets (for insurance purposes) and the estimated market value of the assets as at 1 April 2010 was £3.2 million. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £3.2 million, i.e. a revaluation gain.

The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.
The critical judgements made in the Statement of Accounts are:

- The Authority has £27m deposited with Icelandic Banks. The predictions concerning recovery for amounts from two of the banks, Landsbanki and Glitnir, are based on legal advice that the Council's deposits have priority status.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

5. Material Items of Income and Expense

Following the Chancellor's budget statement on 22 June 2010, future pension increases are linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the Non-distributed costs line for 2010/11 of the Comprehensive Income and Expenditure Statement of £115m.

Council Dwellings are valued using adjustment factors for Existing Use Value for Social Housing. There has been significant change in the housing market over the last five years. Over the period there has been significant growth in vacant possession values, falling yields in the private rented market and continued rent restructuring in the public sector. Consequently the adjustment factors have been revised downwards resulting in a significant downward valuation of the Council's Housing Stock. This has resulted in a large charge due to downward valuation of £363.9m being shown in the Housing Revenue Account line of the Comprehensive Income and Expenditure Statement.

Both of these items do not impact the Council residents: they are reversed out through the movement in reserves statement and replaced with any statutory amounts due.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are currently no events after the balance sheet date to disclose.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note on the following pages details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following notes detail the adjustments for the financial years 2010/11 and 2009/10.

Adjustments between Accounting Basis and Funding Basis under Regulations 2010/11 (part 1 of 2)

2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(8,199)					8,199
Revaluation losses on Property Plant and Equipment	(378,048)					378,048
Movements in the market value of Investment Properties	4,430					(4,430)
Amortisation of intangible assets						0
Capital grants and contributions applied	78,635				16,041	(94,676)
Movement in the Donated Assets Account						0
Revenue expenditure funded from capital under statute	(16,380)					16,380
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,493		(10,540)			9,047
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	13,321					(13,321)
Capital expenditure charged against the General Fund and HRA balances	2,423					(2,423)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	16,126				(16,126)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			6,454			(6,454)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,949)		1,949			0

Adjustments between Accounting Basis and Funding Basis under Regulations 2010/11 (part 2 of 2)

2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA				(12,909)		12,909
Use of the Major Repairs Reserve to finance new capital expenditure				13,726		(13,726)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3,116					(3,116)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	71,497					(71,497)
Employer's pensions contributions and direct payments to pensioners payable in the year	33,358					(33,358)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,714)					1,714
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	481					(481)
Total Adjustments	(181,410)	0	(2,137)	817	(85)	182,815

Adjustments between Accounting Basis and Funding Basis under Regulations 2009/10 (part 1 of 2)

2009/10	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items (debited) or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(51,920)					51,920
Revaluation losses on Property Plant and Equipment	(139,618)					139,618
Movements in the market value of Investment Properties	4,170					(4,170)
Amortisation of intangible assets	(597)					597
Capital grants and contributions applied	16,097					(16,097)
Movement in the Donated Assets Account						0
Revenue expenditure funded from capital under statute	(24,997)					24,997
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,280		(6,256)			4,976
Insertion of items not debited or (credited) to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	15,283					(15,283)
Capital expenditure charged against the General Fund and HRA balances	6,653					(6,653)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	83,155				(16,097)	(67,058)
Application of grants to capital financing transferred to the Capital Adjustment Account					7,747	(7,747)
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			8,393			(8,393)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,443)		1,443			0

Adjustments between Accounting Basis and Funding Basis under Regulations 2009/10 (part 2 of 2)

2009/10	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	106			(106)		0
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	12,633					(12,633)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	(36,660)					36,660
Employer's pensions contributions and direct payments to pensioners payable in the year	33,319					(33,319)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,128)					1,128
Total Adjustments	(83,667)	0	3,580	(106)	(8,350)	88,543

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 01/04/2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31/03/2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31/03/2011 £000
General Fund							
Schools reserve	**6,615**	(2,208)		**4,407**	(1,809)		**2,598**
Services reserve	**2,317**	(2,317)	930	**930**	(930)	4,785	**4,785**
Insurance reserve	**8,865**	(222)		**8,643**		284	**8,927**
PFI reserve	**4,967**		1,011	**5,978**		1,203	**7,181**
Infrastructure reserve	**2,502**	(1,427)	558	**1,633**		750	**2,383**
Transition reserve	**10,160**			**10,160**	(9,863)	1,502	**1,800**
Financing reserve	**14,072**	(8,329)	1,959	**7,710**	(434)	1,265	**8,542**
Debt repayment / capital reserve	**20,850**	(6,571)	3,155	**17,434**	(4,101)		**13,261**
Total General Fund	**70,348**			**56,896**			**49,476**
HRA							
Major Repairs Reserve	**6,557**	(18,146)	12,406	**817**	(13,726)	12,909	**(0)**
Total HRA	**6,557**			**817**			**(0)**

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

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

These requirements have been fully taken account of in Haringey's Scheme for Financing Schools and applied since April 2008. There was no claw-back of balances in 2010/11.

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

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

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

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

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

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

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

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

9. Other Operating Expenditure

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

2009/10		2010/11
£'000		**£'000**
8,105	Levies	8,116
1,443	Payments to the Government Housing Capital Receipts Pool	1,949
(2,372)	(Gains)/Losses on the disposal of non-current assets	(1,493)
7,176	**Total**	**8,572**

10. Financing and Investment Income and Expenditure

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

2009/10		2010/11
£'000		£'000
43,272	Interest payable and similar charges	43,421
23,386	Pensions interest cost and expected return on pensions assets	18,811
(2,969)	Interest receivable and similar income	(1,551)
(4,170)	Income and expenditure in relation to investment properties and changes in their fair value	(4,813)
0	Other investment income	(1,827)
59,519	**Total**	**54,040**

11. Taxation and Non-Specific Grant Income

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

2009/10		2010/11
£'000		£'000
(100,807)	Council tax income	(99,257)
(115,794)	Non domestic rates	(126,287)
(51,596)	Non-ringfenced government grants	(61,145)
(99,252)	Capital grants and contributions	(94,761)
(367,449)	**Total**	**(381,450)**

12. Property, plant and equipment

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

Plant Property and Equipment 2010/11

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 1st April 2010	1,109,462	446,546	36,780	169,295	7,043	10,067	33,106	1,812,299
Additions	51,474	38,036	2,406	7,890	1,469	1,008	37,353	139,636
Revaluation recognised in the Surplus/Deficit on the provision of services	(350,272)	(21,826)	0	0	(89)	(281)	(3,587)	(376,055)
Disposals	0	0	0	0	0	(8,059)	0	(8,059)
Reclassifications	(2,719)	2,357	0	0	54	3,995	(3,581)	106
Revaluations recognised in the revaluation reserve	(32,081)	53,183	0	0	(238)	(5,354)	0	15,510
At 31st March 2011	775,864	518,296	39,186	177,185	8,239	1,376	63,291	1,583,437
Accumulated Depreciation and Impairment								
At 1st April 2010	0	(19,849)	(21,471)	(39,952)	0	(3,466)	0	(84,738)
Depreciation Charge	(12,909)	(10,284)	(4,315)	(4,790)	0	0	0	(32,298)
Depreciation written to the revaluation reserve	12,909	33,213	0	0	0	8,741	0	54,863
At 31st March 2011	0	3,080	(25,786)	(44,742)	0	5,275	0	(62,173)
Net Book Value								
At 31st March 2011	775,864	521,376	13,400	132,443	8,239	6,651	63,291	1,521,264
At 31st March 2010	1,109,462	426,697	15,309	129,342	7,043	6,601	33,106	1,727,561

Plant Property and Equipment 2009/10

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 1st April 2009	1,057,294	559,376	28,977	148,876	86	37,203	54,155	1,885,967
Additions	57,491	52,156	6,363	9,960	4,071	969	23,242	154,252
Revaluation recognised in the Surplus/Deficit on the provision of services	(30,887)	(105,360)	0	0	0	(11,420)	(8,003)	(155,670)
Disposals	(1,961)	0	0	0	0	(3,071)	0	(5,032)
Reclassifications	4,309	16,330	1,440	10,459	2,082	5,981	(36,288)	4,313
Revaluations recognised in the revaluation reserve	23,216	(75,956)	0	0	804	(19,595)	0	(71,531)
At 31st March 2010	1,109,462	446,546	36,780	169,295	7,043	10,067	33,106	1,812,299
Accumulated Depreciation and Impairment								
At 1st April 2009	0	(33,378)	(17,718)	(35,918)	0	(3,848)	0	(90,862)
Depreciation Charge	(12,407)	(10,155)	(3,753)	(4,034)	0	0	0	(30,349)
Depreciation written to the revaluation reserve	12,407	23,684	0	0	0	382	0	36,473
At 31st March 2010	0	(19,849)	(21,471)	(39,952)	0	(3,466)	0	(84,738)
Net Book Value								
At 31st March 2010	1,109,462	426,697	15,309	129,342	7,043	6,601	33,106	1,727,561
At 31st March 2009	1,057,294	525,998	11,259	112,958	86	33,355	54,155	1,795,105

The properties that comprise the Authority's portfolio, with the exception of investment properties, are valued on a rolling basis by the Authority's property valuation team who are members of the Royal Institute of Chartered Surveyors under the guidance of the Head of Corporate Property Services. The investment property portfolio was valued in 2010/11 by appropriately qualified external valuers Wilkes, Head and Eve. The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of the Royal Institute of Chartered Surveyors. Housing Revenue Account dwellings are valued at their existing use based on 'Beacon' valuation principles and then have a social housing adjustment made thus reducing the balance sheet value to 25% of the beacon value, as directed by CLG.

Capital Commitments

2008/09 £'000	2009/10 £'000		2010/11 £'000
202	0	Environmental Services	0
12,524	15,473	Housing Services	7,518
1,762	610	Adult Social Services	291
43,236	43,690	Children and Young People's Service	26,101
57,724	**59,773**	**Total**	**33,910**

The 2010/11 commitments for the Children & Young People's Service relates to the Building Schools for the Future (£26 million). The Housing Service commitment relates to the Decent Homes Programme (£7.5 million). The Adult Social Service commitment relates to various projects including Tennis Court refurbishments (£0.16m).

In 2010/11 the revaluation exercise resulted in a reduction in value of council dwellings of £347.5 million, caused by the prevailing market conditions and an adjustment to the Social Housing factor used in valuing dwellings. Other council properties have had a net increase of £125.0 million due to revaluation.

13. Investment Property

	2010/11 £'000	2009/10 £'000
Rental income from investment property	5,079	4,519

2009/10 £000		2010/11 £000
44,450	Balance at 1 April	48,098
	Additions	
348	Subsequent Expenditure	30
3,941	Net gains/losses from fair value adjustments	5,577
	Transfers:	
(641)	(to)/from Property, Plant & Equipment	0
0	Disposals	(1,000)
48,098	Balance at 31 March	52,706

14. Intangible Assets

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

2009/10		2010/11
Other Assets Software Licences £'000		**Other Assets Software Licences £'000**
	Balance at start of year	
3,041	Gross Carrying Amounts	3,631
(1,249)	Accumulated Amortisation	(1,846)
1,792	**Net carrying amount at start of year**	**1,785**
	Additions	
405	Purchases	84
(597)	Amortisation for the period	(632)
185	Reclassification	0
1,785	**Net carrying amount at end of year**	**1,237**
	Comprising	
3,631	Gross carrying amounts	3,715
(1,846)	Accumulated amortisation	(2,478)

15. Financial Instruments

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2010 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

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

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

Financial Liabilities

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

The Council’s loan portfolio at year end consisted of PWLB, market debt and temporary borrowing. Under the 2010 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to in the Comprehensive Income and Expenditure Statement.

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

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit and Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds and a call account. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Money Market Funds are classified as Available for Sale, however these funds are "Constant Net Asset Value" funds and therefore are not exposed to the risk of a change in the value of principal invested. Trade receivables (debtors) are also a financial asset and they are disclosed in detail in Note 18 to the Accounts.

Balances in money market funds and call accounts at 31st March 2011 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash

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

Transaction costs
Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2010/11.

Financial Instruments - Balances

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

	Long Term		Current	
	31-Mar-11	31-Mar-10	31-Mar-11	31-Mar-10
	£'000	£'000	£'000	£'000
Trade Debtors	2,462	438	70,955	88,613
Borrowing	580,760	587,254	64,933	65,472
PFI/Finance Lease Liabilities	83,909	87,864	3,776	3,505
Total Financial Liabilities	**667,131**	**675,556**	**139,664**	**157,590**
Trade Creditor	0	0	75,496	70,145
Loans and receivables	0	0	29,161	57,309
Available-for-sale financial assets	0	0	14,235	0
Total Financial Assets	**0**	**0**	**118,892**	**127,454**

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

	Long Term		Current	
	31-Mar-11	31-Mar-10	31-Mar-11	31-Mar-10
	£'000	£'000	£'000	£'000
Borrowing:				
Nominal Amount	577,306	583,810	53,500	52,005
Accrued Interest	0	0	11,433	13,466
Unamortised Discounts/(Premiums) on modified loans	3,454	3,444	0	0
Total Borrowing per Balance Sheet	580,760	587,254	64,933	65,472
Investments:				
Nominal Amount	0	0	24,104	28,716
Accrued Interest	0	0	13	22
Total Investments per Balance Sheet	0	0	24,117	28,737

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under ‘current liabilities’ or ‘current investments’. This includes accrued interest on long term liabilities and investments that is payable in 2010/11.

Where loans are advanced at below market rates they are classed as ‘Soft Loans’. The 2010 Code of Practice sets out specific accounting requirements for soft loans. However no adjustment has been made in the accounts for these as they are very small in value. The table below shows the type and values of soft loans that Haringey Council has as at 31st March 2011:

	2010/11	**2009/10**
	£'000	**£'000**
Employee Loans	88	105
Bernie Grant Arts Centre	340	340
Total	**428**	**445**

Financial Instruments - Gains and Losses

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

	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Total 2010/11 £'000	Total 2009/10 £'000
Interest expense	(40,851)	0	0	(40,851)	(41,761)
Impairment losses	0	(197)	0	(197)	(716)
Interest payable and similar charges	**(40,851)**	**(197)**	**0**	**(41,048)**	**(42,477)**
Interest income	0	1,448	104	1,551	2,969
Gains on derecognition	0	0	0	0	0
Interest and investment income	**0**	**1,448**	**104**	**1,551**	**2,969**
Net gain/(loss) for the year	**(40,851)**	**1,251**	**104**	**(39,496)**	**(39,508)**
Adjustments via the financial instruments adjustments account of impairments of Icelandic investments and LOBOs in 2010/11	(10)	0	0	(10)	25
Net gain/(loss) for the year	**(40,861)**	**1,251**	**104**	**(39,506)**	**(39,483)**

Financial Instruments - Fair Values

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

The 2010 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in the Code as the amount for which asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2010 and 31 March 2011 consisted of loans from the Public Works Loan Board (PWLB), market loans and temporary borrowing. The Council's treasury adviser has calculated the fair values based on equivalent swap rates at the Balance Sheet for the market loans and the rate for new borrowing for the PWLB loans. In addition the PWLB has provided the Council with Fair Value amounts assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates (this amounts to £593.3m). The maturity date of the temporary borrowing was within 12 months of the Balance Sheet date and the contract does not permit premature redemption, therefore fair value is judged to be the same as amortised cost.

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

	31st March 2011		31st March 2010	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities				
PWLB Maturity	470,144	500,982	502,273	573,660
PWLB Variable EIP	18,001	17,927	20,001	20,001
PWLB Fixed EIP	24,076	24,118	5	6
Market Loans	130,468	148,322	130,447	145,613
Temporary Borrowing	3,004	3,004	0	0
Financial liabilities	**645,693**	**694,355**	**652,726**	**739,280**
Financial assets				
Short Term Investments	24,117	24,117	28,737	28,737
Cash & cash equivalents	19,279	19,279	17,754	17,754
Financial assets	**43,396**	**43,396**	**46,491**	**46,491**

Financial Liabilities

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

16. Inventories

	2010/11	2009/10
	£'000	£'000
Balance outstanding at start of the year	**122**	**124**
Movement in year	(33)	(2)
Balance outstanding at the year end	**88**	**122**

17. Construction Contracts

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

18. Debtors

(a) Public Sector Debtors

The following table provides an analysis of money owed to the Authority by other bodies as at 31 March 2011 and which at that date was yet to be received. The Council has considered the collectability of the debt and has impaired the debt for the amounts it may not recover.

Net 2008/09 £'000	Net 2009/10 £'000		Gross 2010/11 £'000	Impairment 2010/11 £'000	Net 2010/11 £'000
		Public Sector Debtors			
14,955	21,321	Government Depts.	6,487	0	6,487
9,225	10,444	HM Revenue and Customs	10,053	0	10,053
3,158	10,555	NHS	9,944	(1,693)	8,251
2,650	3,069	Education - Recoupment	3,366	0	3,366
1,536	703	Other Local Authorities	1,209	0	1,209
4,870	4,788	Other Public Bodies	4,595	0	4,595
36,394	**50,880**	**Total Public Sector Debtors**	**35,654**	**(1,693)**	**33,960**
		Non-public Sector Debtors			
1,983	1,587	Housing Rent payers	10,180	(8,979)	1,201
13,145	14,318	Council Tax payers	29,426	(17,827)	11,598
76	198	Business Rate payers	301	0	301
2,381	1,688	Parking Notices	16,944	(15,674)	1,270
1,071	2,151	Homelessness	8,457	(7,270)	1,186
4,075	6,103	Leasehold	8,215	(1,334)	6,881
3,454	5,258	Housing Benefit Overpayments	13,376	(7,967)	5,409
6,361	5,033	Sundry Debtors	9,636	(3,198)	6,438
32,546	**36,336**	**Total Non-Public Sector Debtors**	**96,534**	**(62,250)**	**34,284**
1,764	1,396	Payments In advance	2,711	0	2,711
70,704	**88,612**	**Total debt**	**134,899**	**(63,943)**	**70,955**

Long Term Debtors

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

Net 2008/09 £'000	Net 2009/10 £'000		Gross 2010/11 £'000	Impairment 2010/11 £'000	Net 2010/11 £'000
		Long Term Debtors			
0	0	Alexandra Park & Palace	44,936	-42,866	2,070
370	322	Housing mortgages	294	0	294
12	11	Housing associations	10	0	10
101	105	Loans to Employees	88	0	88
483	**438**	**Total**	**45,328**	**-42866**	**2462**

Public Sector Debt

Debt with other public sector organisations is deemed to have a low level of risk in regard to non-payment and therefore bad debt provision is only made against some very specific debts. In 2010/11 a provision has been made against a small part of the NHS debt.

Non-Public Sector Debt

The table in section (a) above shows the total value of bad debt provision (£62.250m) that has been set aside for each type of non-public sector debt. This is assessed on an annual basis and appropriate risk evaluations against non collection are made on each debt type. Detailed below are the major debt types with a breakdown, over periods, of the debt and how the bad debt provision has been arrived at.

I. **Council Tax -** shown below is a breakdown of the gross outstanding council tax due to both the Council and the GLA over the years to which it is attributable.

Financial Year	Debt outstanding 2010/11 (£'000)
2001/02 and earlier	204
2002/03	700
2003/04	1,667
2004/05	2,211
2005/06	3,142
2006/07	3,943
2007/08	5,236
2008/09	5,469
2009/10	6,016
2010/11	5,098
Total	**33,686**

The total of £29.426m shown in the debtors note section (a) does not include the Greater London Authority's share of the Council Tax debt outstanding (£6.983m) but does include court costs and penalties of £2.723m.

£'000	
33,686	Gross Council Tax debt
(6,983)	GLA
2,723	Court costs
29,426	

A percentage bad debt provision is applied to each year, with a 100% provision applicable for any year prior to 2005/06 which reduces the gross amount of £29.426m to a net £11.598m of unprovided Council Tax debt.

II. **Housing Rents -** Detailed below is a breakdown of the gross outstanding housing rents in various categories. A percentage bad debt provision is applied to each band of debt up to a maximum of 95% for debt over £1,000 and for former tenants providing a total impairment amount of £8.979m. The gross debt outstanding then reduces to a net £1.201m of unprovided outstanding housing rent.

Band of debt outstanding	Total Debt outstanding (£'000)
< £100	112
< £250	196
< £500	398
< £750	354
< £1,000	303
> £1,000	4,272
Former Tenants	4,544
Total	**10,180**

III. **Parking notices** - £1.27m of unprovided parking notices remained outstanding as at the end of the year. A settlement discount is offered if the penalty is paid within 14 days. A 'Notice to Owner' requiring full payment is issued after 28 days.

IV. **Homelessness** - £1.186m of unprovided homelessness debtors remained outstanding as at the end of the year.

V. **Leasehold** - £6.881m of unprovided leasehold debts remained outstanding as at the end of the year. Leasehold balances are due on certain dates throughout the month and bear no credit terms. £6.881m is therefore considered to be past due.

VI. **Housing Benefit Overpayments** - £5.409m of unprovided housing benefits remain overpaid as at 31 March 2011. All are considered past due.

VII. **Sundry Debtors** - £6.438m of unprovided sundry debtors remain. Balances include school debtors, commercial rents and general sundry debt.

19. Cash and Cash Equivalents

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

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

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

2008/09	2009/10		2010/11
£'000	£'000		£'000
528	412	Cash held by the Authority	139
10,725	338	Bank current Accounts	(5,481)
0	17,005	Call Accounts (same day access)	10,400
0	0	Money Market Funds	14,235
11,253	**17,755**	**Total Cash and Cash Equivalents**	**19,293**

20. Assets Held for Sale

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

	Non Current	
	2010/11	2009/10
	£000	£000
Balance outstanding at April 1	440	4,296
Assets newly classified as held for sale:		
Property, Plant and Equipment	0	440
Revaluation losses	0	0
Revaluation gains	100	0
Assets Sold	0	(4,296)
Balance Outstanding at March 31	540	440

21. Creditors

The following table provides an analysis of money owed by the Authority as at 31 March 2011.

2008/09	2009/10		2010/11
£'000	£'000		£'000
13,005	2,856	Government Departments	13,746
1,265	478	NHS	1,363
44	176	Other Public Sector	758
6,713	7,017	HMRC - Tax and NI	6,742
2,340	2,889	Education - Recoupment	2,872
10,751	1,889	Pension Funds	863
38,481	40,005	Sundry Creditors	35,141
7,838	8,339	Receipts in advance	7,997
5,367	6,496	Accumulated absences	6,015
85,804	**70,145**	**Total**	**75,496**

22. Provisions

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

	Insurance	Redundancy	Other Provisions	Total
	£'000	£'000	£'000	£'000
Balance at April 2010	6,643	450	410	7,503
Additional provisions made	125	13,807	2,585	16,517
Amounts used	-	(128)	-	(128)
Transfer to long term provisions	(4,572)			(4,572)
Unused amounts reversed		(322)	-	(322)
Unwinding of discounting	(10)	-	-	(10)
Balance at 31 March 2011	**2,187**	**13,807**	**2,995**	**18,988**

	Insurance	Single Status	Redundancy	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000
Balance at April 2009	6,342	663	313	671	7,989
Additional provisions made	297	-	250	-	547
Amounts used	-	(663)	(113)	(261)	(1,037)
Transfer to long-term provision	(4,494)	-	-	-	(4,494)
Unused amounts reversed	-	-	-	-	-
Unwinding of discounting	4	-	-	-	4
Balance at 31 March 2010	**2,149**	**0**	**450**	**410**	**3,009**

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

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

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

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

The Accumulated Absences provision holds the accrued charges to services reflecting employee holidays earned but not taken at the 31st March

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

23. Usable Reserves

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

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 23 and 24. Earmarked reserves are detailed in note 8.

31 March 2010		**31 March 2011**
£000		**£000**
10,514	General Fund	10,615
8,550	Housing Revenue Account	7,960
2,589	Capital Receipts Reserve	4,729
21,528	Capital Grants Unapplied	21,613
57,713	Earmarked	49,477
100,893	Total Usable Reserves	94,394

Usable Capital Receipts Reserve

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

2009/10		2010/11
£000		£000
6,170	**Balance at 1 April**	2,590
	Sale of Assets	
1,925	Council Dwellings	2,552
3,585	HRA Land and Buildings	4,996
0	Other HRA Assets	0
746	General Fund Assets	2,992
6,256	**Total Receipts**	10,540
	Use of Receipts:	
(1,443)	Receipts paid to Government	(1,949)
(8,393)	Financing Capital Expenditure	(6,452)
(9,836)	**Total Use of Receipts**	(8,401)
2,590	**Balance at 31 March**	4,729

24. Unusable Reserves

31 March 2010 £000		31 March 2011 £000
(225,843)	Revaluation Reserve	(283,119)
(786,701)	Capital Adjustment Account	(504,347)
11,796	Financial Instruments Adjustment Account	8,690
589,457	Pensions Reserve	373,284
0	Collection Fund Adjustment Account	1,714
6,496	Accumulated Absences Account	6,015
(404,795)	Total Unusable Reserves	(397,764)

Revaluation Reserve

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

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

2009/10 £000		2010/11 £000
(258,843)	**Balance at 1 April**	(225,843)
28,651	(Upward)/Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(71,789)
4,349	Difference between fair value depreciation and historical cost depreciation	3,648
0	Accumulated (gains) on assets sold or scrapped	10,866
(225,843)	**Balance at 31 March**	(283,119)

Capital Adjustment Account

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

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

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

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

	2009/10 £000			2010/11 £000
	(862,087)	**Balance at 1 April**		(786,701)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
188,327		Charges for depreciation and impairment of noncurrent assets	401,146	
597		Amortisation of intangible assets	0	
24,997		Revenue expenditure funded from capital under statute	(1,323)	
4,976		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,231	
	218,897	Net written out amount of the cost of non-current assets consumed in the year		405,054
		Capital financing applied in the year:		
(8,393)		Use of the Capital Receipts Reserve to finance new capital expenditure	(6,452)	
(18,146)		Use of the Major Repairs Reserve to finance new capital expenditure	(817)	
		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(94,676)	
(90,902)		Application of grants to capital financing from the Capital Grants Unapplied Account	0	
(15,283)		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(13,321)	
(6,617)		Capital expenditure charged against the General Fund and HRA balances	(2,622)	
	(139,341)			(117,887)
	(4,170)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(4,813)
	(786,701)	**Balance at 31 March**		(504,347)

Accumulated Absences Reserve

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

2009/10 £000		2010/11 £000
5,367	**Balance at 1 April**	6,496
(5,367)	Settlement or cancellation of accrual made at the end of the preceding year	(6,496)
6,496	Amounts accrued at the end of the current year	6,015
1,129	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(481)
6,496	**Balance at 31 March**	6,015

Financial Instruments Adjustments Account

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

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

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

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

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

The transactions reflected in the FIAA in 2010/11 are as follows:

2009/10 £000		2010/11 £000
24,429	**Balance at 1 April**	11,796
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
(4,379)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(3,116)
(25)	Effective interest rate (EIR) adjustment on LOBO borrowing	10
(8,229)	Application of regulation for Icelandic Investments	0
(12,633)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(3,106)
11,796	**Balance at 31 March**	8,690

The Pension Fund Reserve

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

2009/10 £000		2010/11 £000
306,628	**Balance at 1 April**	589,457
279,488	Actuarial (gains) or losses on pensions assets and liabilities	(111,318)
36,660	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(71,497)
(33,319)	Employer's pensions contributions and direct payments to pensioners payable in the year	(33,358)
589,457	**Balance at 31 March**	373,284

Collection Fund Adjustment Account

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

2009/10 £000		2010/11 £000
0	**Balance at 1 April**	0
0	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,714
0	**Balance at 31 March**	1,714

The balance of £1.7m shown in 2010/11 represents the Council's share of the deficit on the Collection Fund. The Collection Fund statement can be found at page 112.

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

2009/10 £'000	Description	2010/11 £'000
-18,539	Depreciation	(20,054)
-191,538	Impairments	(399,619)
-597	Amortisation	(632)
5,368	Increase in Provison in Bad Debt	(18,752)
16,787	Movement in Creditors	(5,497)
21,448	Movement in Debtors	3,908
-2	Movement in Stock	(33)
-3,341	Pension Liability	104,855
0	IFRS related Adjustments	22,844
-7,562	Carry amount of non-current assets sold	(9,047)
487	Movement in provisions	(16,057)
4,170	Movement in the value of investment properties	5,196
99,252	Grants Applied to the financing of capital expenditure	94,761
1,239	Deferred credits	128
-72,828	**Non-Cash Movements to the Cash Flow**	**(237,999)**

26. Cash Flow Statement – Investing Activities

2009/10 £'000	Description	2010/11 £'000
168,904	Purchase of property, plant and equipment, investment property and intangible assets	154,891
1,997,751	Purchase of short-term and long-term investments	288,931
	Other payments for investing activities	0
(6,282)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,612)
(2,063,109)	Proceeds from short-term and long-term investments	(294,640)
(107,870)	Other receipts from investing activities	(94,761)
(10,606)	**Net cash flows from investing activities**	**43,809**

27. Cash Flow Statement – Financing Activities

2009/10 £'000		2010/11 £'000
(204,578)	Cash receipts of short- and long-term borrowing	(47,000)
	Other receipts from financing activities	0
(1,651)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,155
204,378	Repayments of short- and long-term borrowing	52,005
11,243	Other payments for financing activities	0
9,392	**Net cash flows from financing activities**	**7,160**

28. Amounts Reported for Resource Allocation Decisions

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

Income and Expenditure	Net Budget	Expenditure	Income	Net Expenditure	Transfers to/(from) reserves	Net Outturn	Variance to budget
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Fund							
Children and Young People	70,557	162,360	(85,140)	77,220	1,092	78,312	7,755
Adults, Culture & Community	78,590	138,167	(60,921)	77,245	1,104	78,349	(240)
Corporate Resources	6,071	360,447	(357,669)	2,778	2,550	5,328	(743)
Urban Environment	56,861	137,780	(80,994)	56,786		56,786	(76)
PPPC*	1,722	9,457	(7,840)	1,616		1,616	(106)
People, Organisation & Development	(729)	8,704	(10,184)	(1,479)		(1,479)	(750)
Chief Executive Services	999	3,786	(2,882)	905		905	(95)
Services	**214,072**	**820,701**	**(605,631)**	**215,071**		**219,817**	**5,745**
Non service revenue	31,523	46,473	(17,512)	28,960	(3,233)	25,727	(5,796)
Total on General Fund	**245,595**	**867,174**	**(623,143)**	**244,031**	**1,513**	**245,544**	**(51)**
Housing Revenue Account	2,871	110,328	(110,624)	(296)		(296)	(3,167)
Transfer surplus to HRA reserve					296	296	296
Individual Schools	0	220,967	(219,159)	1,809	(1,809)	0	0
External Funding	(245,595)		(245,595)	(245,595)		(245,595)	0
Total Council	**2,871**	**1,198,470**	**(1,198,521)**	**(51)**	**0**	**(51)**	**(2,922)**

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

	£'000
(Surplus)/Deficit on Provision of Services	197,682
Depreciation, amortisation and impairment	(416,584)
Payments to the housing capital receipts pool	(1,949)
Gains/Losses on disposal of non-current assets	6,306
Pension Fund adjustments	104,855
Transfer to Reserves	(2,750)
Capital Financing	113,621
Other accounting adjustments	(1,233)
Total Net Expenditure	**(51)**

Expenditure	Employees	Premises	Transport	Supplies & Services	3rd Party Payments	Transfer Payments	Support Services	Capi Cos
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'00**
General Fund								
Children and Young People	59,736	1,728	5,422	16,067	59,336	2,342	9,751	7,97
Adults, Culture & Community	46,327	3,715	1,761	9,892	66,274	148	8,214	1,83
Corporate Resources	32,955	9,882	168	13,916	619	287,438	13,017	2,45
Urban Environment	36,342	27,329	1,322	9,388	45,790	30	12,484	5,09
PPPC*	4,454	19	3	3,685	47	0	1,249	
People, Organisation & Development	5,715	21	19	1,286	1	0	1,662	
Chief Executive Services	853	81	1	2,202	(3)	0	653	
Services	**186,381**	**42,775**	**8,697**	**56,435**	**172,063**	**289,958**	**47,031**	**17,36**
Non service revenue	13,078	(350)	0	2,785	13,948	0	11,904	5,10
Total on General Fund	**199,460**	**42,425**	**8,697**	**59,221**	**186,011**	**289,958**	**58,935**	**22,46**
Housing Revenue Account	2,922	11,083	80	1,303	41,759	1,942	3,800	47,43
Individual Schools	174,596	13,492	1,064	24,141	7,212	0	0	46
Total Council	**376,977**	**67,001**	**9,841**	**84,664**	**234,982**	**291,900**	**62,735**	**70,36**

Income	Govt Grants	Other Grants / Contributions	Customer & Client Receipts	Interest	Recharges	Gross Income
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Fund						
Children and Young People	(50,283)	(7,515)	(9,372)	0	(17,971)	(85,140)
Adults, Culture & Community	(24,706)	(16,156)	(17,553)	0	(2,506)	(60,921)
Corporate Resources	(292,898)	(5,059)	(7,794)	0	(51,918)	(357,669)
Urban Environment	(13,190)	(2,302)	(56,868)	0	(8,634)	(80,994)
PPPC*	(1,465)	0	(523)	0	(5,853)	(7,840)
People, Organisation & Development	(732)	0	(1,383)	0	(8,068)	(10,184)
Chief Executive Services	(212)	0	(5)	0	(2,666)	(2,882)
Services	**(383,486)**	**(31,033)**	**(93,498)**	**0**	**(97,615)**	**(605,631)**
Non service revenue	(9,334)	0	(763)	(1,705)	(5,711)	(17,512)
Total on General Fund	**(392,820)**	**(31,033)**	**(94,261)**	**(1,705)**	**(103,325)**	**(623,143)**
Housing Revenue Account	(17,187)	0	(92,908)	(105)	(424)	(110,624)
Individual Schools	(197,255)	(84)	(9,987)	0	(11,832)	(219,159)
External Funding	(144,625)	(100,970)	0	0	0	(245,595)
Total Council	**(751,887)**	**(132,087)**	**(197,156)**	**(1,810)**	**(115,582)**	**(1,198,521)**

*PPPC = Policy, Performance, Partnerships & Communications

29. Acquired and discontinued operations

The Council has made no acquisitions nor has it discontinued any operations in 2010/11.

30. Trading Operations

	Expenditure £'000	Income £'000	2010/11 (Surplus) / Deficit £'000	Expenditure £'000	Income £'000	2009/10 (Surplus) / Deficit £'000
Industrial Estates	4,855	(5,544)	(689)	4,634	(5,367)	(733)
Markets	274	(141)	133	273	(145)	128
School & Welfare Catering	5,199	(5,421)	(222)	5,632	(5,571)	61
Legal Services	8,319	(9,252)	(933)	7,979	(8,085)	(106)
Total Expenditure	**18,646**	**(20,358)**	**(1,711)**	**18,518**	**(19,168)**	**(650)**

31. Agency Services

	2010/11 £'000	2009/10 £'000
Expenditure relating to the provision of a hearing impaired service to clients of Enfield Council	266	248
Fee payable by Enfield Council	(207)	(205)
Net deficit arising on the agency arrangement	**59**	**43**

32. Road Charging Schemes under the Transport Act 2000

	2010/11 £'000	2009/10 £'000
Income		
Penalty Charge Notices	6,940	6,359
Permits and visitor vouchers	2,227	2,054
Pay and Display	1,894	1,672
CCTV Bus Lanes	244	413
Other	829	709
Total Income	**12,134**	**11,207**
Operating Expenditure	8,801	8,992
Net Operating Surplus	3,333	2,215
Add Capital Expenditure / Debt Charge	(9)	(9)
Balance brought forward	0	0
Appropriation to General Fund	3,324	2,206
Balance carried forward	0	0

33. Pooled Budgets

The Authority has entered into two Partnership agreements under Section 31 of the Health Act 1999. The first being with the NHS Haringey (NHSH) and the Barnet, Enfield and Haringey Mental Health Trust (MHT), in respect of the provision of services for people with Learning Disabilities. The second, also with the NHSH is for an Integrated Community Equipment Store. Haringey acts as the host Authority for both. The following are statements of the income and expenditure for all pooled budgets for the period 1 April 2010 to 31 March 2011.The overspends within the S31 Pool have been split between the partners and the Council share of deficits have been absorbed within the overall Authority finances.

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

2010/11 Statement of Income and Expenditure of the Learning Disabilities Partnership

		2010/11	2009/10
		£'000	£'000
Funding			
	LBH	5,290	5,259
	NHS Partners	2,068	2,134
	Other Contributions	2,238	1,988
	Total Funding	**9,596**	**9,382**
Services Provided			
	Management and assessment	2,129	2,028
	Day Opportunities	3,830	3,766
	LBH Residential Homes	3,073	2,286
	Supported Living	566	1,512
	Total Expenditure	**9,598**	**9,591**
Net (Underspend)/Overspend		**2**	**210**

2010/11 Statement of Income and Expenditure of the Physical Disabilities Partnership

		2010/11	2009/10
		£'000	£'000
Gross Funding			
	LBH	186	196
	NHSH	133	133
	Total Funding	**319**	**329**
Expenditure	PD OT Stores	303	331
	Total Expenditure	**303**	**331**
Net (Underspend)/Overspend		**(16)**	**1**

34. Members' Allowances

The total of members' allowances paid in 2010/11 was £1,353,715.87 compared to £1,397,185.90 in 2009/10. This represents a decrease of 3%. These figures are included in the Central Services line of the income and expenditure account.

35. Officers Remuneration

The number of employees whose gross pay (excluding employers' pension and national insurance contributions) and benefits were more than £50,000 but less than £150,000 in 2010/11 is detailed below.

Salary range	Staff numbers				Left in Year	
£	**Officers**	**Teachers**	**2010/11 Total**	**2009/10 Total**	**2010/11**	**2009/10**
50 - 54,999	111	137	248	208	10	5
55 - 59,999	51	82	133	123	4	4
60 - 64,999	32	38	70	84	0	7
65 - 69,999	20	29	49	41	3	2
70 - 74,999	17	15	32	23	0	1
75 - 79,999	13	7	20	20	1	1
80 - 84,999	10	9	19	17	2	0
85 - 89,999	10	12	22	11	1	0
90 - 94,999	5	1	6	6	1	0
95 - 99,999	2	0	2	3	0	1
100 - 104,999	2	0	2	4	0	0
105 - 109,999	1	1	2	1	0	0
110 - 114,999	0	2	2	4	0	2
115 - 119,999	0	1	1	1	0	0
120 - 124,999	0	1	1	4	0	2
125 - 129,999	1	1	2	1	0	0
130 - 134,999	0	0	0	0	0	0
135 - 139,999	2	0	2	1	1	0
140 - 144,999	1	0	1	0	0	0
145 - 149,999	0	0	0	2	0	0
Total	**278**	**336**	**614**	**554**	**23**	**25**

The following table sets out the remuneration disclosures for Senior Officers whose salary is more than £50,000 but less than £150,000 in 2010/11.

Senior Officers are members of the Chief Executive's Management Board.

	2010/11			2009/10		
	Salary (inc fees & allowances)	Pension contributions	Total including pension contributions	Salary (inc fees & allowances)	Pension contributions	Total including pension contributions
Post	**£**	**£**	**£**	**£**	**£**	**£**
Director of Urban Environment (Until 20 March 2011)	138,901	31,258	170,159	144,888	32,609	177,497
Director of Corporate Resources	141,597	31,908	173,505	141,597	31,905	173,502
Director of Adult, Culture & Community Services	136,338	30,697	167,035	139,891	31,511	171,401
Chief Finance Officer	-	-	-	120,753	27,077	147,830
Assistant Chief Executive - People & Organisational Development	105,989	23,857	129,846	106,457	23,855	130,312
Head of Legal Services	93,000	20,774	113,774	101,171	22,645	123,816
Assistant Chief Executive - Policy & Performance (F/T until Jul 09 - P/T until Sep 09)	-	-	-	37,093	8,236	45,330

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

		2010/11	2009/10
Post	**Note**	**£**	**£**
Interim Director of Special Projects		173,771	158,473
Interim Assistant Chief Executive - Policy & Performance (Until July in 2010)		66,150	94,150
Interim Deputy Chief Executive (Part-Time) (Until July 2010)		15,888	64,717
Interim Director of Urban Environment (From March 2011)	a	9,564	-

a - estimate of annualised cost to the Council - £175,340

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

		2010/11			2009/10		
		Salary (inc fees & allowances)	Pension contributions	Total including pension contributions	Salary (inc fees & allowances)	Pension contributions	Total including pension contributions
Post	**Post Holder**	**£**	**£**	**£**	**£**	**£**	**£**
Director of Children & Young People's Services	Mr P A Lewis	200,000	45,800	245,800	230,000	52,670	282,670
Chief Executive (Until 28.02.2010)	Dr I O'Donovan	-	-	-	167,370	39,560	206,930
Chief Executive	Mr K Crompton	189,890	46,373	236,263	15,787	3,568	19,355

In addition to the above salary Mr K Crompton received £15,551 in 2010/11 (£0 in 2009/10) and Dr I O'Donovan received £0 in 2010/11 (£7,663 in 2009/10) as remuneration for their roles as Returning Officer in elections in the London Borough of Haringey.

The salary paid to the Director of Children & Young People’s Services is supported by the Department for Education(DofE) – the department contributed £37,520 in 2010/11 (and £37,520 in 2009/10).

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36. External Audit Costs

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

	2010/11 £'000	2009/10 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	457	515
Fees payable to the Audit Commission in respect of statutory inspections	46	20
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	165	100
Fees payable in respect of other services provided by Grant Thornton during the year	0	0
Total	**669**	**635**

The main increase in fees payable for certification of claims relates to the increased audit time required to certify the Council Tax and Housing Benefit grant claims.

37. Dedicated Schools Grant

The council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), a specific grant provided by the Department for Education. The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements of centrally retained services provided in direct support of pupils and the Individual Schools Budget (ISB), which is divided into a budget share for each school. The ISB is deemed to be spent when the budget share is provided to a school. Over- and underspends on the central element is accounted for separately.
During the year, the ISB was overallocated by £0.156m because of exceptional calls on the contingency for Special Educational Needs. This, together with the sum brought forward from previous years will be carried forward to 2011/12, where provision has been made in the DSG for that year. Central budgets underspent by £0.052m in-year and this was added to the surplus of £0.722m brought forward from 2009/10, giving a surplus balance of £0.774m to be carried forward into 2011/12.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	2010/11 Central Expenditure £'000	2010/11 Individual Schools Budget £'000	2010/11 Total £'000	2009/10 Total £'000
Final DSG for the year	20,077	152,052	172,129	164,501
Brought forward from previous year	722	(332)	390	1,582
Agreed budgeted distribution		152,052	152,052	145,035
Actual central expenditure	20,025		20,025	20,326
Actual ISB deployed to schools		152,208	152,208	145,367
Carry forward to next year	**774**	**(488)**	**286**	**390**

38. Grant Income

	2010/11	2009/10
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	18,338	26,727
Area Based Grant	40,919	24,869
Performance Reward Grant	1,888	0
	61,145	**51,596**
Building Schools for the Future (BSF)	59,792	64,333
Capital Standards Fund - General	10,055	11,919
Transport For London	4,012	4,706
Sure Start	3,590	2,034
Other Capital Grants	17,312	16,261
	94,761	**99,252**
Total	**155,906**	**150,848**
Credited to Services		
Housing Benefit Subsidy	249,537	247,248
Dedicated Schools Grant (DSG)	172,129	164,501
National Non Domestic Rates	144,396	143,004
Council Tax Benefit	37,137	35,635
Education Standards Grant	29,635	26,740
Housing Subsidy	15,217	17,773
Learning & Skills 16+	14,378	14,208
Education Sure Start	13,598	11,561
Supporting People	0	18,932
Other Grants	42,912	38,998
Total	**718,939**	**718,602**

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

	2010/11	2009/10
Capital Grants: Receipts in advance	**£'000**	**£'000**
Building Schools for the Future (BSF)	14,293	20,919
Capital Standards Fund - General	8,580	4,609
Other grants	237	288
Total	**23,110**	**25,816**

Planning Gains
In large scale planning agreements, a condition may be set calling upon the applicant to pay a sum of monies towards future capital developments. These monies are held as capital grants unapplied and the figures below represent amounts unspent at 31 March 2011.

	2010/11	2009/10
	£'000	£'000
New River Village, Hornsey N8	1,000	1,000
Planning Cost Recovery	660	547
Former Hornsey Central Hospital, Park road, Hornsey, N8	445	0
596 - 606 High Road N17	386	0
658 - 660 High Road N17	166	0
Aneurin Bevan House & 46-50 Tredegar Rd	154	0
Tottenham Town Hall N15	138	0
725 - 733 Lordship Lane	0	322
381 - 481 Seven Sisters Road	0	298
Lynx Depot Coppetts Road N10	0	264
691 - 693 High Road	0	207
The Narrow Boat PH & 146-152 Reedham Close N17	0	180
Former Middlesex University Bounds Green N11	0	170
Rear of 242-274 Hermitage Road N4	0	130
Other	720	2,443
Total Gains	**3,669**	**5,561**

39. Related Parties

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

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in note 38.

Members of the Authority have direct control over the Authority's financial and operating procedures. By virtue of their office, through their residence in the borough and/or as active members of the community, members of the Authority participate in and are members of a variety of other public bodies and community groups. The Authority has well established mechanisms and procedures for preventing undue influence. Part of this mechanism is the disclosure of interests in the Register of Members' Interest which is open to public inspection at River Park House, 225 High Road, Wood Green, London. There are no material transactions to declare.

The Authority has two significant partnerships within the Health sector, with NHS Haringey (formerly Haringey Teaching Primary Care Trust) and the Barnet, Enfield and Haringey Mental Health Trust. The specific details of both these partnerships are shown in note 33. All other transactions between this Authority and health organisations are included within the

Adult's and Children's Social Care lines in the Comprehensive Income and Expenditure account.

Officers

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

The Pension Fund's accounts are set out in Section 5 of these statements. A separate bank account for the Pension Fund was established during the financial year. Consequently the Authority owed the Pension Fund £0 million as at 31/3/11. and the Authority paid the Fund £0k in interest. The Authority charged the Fund £535k for administering the Fund.

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

Levies

The table below details the amounts paid to levying bodies.

2009/10 £'000		2010/11 £'000
345	London Pensions Fund Authority	325
6,543	North London Waste Authority	6,577
261	Lee Valley	260
171	Environment Agency	170
2	Financial Reporting Council	2
783	ALG Grants Committee	782
8,105	**Total**	**8,116**

In addition to the above a payment was made to the NLWA for the cost of the disposal of Non-Household Waste in 2010/11 of £0.869m (£1.131m in 2009/10)

Investments – Related businesses and companies

Homes for Haringey

Homes for Haringey is an Authority controlled company. The company was created on 1st April 2006 and manages the Authority's housing stock and carries out the day to day repairs on properties, for which fees totalling £40.3 million were paid to the company. The Authority has 5 Councillors on the Board of Homes for Haringey. The company forms part of the London Borough of Haringey Group and the Group's accounts are shown in section 4 of these accounts.

as at 31 March 2010 £'000		as at 31 March 2011 £'000
(39,614)	Net assets / (liabilities)	(5,051)
(885)	Net income / (expenditure) for the year	9,045

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

London Grid for Learning Trust

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

as at 31 March 2010		as at 31 March 2011
£'000		£'000
2,206	Net assets	n/a
77	Net income for the year	n/a

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

Bernie Grant Centre Partnership

The Bernie Grant Centre Partnership (BGCP) was set up to build a performing arts centre and enterprise units in Tottenham in memory of former MP Bernie Grant. BGCP was established in September 2002 as a company limited by guarantee and began operating on 1 April 2003. The company is also a registered charity. Haringey Council has 14% of the voting rights.

as at 31 March 2010		as at 31 March 2011
£'000		£'000
13,995	Net assets	13,900
(118)	Net income/(deficit) for the year	(98)

Trust funds

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

Trust Fund Accounts	**2010/11**	**2009/10**
	£	**£**
Income From Investments	(348)	(393)
Expenditure for Authorised Purposes	0	0
(Surplus)/Deficit	**(348)**	**(393)**
Balances:		
Fund Balance Brought Forward 1st April	(152,699)	(152,307)
(Surplus)/Deficit	(348)	(393)
Fund Balance Carried Forward	**(153,047)**	**(152,699)**
Represented by:		
Investments	(23,564)	(23,564)
Cash in Hand	(129,484)	(129,136)
Total	**(153,047)**	**(152,699)**

Alexandra Park and Palace

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

2009/10 £'000		2010/11 £'000
(5,898)	Income	(5,425)
7,930	Expenditure	7,348
41,409	Net Assets	42,677

As a result of being the sole trustee of APPCT the Authority has a close relationship with the trust, providing a number of support functions to the day to day operation. The principal support it gives is in the form of deficit funding, which the Authority is required to do under the Alexandra Park and Palace Act 1985. In 2010/11 the extent of this deficit provision was £2.330 million (£2.326 million 2009/10).

The figures in the Authority's accounts in respect of funding the Alexandra Palace deficit is based on the draft APPCT accounts and are still subject to formal audit in accordance with the Charity Commission regulations.

40. Capital Expenditure and Capital Financing

The Authority's capital expenditure must be financed each year. The financing of the 2010/11 expenditure is set out in the following table. The HRA capital expenditure of £55 million is solely spent on improving HRA dwellings.

2009/10 £'000		2010/11 £'000
706,638	Opening Capital Finanacing Requirement	744,027
	Capital investment :	
144,485	Property, Plant and Equipment	143,210
228	Investment Properties	30
405	Intangible Assets	84
31,894	Revenue Expenditure Funded from Capital under Statute	19,262
	Sources of finance :	
(8,393)	Capital receipts	(6,452)
(115,714)	Government grants and other contributions	(111,006)
(15,516)	MRP	(13,280)
744,027	**Closing Capital Financing Requirement**	**775,875**
	Explanation of movements in year	
38,942	Increase in underlying need to borrowing (supported by government financial assistance)	33,448
(1,553)	Decrease in underlying need to borrowing (unsupported by government financial assistance)	(1,600)
37,389	**Increase/(decrease) in Capital Financing Requirement**	**31,848**

41. Leases

Finance Leases - Leases where the Authority is the Lessee

The Council holds a number of buildings under finance leases.

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

	31 March 2011	31 March 2010	01 April 2009
	£'000	£'000	£'000
Land and Buildings	20,504	21,425	22,298
Vehicles, Plant, Furniture and Equipment			
	20,504	21,425	22,298

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

	31 March 2011	31 March 2010
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
current	971	921
non-current	18,671	19,642
	19,642	20,563
Finance costs payable in future years	25,238	26,217
Minimum lease payments	44,880	46,780

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

Minimum leases payments over periods

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£'000	£'000	£'000	£'000
Not later than one year	1,900	1,900	971	921
Later than one year and not later than five years	7,599	7,548	4,450	4,216
Later than five years	35,381	37,332	14,221	15,425
	44,880	46,780	19,642	20,562

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £364,136 contingent rents were payable by the Authority (2009/10 £364,136).
The Authority has sub-let some of the properties held under these finance leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £28,125 (£28,125 at 31 March 2010).

Operating Leases - Leases where the Council is lessee

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

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

	31 March 2011	31 March 2010
	£'000	£'000
Not later than one year	32	116
Later than one year and not later than five years	52	84
Later than five years	0	0
	84	200

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

	2010/11	2009/10
	£'000	£'000
Minimum lease payments	116	203

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

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

Minimum leases payments over periods		
	31 March 2011	31 March 2010
	£'000	£'000
Not later than one year	3,131	2,977
Later than one year and not later than five years	8,444	8,700
Later than five years	63,100	65,007
	74,675	76,684

42. Private Finance Initiative

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

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

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

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

Income and Expenditure Account

The Council receives a £5.669m revenue grant annually from the Government to assist in financing the PFI scheme. After payments to contractors to cover the repayment and interest costs of the outstanding liability and administration costs (£4.225m) and funding of lifecycle capital repairs to the schools (£0.200m) a contribution to the PFI lifecycle reserve was made of £1.203m, bringing the reserve up to £7.181m. The PFI reserve is one of the usable reserves (see note 23). The lifecycle fund is used to fund 'wear and tear' repairs to the buildings during the course of the contract (ending September 2025) and will naturally be expected to build up in value in the first half of the contract period and gradually be used in the later part.

Balance sheet

The net value of the PFI schools held on the Council's balance sheet, as fixed assets, as at 31st March 2011 is £202.7m. This figure is calculated as follows:

	2010/11 **£'000**	**2009/10** **£'000**
Gross book value	233,791	139,318
Cumulative depreciation and impairment	(31,100)	(24,110)
Net book value	202,690	115,208

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

	2010/11 **£'000**	**2009/10** **£'000**
Long-term liability b/f 1st April	40,929	42,984
Short-term liability b/f 1st April	1,876	1,605
Liability paid to service provider in year	(1,876)	(1,784)
Long-term liability c/f 31st March	38,957	40,929

Future payments to be made in respect of the PFI arrangement are shown in the table below. These future payments do not take into account any future indexation of the cost that may be agreed between the provider and the Council from 1st April 2011 onwards, however the impact of any future indexation is minimal as the majority of the unitary charge is fixed and not subject to future indexation.

Future payments to be made	**Payment for Services** **£'000**	**Reimbursement of Capital Expenditure** **£'000**	**Interest** **£'000**	**Total** **£'000**
Payment in 2011/12	153	1,972	2,099	4,225
Payments in 2012/13 to 2015/16	614	8,952	7,332	16,898
Payments in 2016/17 to 2020/21	767	14,027	6,328	21,123
Payments in 2021/22 to 2025/26	691	15,978	2,342	19,010
Total future payments (excluding any future indexation)	**2,226**	**40,929**	**18,101**	**61,255**

43. Impairment Losses

The charges made to the surplus or deficit on the provision of services is detailed below. These charges are not made to Council tax payers but are reversed out in the Movement of Reserves Statement and replaced with the statutory revenue provision for the repayment of debt.

	2010/11	2009/10
	£'000	£'000
Impairment	1,214	448
Downward Revaluation	397,808	196,162
REFCUS	14,895	21,900
	413,918	218,510

REFCUS is revenue expenditure funded from capital resources by statute. This is capital spend the authority incurs on assets it does not own (e.g. capital works on voluntary aided schools.)

44. Capitalisation of Borrowing Costs

The Authority does not capitalise its borrowing costs.

45. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11 incurring liabilities of £1.25m in redundancy costs and payments to the pension fund. The authority has also provided for a further £13.8m based on information about employees who were due to leave the authority after the 31st March 2011. The Authority received a capitalisation direction of £0.78m in 2010/11 which allows it to spread £0.78m of the total cost over a maximum of 20 years.

The provision is detailed in note 22.

46. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

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

In 2010/11 the Authority paid £9,471,180 (2009/10 £8,934,410) to Teachers' Pensions in respect of teachers' pension costs which represent 14.10% of teachers' pensionable pay. The Authority is responsible for all pension payments relating to added years it has awarded, together with the related increases, amounting to £59,488 in 2010/11 (2009/10 £65,970) equivalent to 0.09% of pensionable pay.

47. Defined Benefit Pension Schemes

Council Employees

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

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

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

The Comprehensive Income and Expenditure Account includes the pension fund costs in line with IAS 19. The cost of retirement benefits is recognised in the Net Cost of Services when they are actually earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

Local Government Pension Scheme	£000 2010/11	£000 2009/10
Comprehensive Income and Expenditure Statement		
Cost of Services:		
current service cost	24,536	13,222
past service costs	(114,927)	6
settlements and curtailments	83	46
Financing and Investment Income and Expenditure		
interest cost	58,570	49,111
expected return on scheme assets	(39,759)	(25,725)
Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services	(71,497)	36,660
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
actuarial (gains) and losses	(111,318)	279,488
Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	**(182,815)**	**316,148**
Movement in Reserves Statement		
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	71,497	(36,660)
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to scheme	33,358	33,319

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £237,851k.

Assets and Liabilities in Relation to Post-employment Benefits

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

As at 31st March 2010, the Authority had the following liabilities for pensions:

	£000	£000
	2010/11	2009/10
Opening balance at 1st April	**1,155,008**	**716,041**
Current service cost	24,536	13,222
Interest cost	58,570	49,111
Contributions by scheme	8,430	8,606
Actuarial (gains)/Losses	(129,797)	398,568
Benefits paid	(35,858)	(30,592)
Past service costs	(114,927)	6
Entity combinations	0	0
Curtailments	82	46
Settlements	0	0
Closing balance at 31st March	**966,044**	**1,155,008**

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

	Local Government Pension Scheme	
	£000	£000
	2010/11	2009/10
Opening balance at 1st April	**565,550**	**409,413**
Expected rate of return	39,759	25,725
Actuarial (gains) and losses	(18,479)	119,080
Employer contributions	29,119	29,198
Contributions by scheme participants	8,430	8,606
Benefits paid	(31,618)	(26,472)
Entity combinations	0	0
Settlements	0	0
Closing balance 31st March	**592,761**	**565,550**

The Scheme assets are measured at their fair value which is the bid price at balance sheet date. The actual return on assets in 2010/11 was £41,841k (£144,960k in 2009/10).

Scheme History

	£000	£000	£000	£000	£000
Present value of liabilities:	2010/11	2009/10	2008/09	2007/08	2006/07
Fair value of liabilities	(966,044)	(1,155,008)	(716,041)	(732,854)	(820,408)
Surplus/(deficit) in the scheme	592,761	565,550	409,413	503,521	540,167
Total	**(373,283)**	**(589,458)**	**(306,628)**	**(229,333)**	**(280,241)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £373,283k has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £28,681k.

Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary have been:

	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.50%	7.80%
Bonds	4.90%	5.30%
Other	12.40%	12.50%
Rate of inflation	2.80%	3.80%
Rate of increase in salaries	5.10%	5.30%
Rate of increase in pensions	2.80%	3.80%
Rate of discounting scheme liabilities	5.50%	5.50%
Take-up option to convert annual pension into retirement lump sum	75%	50%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
	Years	Years
Men	21.9	22.7
Women	24.7	25.6
Longevity at 65 for future pensioners:		
Men	23.3	24.7
Women	26.1	27.8

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

	31st March 2011	31st March 2010
	%	%
Equity investments	75	69
Debt instruments	18	22
Other assets	7	9
Total	**100**	**100**

The actuarial gains and losses identified as movements in the pension reserve in 2010/11 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2011.

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Differences between the expected and actual return on assets	(3.12)	21.06	(35.09)	(16.53)	(0.32)
Experience Gains and Losses on Liabilities	0.33	-	0.06	0.01	(0.02)

48. Contingent Liabilities

In 2007 Haringey council joined London Authorities Mutual Ltd (LAML), a mutual company set up in partnership with other London boroughs for the purpose of providing insurance and risk management services. The company stopped trading on 9 June 2009 following the court judgment against LAML. The Council has a liability, in the form of a guarantee, with LAML of £177k. The orderly wind down of the company has been ongoing during 2010/11 and the remaining assets left after the closure of the company will be redistributed to member authorities. It is expected that not all of the capital invested by the Council will be available for redistribution. This is as a result of the legal and other costs incurred as part of the liquidation processes to wind down the company. There is a risk of a further case being taken by RMP against the individual members of LAML for loss of profit and associated costs. The Council is currently considering its response to this.

In 2008/09 and 2009/10 five staff were dismissed from the Council's employment in connection with an inspection undertaken by Ofsted and directions issued by the Secretary of State for Children & Families. As a consequence, the Council is involved in two judicial review cases, five employment tribunal cases and two as yet unserved High Court cases. One judicial review case was dismissed initially. However leave was given for the case to be the subject of an appeal in the Court of Appeal. The hearing has taken place and judgment was given against the Council. The Council has been refused permission to pursue an appeal by the Supreme Court and is therefore liable for the payment of compensation and appropriate costs. Two of the employment tribunal cases were originally dismissed. However, the employees have been given permission to appeal by the Employment Appeal Tribunal. This appeal will be heard in February 2012. All other cases were stayed pending the judgment of the Supreme Court but will now come on stream by reason of the decision of the Supreme Court. At present it is not known what the outcome of the various cases will be, either in terms of which party will be successful or any costs associated with the final judgements.

In March 2009 a claim was submitted by Firoka (Alexandra Palace) Ltd and Firoka (Kings Cross) Ltd against the Council as trustee of Alexandra Park and Palace Charitable Trust for loss of income and damages as a result of the failure of the Charitable Trust to issue a licence to Firoka. The value of this claim is £6.234 million.

The substance of this claim continues to be disputed by the Council and the Trust. No provision has been made in either the Council's or the Trust's accounts for the claim.

The Council has implemented a large scale efficiency and savings programme in order to ensure a balanced budget in 2011/12 and beyond following the announcement in January 2011 by the Government of the three year finance settlement for Local Government. As part of this programme, the Council has asked staff to volunteer for redundancy with the total redundancy costs (voluntary and compulsory) of approximately 1,000 staff likely to be around £25m. This total amount includes that disclosed in note 45 on Termination Benefits.

49. Contingent Assets

The Council had no contingent assets as at 31 March 2011.

50. Post Balance Sheet Events

Alexandra Park Secondary school has applied and been given approval by the Secretary of State to become an Academy. The school is converting on the 1st October 2011 and this therefore has no impact on the accounts as presented. However there will be a material impact on the accounts for 2011/12 due to the removal of the school as a council asset, which is currently valued at £28.92m, and will be written out of the Council's accounts for 2011/12.

In August 2011 there were civil disturbances in the Borough which resulted in a large amount of damage to infrastructure and Council and private property. This has resulted in a number of residents and businesses being displaced and seeking assistance from the Council as well as costs needing to be incurred to repair damage and make save properties. The Government has set aside money to assist Councils that were affected by the disturbances but currently it is unknown what the extent of costs to the Council will be and what will be re-imbursed by the Government. In addition, as a number of Council properties were damaged there may be impairment charges arising as a result.

51. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The main risks covered are:

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

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

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

Credit Risk

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

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2010-11, approved by Full Council on 22/02/2010. The 2010/11 Treasury Strategy can be found on the Council's website www.haringey.gov.uk.

Throughout 2010/11 the minimum criteria for new investments has been a long term rating of A+/A1/A+ (Fitch/Moody's/S&P) and a short term rating of F1/P-1/A-1 (Fitch/Moody's/S&P).

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2011, and confirms that all investments were made in line with the Council's approved credit rating criteria:

	Credit rating criteria met when investments placed?		Credit rating criteria met on 31st March 2011?		Maturity period from 31st March 2011		
	YES		YES		On Call	1 day to 1 month	Total
	Short Term	Long Term	Short Term	Long Term	£'000	£'000	£'000
Santander UK plc	A-1+	AA-	A-1+	AA-	10,400	0	10,400
Barclays Bank	A-1+	AA-	A-1+	AA-	0	3,400	3,400
Money Market Funds	N/A	AAAm	N/A	AAAm	14,235	0	14,235
Total					24,635	3,400	**28,035**

No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties. The exception to this is deposits with Icelandic banks which went into default during 2008/09. These are detailed in the table below along with the funds already recovered:

	Nominal value of original deposits	**Distributions to 31/03/2011**	**Outstanding Deposits**
	£'000	£'000	£'000
Heritable Bank	19,800	9,968	9,832
Landsbanki Islands	15,157	0	15,157
Glitnir	2,000	0	2,000
Total	**36,957**	**9,968**	**26,989**

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

The amount of the Icelandic related investments that will not be repaid to the Council under current predictions is £3.8m. However, accounting regulations require the Council to account for the fact that these funds have not and will not be available for the Council's use until dates in the future. The impairment required in the accounts has been reviewed and an additional impairment of £197k for 2010/11 has been calculated and included in the income and expenditure account. The total impairment provided for in the accounts to date is £11.424m.

The predictions concerning recovery are based on legal advice that the Council's deposits with Landsbanki and Glitnir have priority status, however there is a risk associated with this advice. If it is determined that local authority deposits do not have priority status the amount expected to be recovered is 38% of Landsbanki deposits and 29% of Glitnir deposits.

The Council capitalised £11.1m of the impairment in 2009/10 on receipt of a capitalisation direction for this amount. The capitalisation direction would result in a charge of £555k per annum to the General Fund for 20 years. Due to an accounting benefit arising from the continued requirement to accrue interest at the rate of the original deposits, the Council has decided to offset that benefit against the impact of the capitalisation direction and spread the revised net impact over 20 years. This means that instead of £11.1m over 20 years, the net sum being charged to the General Fund is £7.4m.

Liquidity Risk

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

The maturity analysis of the nominal value of the Council's debt at 31st March 2011 was as follows:

	31-Mar-11 £'000	31-Mar-10 £'000
Public Works Loans Board	512,221	522,279
Market debt	133,473	130,442
Other	0	5
Total	**645,693**	**652,726**
Less than 1 year	64,933	54,203
Between 1 and 2 years	46,000	47,703
Between 2 and 5 years	100,117	114,684
Between 5 and 10 years	109,100	112,571
Between 10 and 20 years	45,088	59,958
Between 20 and 30 years	25,000	25,402
Between 30 and 40 years	0	10,731
Between 40 and 50 years	179,277	150,418
More than 50 years	76,177	77,056
Total	**645,693**	**652,726**

Market Risk

Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2011, 97% of the debt portfolio was held in fixed rate instruments, and 3% in variable rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

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

Foreign Exchange Risk: The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

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

	2010/11 £'000	2009/10 £'000
Increase in interest earned on variable rate investments	(430)	(448)
Increase in interest payable on variable rate borrowings	489	616
Impact on Income and Expenditure Account	59	168

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

A commentary on risk associated with debtors in included in note 18.

52. Publicity

Under Section 5 of the Local Government Act 1986 local authorities are required to keep a separate account of certain categories of expenditure on publicity. Total expenditure in 2010/11 was £1.435m (£3.103m in 2009/10). This can be analysed as follows:

	2010/11 £'000	2009/10 £'000
Staff Recruitment	88	673
Communications Unit	226	479
Other Expenditure	1,121	1,951
Total Expenditure	**1,435**	**3,103**

Housing Revenue Account - Income and Expenditure Statement

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

2009/10 £'000		Notes	2010/11 £'000
	Income:		
68,917	Rent from Dwellings (gross)		70,046
2,556	Rent from Other Properties (gross)		2,385
71,473	**Rent total**	45	**72,431**
20,887	Charges for Services and Facilities		20,901
2,070	Supporting People Grant		1,970
17,773	Housing Revenue Account Subsidy receivable	46	15,217
40,730	**Grants total**		**38,088**
112,203	**Total income**		**110,519**
	Expenditure:		
20,926	Repairs and Maintenance		22,730
38,481	Supervision and Management		37,694
2,141	Rent, rates, taxes and other charges		1,163
52,212	Depreciation and impairments of non-current assets		371,239
257	Debt Management Costs		282
1,801	Increase in bad debt provision		697
115,818	**Total expenditure**		**433,806**
3,615	**Net cost of HRA services as included in whole authority Comprehensive Income and Expenditure Statement**		**323,287**
958	HRA services share of Corporate and Democratic Core		866
(40)	HRA share of other amounts included in the whole authority Net Cost of services but not allocated to specific services		(1,094)
4,533	**Net cost of HRA services**		**323,059**
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
29,878	Interest payable and similar charges		28,919
(170)	HRA Interest and investment income		(105)
229	Pensions interest cost and expected return on pension assets		173
29,937	**Total**		**28,987**
34,470	**(Surplus)/ deficit for year on HRA services**		**352,047**

Movement on the Housing Revenue Account Statement

2009/10 £'000		Notes	2010/11 £'000
34,470	surplus or (deficit) on the HRA Income and Expenditure Statement		352,047
(35,771)	adjustments between accounting basis and funding basis under regulations	53	(352,341)
(1,301)	**net increase or decrease before transfers to or from reserves**		**(294)**
(7,249)	balance on the HRA as at the end of the previous reporting		(8,550)
	transfers to or from reserves		886
	increase or (decrease) in year on the HRA		
(8,550)	**balance on the HRA as at the end of the current reporting period.**		**(7,958)**

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

2009/10 £'000		2010/11 £'000
3,338	difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	3,278
(39,801)	difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements (if any)	(358,494)
	gain or loss on sale of HRA non-current assets	
(32)	HRA share of contributions to or from the Pensions Reserve	965
724	capital expenditure funded by the Housing Revenue Account	1,910
	Sums directed by the Secretary of State or Welsh Assembly Government that are income in accordance with proper practices	
	transfer to/from the Major Repairs Reserve	
	transfer to/from the Capital Adjustment Account	
	transfer to/from Housing Repairs Account	
(35,771)	**Net additional amount required by statute to be debited or credited to the HRA balance for the year**	**(352,341)**

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Notes to the Housing Revenue Account

54. Numbers and Types of Dwellings in the Housing Stock

The Authority was responsible for managing 16,272 properties as at 31 March 2011, excluding travellers' sites. The Authority's housing stock decreased during the year as a result of the sale of properties under the provisions of Right to Buy legislation.

2009/10 Number	Type of dwelling	2010/11 Number
1,723	Low rise flats	1,792
6,424	Medium rise flats	6,450
2,665	High rise flats	2,657
5,301	Houses	5,231
16	Demountables	16
154	Hostels (HDE)	125
1	Shared Ownership	1
16,284	**Total**	**16,272**

55. Balance Sheet Valuation of HRA Assets

31-Mar-10 £'000	**Operational assets**	31-Mar-11 £'000
1,121,316	Dwellings	775,863
26,226	Other land and buildings	4,560
18,353	Non-operational assets	20,689
1,165,895		**801,112**

56. Vacant Possession

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

	31/03/2011 £000	31/03/2010 £000
HRA dwellings and hostels	3,049,904	2,998,543

57. Major Repairs Reserve

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

2009/10 £'000		2010/11 £'000
(6,558)	**Balance at 1 April**	**(817)**
(12,407)	Transferred to Reserve	(12,909)
0	Transfer from Reserve to HRA	0
18,148	Applied to finance capital expenditure on Council Dwellings	13,726
(817)	**Balance at 31 March**	**0**

58. Capital Expenditure and Financing

	2009/10	2010/11
Expenditure	£000	£000
Land, Houses and Other Property	**53,054**	**51,010**
Financing		
Borrowing	39,283	35,283
Capital Receipts reserve	640	91
Revenue contribution	724	1,910
Major repairs reserve	12,407	13,726
	53,054	**51,010**

59. Capital Receipts

	2010/11 £000	2009/10 £000
Houses	2,552	1,925
Land and Other Property	4,996	3,585
	7,548	**5,510**

60. Depreciation

	2010/11 £000	2009/10 £000
Operational assets - dwellings	12,909	12,407
Operational assets - other land and building	386	398
Non Operational assets	0	0
	13,295	**12,805**

61. Impairment Charges

	2010/11	2009/10
	£000	£000
Dwellings	355,453	30,887
Land	4,053	821
Houses	6,914	242
Other property	234	2,726
	366,654	**34,677**

62. Revenue Expenditure Funded from Capital under Statute

This expenditure is revenue for accounting purposes but can be financed from capital resources. Examples include expenditure on non-Haringey assets. There was no expenditure of this type in the HRA in 2010/11.

63. Housing Subsidy

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

2009/10		**2010/11**
£'000		**£'000**
35,372	Management & Maintenance Allowance	35,662
12,407	Major Repairs Allowance	12,909
37,137	Charges for Capital	35,791
0	Other Items of Reckonable Expenditure	0
(67,113)	Guideline Rent	(68,786)
(27)	Interest on Receipts	(21)
17,776	**Housing Subsidy Payable**	**15,556**
(1)	Subsidy adjustment	(340)
17,775	**Housing Subsidy Receivable per Income and Expenditure Statement**	**15,217**
0	Transfer from Reserve	0
17,775	**Net Housing Subsidy Receivable for Year**	**15,217**

64. HRA Share of Contributions to the Pensions Reserve

In compliance with the statutory framework for local government, the movement in the IAS 19 pension liability relating to the HRA is processed through the HRA and the net amount is appropriated to the Pensions Reserve. This means that the bottom-line charge against rents is employer's contributions payable in the year. The amount applicable to the HRA is an apportionment of all pension contributions in the year, based on the number of employees within social services who are involved with supported housing work. The full disclosure of the pension related transactions is detailed in Note 47 to the primary statements.

The HRA share of contributions to the Pensions Reserve for 2010/11 is £956k.

65. Gross Rent Income and Rent Arrears

This is the rent due for the year before rebates but after allowances for empty properties. The average weekly rent in 2010/11 was £83.38 compared to £82.53 in 2009/10 – a 1% increase.

31 March 2010 £'000 Total Debt outstanding (£'000)	**Band of debt outstanding**	**31 March 2011 £'000 Total Debt outstanding (£'000)**
173	< £100	112
272	< £250	196
398	< £500	398
367	< £750	354
345	< £1,000	303
4,076	> £1,000	4,272
3,838	Former Tenants	4,544
9,469	**Housing Rents**	**10,180**
8,225	Aggregate balance sheet provision in respect of uncollectable debts	8,979

66. Directions by the Secretary of State

There have been no directions granted by the Secretary of State in relation to HRA expenditure in 2010/11.

67. Exceptional or Prior-Year Items

There are no exceptional items to disclose in the HRA.

Collection Fund

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

	2010/11 £'000	2009/10 £'000
Income due:		
Council Tax		
Council Tax-payers	94,792	95,335
In respect of Council Tax Benefits	36,627	35,079
In respect of transitional relief	0	0
Total Council Tax – related income	**131,419**	**130,414**
Income due from Business Rate-payers:	56,317	49,299
Contributions:		
- Towards Collection Fund deficit / (surplus)	1,714	(69)
Total Income	**189,450**	**179,644**
Expenditure:		
Council Tax used to support expenditure on services:		
- Haringey Council	100,970	100,738
- Greater London Association	26,414	26,286
Total Precepts	**127,384**	**127,024**
Business Rates:		
- Payments to National Pool	55,992	48,973
- Cost of Collection	325	326
Payments to National Pool & cost of collection allowance	**56,317**	**49,299**
write-offs		
Provision for Bad and Doubtful Debts (Council Tax)	6,197	3,303
Total Expenditure	**189,899**	**179,626**
Surplus/(Deficit) for year	**(448)**	**18**
Balance brought forward 1 April 2010 surplus/ (deficit)	**17**	**(1)**
Balance carried forward 31 March 2011 surplus/(deficit)	**(432)**	**17**

Notes to the Collection Fund

68. Calculation of the Council Tax Base

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

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

* - entitled to disabled relief deduction

69. Income from Business Rates

The Council collects National Non-Domestic Rates (NNDR) or Business Rates for its area. These are calculated on the basis of rateable values multiplied by one of the following Business Rates set by central government: 43.3p (Standard) and 42.6p (Small businesses) (for 2009/10 - 41.4p & 40.7p respectively). After adjusting for relief and other deductions, this is paid into a central pool, which is managed by central government.

The actual rateable value of business properties in the borough as at 31 March 2011 is £167,563,256 (31 March 2010, £133,080,153). The large difference from the previous year is due to a revaluation which is carried out every five years.

70. Deficit / Surplus

In 2010/11 there was a deficit of £2.16m on the Collection Fund. This balance is shared between the Council (£1.71m) and the Greater London Authority (£0.45m).

71. Precepts on Collection Fund

The Greater London Authority (GLA) made a precept to the Haringey Council Collection fund of £26,454,117 in 2010/11 (which include £40,103 in relation to prior years' surplus on the fund).

72. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

a. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used. Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	Note	**2009/10 Statements £'000**	**Adjustments Made £'000**
Provision for accumulated absences		0	(5,367)
Accumulated Absences Account	24	0	5,367
31 March 2010 Balance Sheet			
Provision for accumulated absences		0	(6,496)
Accumulated Absences Account	24	0	6,496
2009/10 Comprehensive Income and Expenditure Statement			
Charge to services for accumulated absences		0	1,129

b. Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease. The government has issued regulations and statutory guidance in

relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.
The council has property leases where the accounting treatment has changed following the introduction of the Code. A number have buildings that are being treated as finance leases.
Under the Code, the land element remains as an operating lease. As a consequence of classifying the buildings element of the lease as a finance lease, the financial statements have been amended as follows:

The council has recognised an asset (the building) and a finance lease liability.
The operating lease charge within net cost of services in the Income and Expenditure Statement has been reduced by the amount that relates to the buildings element of the lease payments.
A depreciation charge has been included within net cost of services in the Income and Expenditure Statement.
The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.
This has resulted in the following changes being made to the 2009/10 financial statements:

	2009/10 Statements	Adjustments Made
Opening 1 April 2009 Balance Sheet	**£'000**	**£'000**
Finance Lease Liability	(3)	(19,123)
Capital Adjustment Account	(666,783)	19,123
31 March 2010 Balance Sheet	**£'000**	**£'000**
Finance Lease Liability	(3)	(18,369)
Capital Adjustment Account	539,094	18,369
2009/10 Comprehensive Income and Expenditure Statement		
Rental expenditure within services	1,550	(1,550)
Financing and Investment Income		795
2009/10 Movement in Reserves Statement		
Revenue Provision		755
Net Change		0

The net increase in Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account and the inclusion of the Minimum Revenue Provision charge. These transfers are shown in the Movement in Reserves Statement.

c. Capital Grants and contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:
(a) The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
(b) Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
(c) In relation to a grant received in 2009/10 but not used, previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy when all conditions have been met, the grant income has been recognised in full in the Income and Expenditure Statement, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet. Where conditions still remain to be satisfied, the grant is not recognised in the Income and Expenditure Statement but held on the balance sheet as Capital Grants – Receipts in Advance. Within the liabilities section of the balance sheet
This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	**2009/10 Statements £'000**	**Adjustments Made £'000**
Government Grants Deferred	(228,380)	228,380
Planning Gains (Creditors)	(5,897)	5,897
	(234,277)	234,277
Capital Grants Unapplied (Receipts In Advance)	0	(17,198)
Capital Adjustment Account	(666,783)	(203,902)
Capital Grants Unapplied (Reserve)	0	(13,177)
	(666,783)	(234,277)

31 March 2010 Balance Sheet	**2009/10 Statements £'000**	**Adjustments Made £'000**
Capital Grants Unapplied (Receipts In Advance)	0	(31,376)
Capital Adjustment Account	(539,094)	(273,989)
Capital Grants Unapplied (Reserve)	0	(15,967)
	(539,094)	(321,333)
2009/10 Comprehensive Income and Expenditure Statement		
Net Cost of Services	(20,814)	20,814
Taxation and Non Specific Grant Income	0	(99,252)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

SECTION 4

THE GROUP ACCOUNTS

2010/11

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

Group Movement in Reserves Statement 2010/11

	Total Usable Reserves £'000	Unusable Reserves £'000	Reserves of Group £'000	Total Authority Reserves £'000
Balance At 31st March 2010	(100,894)	(404,802)	81,023	(424,674)
	0	0	0	0
Surplus Or Deficit On Provision Of Services (accounting basis)	188,951	0	(8,410)	180,541
Other Comprehensive Expenditure And Income	0	(175,452)	(654)	(176,106)
Total Comprehensive Expenditure And Income	188,951	(175,452)	(9,064)	4,435
Adjustments Between Accounting Basis And Funding Basis Under Regulations	(182,432)	182,432	(25,518)	(25,518)
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	6,520	6,980	(34,582)	(21,083)
Transfers To/(From) Earmarked Reserves	(16)	0	0	(16)
(Increase)/Decrease In Year	6,503	6,980	(34,582)	(21,099)
Balance At 31st March 2011	(94,391)	(397,823)	46,441	(445,773)

Group Movement in Reserves Statement 2009/10

	Total Usable Reserves £'000	Unusable Reserves £'000	Reserves of Group £'000	Total Authority Reserves £'000
Balance At 31st March 2009	(111,040)	(784,504)	45,746	(849,799)
	0	0	0	0
Surplus Or Deficit On Provision Of Services (accounting basis)	80,544	0	1,362	81,906
Other Comprehensive Expenditure And Income	0	309,277	669	309,946
Total Comprehensive Expenditure And Income	80,544	309,277	2,031	391,852
Adjustments Between Accounting Basis And Funding Basis Under Regulations	(88,542)	88,543	31,691	31,692
Net Increase/Decrease Before Transfers To Earmarked Reserves	(7,998)	397,820	33,722	423,544
Transfers To/From Earmarked Reserves	18,143	(18,118)	0	25
Increase/Decrease In Year	10,145	379,702	33,722	423,569
Balance At 31st March 2010	(100,895)	(404,802)	79,468	(426,230)

Group Comprehensive Income & Expenditure Account

2009/10				2010/11		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
388,855	(265,060)	123,795	Education Services	352,308	(284,180)	68,127
71,712	(16,258)	55,454	Children's Social Care	73,324	(14,097)	59,227
112,255	(38,180)	74,075	Adult Social Care	112,534	(27,590)	84,944
323,117	(312,569)	10,548	Housing Services - General Fund	309,247	(296,292)	12,955
115,818	(112,203)	3,615	Housing Services - Housing Revenue Account	424,071	(108,566)	315,504
100,271	(29,923)	70,349	Cultural, Environmental and Planning Services	76,846	(28,125)	48,721
31,393	(15,830)	15,563	Highways, Roads and Transport Services	31,312	(16,289)	15,024
43,451	(38,337)	5,114	Central Services	16,417	(36,868)	(20,451)
1,044	(872)	172	Court Services	1,097	(910)	187
99,446	(75,886)	23,560	Corporate and Democratic Core	109,492	(70,583)	38,909
(947)	0	(947)	Non-Distributed Costs	(113,475)	(595)	(114,070)
1,286,415	**(905,118)**	**381,297**	**Cost of Services**	**1,393,173**	**(884,095)**	**509,078**
		7,177	Other Operating Expenditure (Note 9)			8,572
		59,519	Financing and Investment Income and Expenditure (Note 10)			54,040
		0	(Surplus)/Deficit of Discontinued Operations			0
		(367,449)	Taxation and Non-Specific Grant Income (Note 11)			(381,450)
		0	Corporate Amounts			0
		80,544	**(Surplus)/Deficit on Provision of Services**			**190,241**
		21,438	(Surplus)/Deficit on Reval'n of Fixed Assets			(65,838)
		0	(Surplus)/Deficit on Reval'n of Available for Sale Fin'l Assets			0
		279,488	Actuarial (Gains)/Losses on Pension Assets/Liabilities			(136,183)
		35	Other Comprehensive Income and Expenditure			1,705
		381,506	**Total Comprehensive Income and Expenditure**			**(10,075)**

Group Balance Sheet

01 April 2009	31 March 2010		Notes	31 March 2011
£'000	£'000			£'000
1,795,538	1,728,184	Property, Plant and Equipment		1,524,453
44,450	48,098	Investment Property		52,706
1,792	1,785	Intangible Assets		1,237
4,297	440	Assets Held for Sale		540
483	438	Long Term Debtors		407
1,846,560	1,778,946	**Long Term Assets**		1,579,343
102,351	28,737	Short Term Investments		24,117
751	835	Inventories		726
69,384	88,896	Short Term Debtors		71,482
16,485	19,803	Cash and Cash Equivalents		23,870
188,970	138,271	**Current Assets**		120,195
(31,764)	(65,472)	Short Term Borrowing		(64,933)
(90,015)	(73,607)	Short Term Creditors		(81,743)
(3,700)	(3,009)	Provisions		(18,988)
(125,479)	(142,089)	**Current Liabilities**		(165,664)
0	0	Long Term Creditors		(221)
(619,283)	(587,254)	Long Term Borrowing		(580,760)
(380,474)	(691,638)	Other Long Term Liabilities		(437,956)
(17,198)	(25,816)	Capital Grants Receipts in Advance		(23,110)
(1,021,246)	(1,309,201)	**Long Term Liabilities**		(1,046,620)
888,806	465,927	**Net Assets**		487,255
104,289	61,113	Usable Reserves		89,444
784,516	404,814	Unusable Reserves		397,811
888,806	465,927	**Total Reserves**		487,255

Group Cash Flow Statement

2009/10 £'000	Description	2010/11 £'000
77,555	Net (surplus) or deficit on the provision of services	193,837
2,354	Adjustments to net surplus or deficit on the provision of services for non-cash movements	5,080
(75,066)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(249,695)
4,843	Net cash flows from Operating Activities	**(50,778)**
(10,606)	Investing Activities	46,515
9,392	Financing Activities	11,045
3,629		**6,782**
16,485	Cash and cash equivalents at the beginning of the reporting period	19,804
20,114	**Cash and cash equivalents at the end of the reporting period**	**26,586**

Notes to the Group Accounts

Basis of Consolidation

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

Company Limited by Guarantee

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

Charitable Trust

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

Accounting Policies

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

Additional Disclosure Notes

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

Homes for Haringey Accounts

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

Alexandra Park and Palace Charitable Trust Accounts

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

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

2010/11					
Post	**Salary (inc fees & allowances) (£)**	**Benefits in Kind (£)**	**Total excluding pension contributions (£)**	**Pension contributions (£)**	**Total including pension contributions (£)**
Chief Executive	118,967	0	**118,967**	18,321	**137,288**
Director of Resources	89,273	0	**89,273**	13,402	**102,675**
Director of Housing Management	85,799	0	**85,799**	12,862	**98,661**
Director of Property Services (From 1 March 2011 - annualised salary - £92,744)	7,729	0	**7,729**	0	**7,729**
Director of Asset Management (Until 23 April 2010)	2,515	0	**2,515**	377	**2,892**
Director of Repairs Service	90,536	0	**90,536**	1,093	**91,629**
2009/10					
Post	**Salary (inc fees & allowances) (£)**	**Benefits in Kind (£)**	**Total excluding pension contributions (£)**	**Pension contributions (£)**	**Total including pension contributions (£)**
Chief Executive	118,967	5,000	**123,967**	18,321	**142,288**
Director of Resources	90,997		**90,997**	13,663	**104,660**
Director of Housing Management	87,544		**87,544**	13,132	**100,676**
Director of Property Services	0		**0**	0	**0**
Director of Asset Management	84,013		**84,013**	12,586	**96,599**
Director of Repairs Service	82,361		**82,361**	12,333	**94,694**

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

	2010/11			**2009/10**	
Post	Salary (inc fees & allowances) (£)	Total excluding pension contributions (£)	**Total including pension contributions (£)**	Salary (inc fees & allowances) (£)	**Total including pension contributions (£)**
Interim Director of Property Services (From 26 April 2010)	164,175	**164,175**	**164,175**	0	**0**

SECTION 5

THE PENSION FUND

2010/11

Grant Thornton

London Borough of Haringey

Annual Report to Those Charged With Governance (ISA 260)

September 2011

Contents

Appendices

1. Executive summary

Purpose of this report

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Corporate Committee of London Borough of Haringey (the Council). The purpose of this report is to highlight the key issues arising from the Council's financial statements for the year ending 31 March 2011.

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Corporate Committee. The requirements of ISA 260, and how we have discharged them, are set out in more detail at Appendix A.

The Council is responsible for the preparation of financial statements which record its financial position as at 31 March 2011, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's financial statements present a true and fair view of the financial position.

Under the Audit Commission's Code of Audit Practice we are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Audit conclusions

Financial statements opinion

We were presented with draft financial statements and accompanying working papers on 30 June 2011 by the deadline. The working papers were of a good standard and the financial statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), based on International Financial Reporting Standards (IFRS).

We identified a £236k audit adjustment that impacts on the Council's income and expenditure position (comprehensive income and expenditure statement). This related to the estimate used for the housing benefit creditor within the accounts being higher than the amount subsequently included on the housing and council tax benefits claim submitted. However, on the grounds of materiality and a past history of clawbacks the Council has chosen not to process it. As required by ISA260 any unadjusted errors are reported at the end of Appendix B, Audit Adjustments. The adjustments noted on the balance sheet (statement of financial position) were of a presentational nature only and had no overall net effect on the Council's reported assets and liabilities.

Based on our work to date, there are a number of adjustments required to the financial statements, the most significant being:

- The Alexandra Park & Palace accounts to be consolidated into the Council's Group accounts following the conversion to IFRS. The net impact of this on the Group balance sheet will be immaterial. The debt of £42.9m owed to the Council by AP&P will be reinstated onto the Council's balance sheet, along with the introduction of a £42.9m bad debt provision against the long term debtor.
- Property, plant & equipment to increase by £11.855m due to depreciation on council dwellings not having been reversed in previous years.

The key messages arising from our audit of the Council's financial statements are:

- At this stage the Council has been unable to provide copies of all of the contracts we had selected for testing. The Council should reinforce the message that where information is requested from other departments it should be provided as quickly as possible to facilitate the audit completion deadline being met.
- The Council needs to ensure the valuation team adequately document their assumptions in order to support the estimates and judgements within the accounts.

We anticipate providing an unqualified opinion on the Council's financial statements, following approval by the Corporate Committee on 27 September 2011.

Further details of the outcome of the financial statements audit are given in section 2.

Value for Money Conclusion

In providing the opinion on the financial statements we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion).

We are pleased to report that, based on our review of the Council's arrangements, we propose to give an unqualified conclusion.

Further details of the outcome of our value for money review are given in section 3.

The way forward

Matters arising from the financial statements audit have been discussed with the Director of Corporate Resources. We have made a number of recommendations, which are set out in the action plan at Appendix C. This has been discussed and agreed with the Director of Corporate Resources and the senior finance team.

We are required to provide an audit opinion on the consolidation pack that is to be completed as part of the Whole of Government Accounts. This work is not covered by our opinion on the Council's accounts. We will complete this work once the accounts audit has been finalised and in time for the 30 September deadline.

Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under ISA 260, and should not be used for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Council's Letter of Representation.

Acknowledgements

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP

September 2011

2. Key audit issues

Matters identified at the planning stage

The issues below were communicated to you in our Audit Approach Memorandum dated 20 June 2011. Our responses to the matters identified are detailed below:

Issue	Audit areas affected	Work completed	Findings and conclusions
Accounting under IFRS	All areas of the financial statements	• A specific review of the Council's preparedness for IFRS has been completed. The results of this review have been reported to the Audit Committee in April 2011 in a red/amber/green (RAG) format. • We have maintained on-going liaison with the Finance Team regarding emerging IFRS issues and guidance and we have provided support for any proposed changes to accounting treatment being considered under IFRS.	• We have agreed with the Council that under IFRS the accounts of Alexandra Park & Palace Trust should be consolidated into the Council's Group Accounts. • From work carried out during the audit, we have not identified any other areas where there have been any significant departures from the requirements of the CIPFA Accounting Code.
Financial performance pressures	All areas of the financial statements	• We have monitored the Council's financial position throughout the year through review of Cabinet papers and liaison meetings with the Director of Corporate Resources. • We have substantively tested revenue and expenditure. • We have completed a review of the Council's Financial Resilience.	• Our review of Financial Resilience concluded that overall, the Council's level of available reserves and contingencies provide adequate cover for known future financial risks. • We have concluded that the Council's reported underspend of £51k was materially accurate.

Issue	Audit areas affected	Work completed	Findings and conclusions
Revaluation of fixed assets	**Property, plant and equipment**	• We held early discussions with management to gain assurance that revaluations completed would be in line with IFRS requirements. • We substantively tested a sample of revaluations completed during the year, agreeing the amounts to the valuation reports and carrying out a review of the assumptions used by the valuer. • We confirmed which schools in the borough are in the process of transferring to Academy status. We obtained evidence as to the date of the authorisation to become and Academy and the date of transfer.	• We have agreed an adjustment of £383k for 6 investment property units that had not been revalued. • We agreed with the Council that the transfer of Alexandra Park and Woodside Schools to Academy status are non-adjusting Post Balance Sheet Events, as both the authorisation and transfer dates occur after 1st April 2011. The Council has agreed to include appropriate disclosure within the accounts. • See page 10 for further details on the revaluation of PPE. • We are in the process of completing work to confirm that where negative revaluations have been made during the year they have been taken to Statement of Comprehensive Income if appropriate to do so.
Valuation of Council dwellings	**Property, plant and equipment**	• We agreed with the Council that its use of the Major Repairs Allowance (MRA) as a proxy for depreciation was acceptable under the Code. • We reviewed the valuation of council dwellings including the uplift applied to those dwellings where a beacon valuation had not been ascertained.	• We noted a lack of documented evidence to support the assumptions used by the valuation team to derive the valuation. Clarity ISA requirements mean that judgments of this nature need to be adequately supported and we have included this as a recommendation for future years. • Although the use of MRA as a proxy for depreciation is allowable, as this is not standard practice for all authorities we agreed with the Council that further disclosure should be included within the accounts. The Council should also consider this treatment in light of the future HRA self-financing reforms. • We noted a difference between the value of council dwellings per the valuation report and per the accounts amounting to £11,855k. This related to depreciation from previous years not reversed out as it should be, as these assets are revalued every year. An adjustment has been agreed to increase the value of council dwellings and decrease the capital adjustment account.

Issue	Audit areas affected	Work completed	Findings and conclusion
Alexandra Park and Palace Trust	**Group accounts consolidation**	• We reviewed whether the Trust should be consolidated against IAS 27 - Consolidated and Separate Financial Statements. • We liaised with the Council as to the impact of this consolidation. At the time of the draft accounts being prepared, it had not been possible to receive clarification from the Charity Commission at to whether consolidation could have an adverse impact on the Trust's charitable status. • We also received information during the audit from the Audit Commission which helped to support the decision to consolidate.	• The Charity Commission confirmed to the Council in August 2011 that consolidation would have no impact upon the Trust's charitable status. • The Council has subsequently agreed to consolidate the Alexandra Park and Palace (AP&P) Trust accounts into the Council's Group Account statements. • The Council has been funding AP&P's deficit and the consolidation will lead to the £42.9m owed to the Council being reinstated onto its balance sheet. A £42.9m bad debt provision against the long term debtor will also be introduced. This has been restated for all three years of the balance sheet disclosed within the accounts. • During the course of the audit the management team identified a further adjustment relating to a £2.103m loan made to AP&P during the year to fund the refurbishment of the ice rink. This had been incorrectly treated as Revenue Expenditure Funded From Capital Under Statute. A long term debtor will be introduced to the accounts as AP&P are repaying the loan over a 12 year term.
Finance support functions review	**All areas of the financial statements**	• We discussed the new structure for finance as part of our regular liaison meetings with the Council. • We worked with the Council to manage the risks inherent to the team preparing the accounts not being in place for the duration of the audit work.	• The Council were able to provide us working papers that were of a good standard and answered most of our queries within a reasonable time. Exceptions were noted outside of finance where information was requested from other departments. The Council will need to ensure that other departments understand that information should be provided to the audit team as quickly as possible to enable the work to be completed. • The team who will be responsible for preparing the financial statements next year will be different to previous years. Although some of these team members have been involved in resolving audit queries this year, the Council should still ensure that it has appropriately captured the knowledge of the outgoing team.

Issue	Audit areas affected	Work completed	Findings and conclusion
Consultant contracts	Expenditure	• Based on findings from Internal Audit's review of the use of Consultants, it was noted procedures as laid out by the Standing Orders were not always complied with. We suggested that weaknesses identified in this area should be considered in the context of the Annual Governance Statement. • A wider risk was identified of not having contracts in place as required within the parameters specified by Standing Orders for all expenditure types, not just expenditure on consultants. From the payments listing, a sample of payments were selected and checked to ensure this complied with the Contracts Standing Orders in particular ensuring that a signed contract was in place.	• There were no issues with the majority of the small sample of contracts we reviewed. However, we did find that in one case the contract in place had not been signed. This represents a control issue in that signing the contract acts as the authorisation for payments to be made to that supplier. It also represents a potential value for money concern as performance should be monitored against the requirements of an agreed, signed contract. • At time of writing the work is still ongoing on the rest of our sample. For two contracts the Council has as of yet only been able to provide Deeds of Novation, which give assurance that the supplier has been authorised. The signed contracts in these cases had been archived and subsequently destroyed by the archiving company without the authorisation of the Council. No duplicate copies have yet been located. The lack of access to signed contracts specific to these projects again raises a potential value for money concern. • For the remaining part of our sample we are yet to receive any contracts for review, although the Council is continuing its efforts to retrieve them. It is our understanding that in these cases there are Framework agreements in place, and that the Council's legal team have confirmed to procurement that this negates the need for individual signed contracts for specific projects. Until we have sight of the Framework agreements we are unable to reach a view as to whether this arrangement is in accordance with the Council's standing financial orders. • We will update the Committee verbally as to any further progress on our testing as at the date of the meeting.

Issue	Audit areas affected	Work completed	Findings and conclusion
Redundancies	Provisions	• Based on discussions with management, with the ongoing restructure there were likely to be redundancies which the Council would need to account and disclose for based on IAS 37 - Provisions and Contingent Liabilities. • We reviewed the provision within the draft accounts and updated our understanding of redundancy amounts agreed since that time.	• The Council's calculation of the redundancy provision in the draft accounts was a reasonable estimate at that time. However further redundancies have been agreed since then that should be recognised as a provision in 2010/11 and a £4,501k adjustment has been agreed. • See page 10 for details on the provision for redundancies.
Potential costs for ongoing cases	Provisions	• We have updated our understanding of the ongoing cases through discussions with management.	• The Council has included disclosures on contingent liabilities which cover all significant on-going cases. This is considered adequate disclosure based on the information provided on the progress of these cases. Provisions have been made where appropriate. • We have agreed the updated disclosures within the final set of accounts.
Use of estimates and judgements	All areas of the financial statements	• We have discussed the requirements for disclosures and supporting evidence for estimates and judgements within the financial statements including asset valuations, allowances, prepayments, accruals and provisions. • We reviewed the Council's accounting policies and disclosures for likely areas where estimates and judgements would be used.	• We concluded that adequate disclosures have been included for these areas in the financial statements. • However, we did note a weakness in the documentary evidence provided to support the valuation of Council Dwellings and a recommendation has been raised to improve these arrangements in future years. • The Council should also ensure it has processes in place to facilitate its provisions and other estimates, such as National Non Domestic Rate income within the Collection Fund, being based on the most up to date information available.

Status of the audit

We carried out our audit is accordance with the proposed timetable and deadlines communicated to you in our Audit Approach Memorandum. Our audit is substantially complete although we are finalising our procedures in the following areas:

- outstanding work on contracts, PPE, reserves and various other tests for which information has been requested;
- review of the final version of the financial statements, including Group Accounts with AP&P incorporated;
- completing the audit of the Group Accounts;
- completing the audit of the Council's Whole of Government accounts submission;
- obtaining and reviewing the Council's letter of representation;
- review of the revised version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the accounts.

We anticipate providing an unqualified opinion on the Council's financial statements, following approval by the Corporate Committee on 27 September 2011.

In addition, finance staff dealt with our audit queries efficiently and provided timely responses to requests for additional information.

A small number of issues arose during the course of the audit, which whilst not considered material to the reported financial performance , should be considered by the Corporate Committee. These are set out in the following paragraphs. Where appropriate, we have made recommendations for improvement, as set out in the agreed action plan at Appendix C.

Matters arising from the financial statements audit

Following certification by the Council's Responsible Finance Officer on 30 June 2011, we were presented with draft financial statements for audit.

We are pleased to report that the financial statements were accompanied by good working papers, although we have raised recommendations on ensuring listings of debtors and creditors from which samples are selected, are available at the start of the audit.

Segmental Reporting

Under the requirements of the Code based on IFRS, Councils are required to disclose their business operating segments. An operating segment is a separately identifiable component of the Council, which earns revenues and incurs expenses, and whose operating results are regularly reviewed by the Council's chief operating decision maker ("CODM"), to assess the segment's performance and allocate resources. The Council disclosed operating segments in its 2010/11 financial statements which we found to be in line with its internal reporting arrangements. These were:

- Children and Young People
- Adults, Culture & Community
- Corporate Resources
- Urban Environment
- Policy, Performance, Partnerships & Communications
- People, Organisation and Development
- Chief Executive Services
- Non service revenue
- Housing Revenue Account
- Individual Schools

We audited the Council's segmental reporting note 'Amounts Reported for Resource Allocation Decisions' and found that income and expenditure were presented in line with the Council's outturn report for 2010/11. Under the Code there is a requirement to present a reconciliation of the segmental analysis to the Comprehensive Income and Expenditure Statements We found that this reconciliation was not present in the draft accounts. A reconciliation has subsequently been provided and an adjustment agreed for it to be included within the Note.

Revaluation of property, plant and equipment
The Council has a five year revaluation programme in place. From 2010/11 revaluations in the year were based on this programme and this resulted in 80% of assets being revalued which was considered reasonable as the Council had revalued all its assets in 2009/10, revalued assets with significant spend in the year and carried out an impairment review.

We reviewed a sample of valuations, agreeing the amounts against the valuation reports and carried out a review of the assumptions used by the valuer.

We noted that for all assets other than investment properties the finance team calculated the total net book value based on the information provided by the valuation team. The total amounts are then checked by the valuers, rather than having been provided by them . It was also noted that the valuers did not provide the finance department with a spreadsheet of their valuations. A few immaterial differences were noted between the valuation reports and the amounts subsequently included by finance in the fixed asset register. A recommendation has been made to address these two issues.

Investment properties were revalued at year end and carried at fair value as per the Council's accounting policy. However, from our testing we noted that not all the units on one of the investment properties had been revalued. The valuation team has now revalued the other units, resulting in a decrease in value of £383k.

We have agreed additional disclosures with the Council regarding the property, plant and equipment for schools which we have reviewed and considered appropriate.

The current restructuring of Property Services will impact upon who is carrying out the Council's PPE valuations. The Council needs to ensure that the risk of insufficient knowledge transfer of its property portfolio is mitigated.

Redundancy provision
Included in the draft accounts was a provision for redundancies of £9,306k which was based on the number of redundancies made up to end of April 2011. This was reviewed against IAS 37 and no issues were noted. However since April 2011 there have been further redundancies that have been subsequently identified as part of the approval of the Council budget and the savings plan for 2011/12. These redundancies related to formal Council decisions and "at risk" letters issued in 2010/11.

These additional redundancies amounted to £4,501k and in line with IAS 37 this should be accounted for as a provision in 2010/11 as they represent a financial liability that has resulted from a past event. An adjustment has been proposed for this. The Council has set aside a reserve to covers its redundancies and therefore the adjustment has no impact on the surplus for the year or the General Fund balance.

Leases
We reviewed the Council's methodology for identifying its leases and assessing this against IAS 17 to account for these as either operating or finance leases. The Council set a de-minimus level of £50k and any leases with a capital value of this amount were consider immaterial and not reviewed against IAS 17. The Council grouped leases with similar terms and reviewed these against IAS 17 to determine which of these leases should be accounted for as operating or finance leases. The Council has identified fourteen leases that should be accounted for as finance leases under IFRS. All but one were previously accounted for as an operating leases.

Based on the work completed, the Council methodology was appropriate. A sample of leases was selected for review against the IAS 17 criteria and no issues were noted with the accounting of these leases by the Council. The Council has made appropriate adjustments for the finance leases identified in order to bring them on balance sheet. The Council has included appropriate disclosures in regards to its leases. However, we did experience significant delays in receiving a breakdown of long and short term leases and the Council needs to reinforce the message that where information is requested from other departments it should be provided as quickly as possible to facilitate the audit completion deadline being met.

Accumulated absences accrual (holiday pay accrual)
The Council included a provision of £6,015k relating to an accumulated absences provision in line with IAS 19.

The Council calculated its non-teaching staff holiday pay accrual based on a sample of staff which included the different departments and staff on different pay bands. The teaching staff holiday pay accrual was based on the CIPFA model provided. No issues were noted from review of the calculation.

However based on the Code, this should be accounted for as an accrual instead of a provision and an adjustment has been proposed.

Pensions

Following the Chancellor's budget statement on 22 June 2010, future pension increases are linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The Council has treated the previous use of RPI as being due to a constructive obligation and has accounted for the change in line with guidance from CIPFA. The effect of this change comes through as a negative past service cost item in the Non-distributed costs line for 2010/11 of the Comprehensive Income and Expenditure Statement of £115m. We have reviewed the accounting of this change and no issues have been noted. The Council has made appropriate disclosure of this change in the accounts.

Misstatements

Misstatements that were identified by the management team during the course of the audit and subsequently adjusted include:

- The property, plant and equipment note was revised at the start of the audit due to errors identified as part of the reconciliations carried out by the Council. This has increased the closing net book value reflected within the balance sheet by £10.915m.
- During the year the Council made a £2.103m long term loan to Alexandra Palace & Park to facilitate refurbishment of the ice rink. This had been incorrectly treated as Revenue Expenditure Funded from Capital Under Statute. An adjustment was identified in order to place the loan onto the Council's balance sheet as a debtor as AP&P will be repaying it over a 12 year term.

Further misstatements were identified as a result of the audit work performed, the most significant of these are:

- reclassification of £4,913k relating to capital expenditure incorrectly coded as income instead of expenditure. This had no impact on the net expenditure or the surplus reported for the year.
- £4,494k increase in non-current and decrease in current insurance provision, as under IFRS this split is required. This has an impact on the classification with in the Statement of Financial Position.
- £2,351k decrease of creditors and bank balances. This relates to internal amounts owed between the Council and schools which should have been netted off at the time of preparing the accounts.

All adjusted and unadjusted misstatements are set out at Appendix B.

The auditor is required to communicate all uncorrected misstatements, other than those considered to be clearly trivial, to the entity's management and to request that management corrects them.

Our audit identified one amendment to the financial statements that has not been processed by management on the grounds of materiality. The unadjusted misstatement relates to:

- adjustment of £236k to the housing benefit creditor due to the difference between the estimate used for the creditor and the amount included on the housing and council tax benefits claim submitted.

The impact of this unadjusted misstatement on the Statement of comprehensive income and expenditure for the year ended 31 March 2011 would be to decrease the net expenditure by £236k. The financial outturn reported against the Council's budget would also be affected by this amount, moving from a reported underspend of £51k to £287k.

Evaluation of key controls

Internal Controls

We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. Our evaluation of the Council's key financial control systems did not identify any control issues that present a material risk to the accuracy of the financial statements.

However, we did note that the Deputy Chief Financial Officer has the access rights necessary to make journal entries in the general ledger. We have raised a recommendation for these rights to be removed as the duties of senior financial reporting personnel should not include the ability to make journal entries.

Review of IT

We performed a high level review of the general IT control environment as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that could adversely impact on our audit of the accounts.

We have, however, identified two control issues from the IT review that we do not consider could have an adverse impact on the accounts. We have discussed these issues with management and made recommendations for improvement which are detailed in appendix C.

Review of internal audit

We periodically review the Internal Audit function for compliance with the requirements of the 2006 CIPFA Internal Audit Standards. Our most recent review in June 2011 concluded that the Council's function met these requirements. We draw on this work in forming our overall Value for Money (VfM) conclusion in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. This work also supports our review of the Annual Governance Statement (AGS) which in turn informs our VfM conclusion and our audit of the financial statements.

We have raised three recommendations from our review of Internal Audit which have been agreed with management. These are detailed at Appendix C.

We note that the Head of Audit and Risk Management provided an opinion that the system of internal control in operation for the year ended 31 March 2011 accords with proper practice and is fundamentally sound as per the Annual Audit Report and Assurance Statement. This opinion provides an element of assurance to the Council about its overall governance arrangements.

Management of the risk of fraud

We have sought assurances from the Director of Corporate Resources and the former Chair of the Audit Committee, who was in this role throughout 2010/11, in respect of processes in place to identify and respond to the risk of fraud at the Council.

From these enquiries we have established that the Council considers there are adequate processes in place to mitigate against the risk of fraud occurring at the Council and that those charged with governance have sufficient oversight over these processes to give them the assurances they require in this area.

Annual Governance Statement (AGS)

We have examined the Council's arrangements and processes for compiling the AGS. In addition, we read the AGS and considered whether the statement is in accordance with our knowledge of the Council.

We noted that the AGS covers all the required elements and is in accordance with our knowledge of the Council. At time of writing the Council is considering whether the August 2011 civil disturbances in London have identified any significant governance issues to be reflected in the final version of the AGS.

In 2009/10 we recommended that the AGS be presented to Members by someone from outside of audit, in line with best practice, so that the Head of Internal Audit can clearly demonstrate her independence when providing her opinion on the system of internal control which supports the Council's overall conclusion in the AGS. We are pleased to note that the draft 2010/11 AGS was presented to the Corporate Committee for approval on 20th June by the Director of Corporate Resources.

Public challenge matters

We received a question from a member of the public who was concerned about the approval of head teacher salaries. In response we selected a sample of head teachers and checked to ensure that their salaries were in line with the schools' finance manuals. No issues were noted from the work carried out.

At the time of writing we have received no other questions or objections in respect of the financial statements for the year ended 31 March 2011 that prevent us from issuing our audit certificate.

Next steps

The Corporate Committee is required to recommend to Council the financial statements for the year ended 31 March 2011. In forming its conclusions the Committee's attention is drawn to the adjustments to the financial statements and the required Letter of Representation.

3. Value for money

Value for money conclusion

In order for us to provide a positive conclusion, the Council needs to demonstrate proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

The Audit Commission Code of Audit Practice 2010 describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

For the year ended 31 March 2011 we are required to give our conclusion based on the following two criteria specified by the Audit Commission:

- the Council has proper arrangements in place for securing financial resilience
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

Programme of work - review of proper arrangements

Our work has encompassed a review against proper corporate performance and financial management arrangements as defined by the Code. The findings from our review against these arrangements are detailed below:

Code criteria	Work completed	Conclusion
Planning finances effectively to deliver strategic priorities and secure sound financial health	Refer to our review of Financial Resilience	• The Medium Term Financial Plan sets out the Council's strategic priorities and how these will be delivered. The Council has agreed spending priorities and actions linked to these outcomes based on evidence of need and available resources for 2011/12. • The Council has set a balanced budget for 2011/12 which includes a savings plan of £41m and a total of £84m over 3 years. The final stages of the planning cycle did not provide adequate time to develop enough robust savings options to consider, which impacted on some implementation timescales for 2011/12. • The Council reviewed potential savings delays as part of the associated planning cycle, and a provision of £1.8m for slippage has been included in the 2011/12 budget. • Significant work is still required to meet the outstanding budget gap of £21.3m within the MTFP. • Achievement of the savings plan has been identified as a significant risk for the Council. It is included in the Internal Audit plan for the year and progress will be monitored monthly. Based on the above, proper arrangements for planning finances effectively are considered to be in place.

Code criteria	Work completed	Conclusion
Having a sound understanding of costs and performance and achieving efficiencies in activities	Refer to our review of Financial Resilience	• The Council has arrangements in place to provide sound financial management, and has a largely good record in controlling spend in non demand-led services. There have however been serious challenges in demand led services, particularly Children's Services. • There are currently mixed levels of financial management ability for non financial managers across the Council, for example, in relation to a detailed understanding of unit costs, cost drivers, and benchmarking data. The reduction in service manager posts and associated increases in spans of control for managers, and the reduction in finance and other central support services to these managers is a risk for the Council. This is recognised, and finance support will be prioritised on the basis of risk based judgements, the provision of financial management and SAP related training, and the development of enhancements to SAP. • Services could improve their understanding of the relationship between demand and expenditure, for example by utilising Activity Based Costing, to better inform financial planning and financial monitoring discussions. • A summary of the progress made against the savings plan is reported as part of the monitoring report to Cabinet. This is RAG rated. The most recent monitoring report provided to us forecast, of the £8,004k saving required for 2010/11, £7,380k rated as green, £469k amber and £155k red. Based on the above, proper arrangements for understanding costs and performance are considered to be in place.
Reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people	Reviewed as part of Financial Resilience work and our audit of the financial statements	• The budget monitoring report is presented to Cabinet. This includes both information on the performance management and financial performance of the Council. Commentary is exception based. • The Cabinet minutes provide evidence of the scrutiny of overspends against the budget by members. These reports are available to stakeholders on the Council's website. • The financial statements were submitted on time and with few significant issues arising. Based on the above, proper arrangements for reliable and timely financial reporting are considered to be in place.

Code criteria	Work completed	Conclusion
Commissioning and procuring services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money	Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity	• The Council has a good track record of sustainable procurement. For example, during 2010/11 it changed its paper supplier so that it is using recycled paper which had a positive environmental and financial impact. • During the year the Council introduced the 'CompeteFor' initiative, an online portal for procurement services. This has reduced the burden on local Small and Medium Sized Enterprises tendering for Council contracts. • The Council is currently considering shared service opportunities with the London Borough of Waltham Forest. • When reconfiguring services the Council is evaluating alternative delivery models rather then solely focusing on council provision and for example is currently outsourcing leisure services. • Our review of Personalisation in Adult Social Care found that the Council is working hard to develop the local market and to ensure that suppliers provide services that meet users desired outcomes and provide VFM. • However, as part of our accounts audit we reviewed a sample of payments to assure ourselves that contracts were in place with suppliers where required by the Council's Standing Orders. At time of writing we have not yet received all the contracts for review, although the Council is continuing its efforts to retrieve them. This represents a potential risk to VFM as services received should be scrutinised against the performance requirements of a contract. In addition, we found that in two cases contracts had been destroyed by the archiving company without the Council's authorisation. Based on the above, proper arrangements for commissioning and procuring services are considered to be in place but improvements are required regarding the retention and availability of contracts.

Code criteria	Work completed	Conclusion
Producing relevant and reliable data and information to support decision making and manage performance priorities	Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity	• In previous years we have identified issues around the data supporting the Housing and Council Tax Benefit subsidy claim. In response, the Council has put in place enhanced quality control procedures to improve the accuracy of benefits assessments. The corporate performance team carried out workshops with the benefits team at the start of the year to help address the issues identified. At time of writing, the 2010/11 subsidy claim certification process is not yet complete, but at this stage a general improvement in accuracy has been noted. • There were no issues raised or recommendations made in respect of data quality in the latest Ofsted inspection of Children's services (September 2010). • Internal Audit's 2010/11 report on the Data Quality of National Performance Indicators provided Substantial Assurance. • There was a Data Quality Strategy Action Plan in place for 2010/11 which was monitored by the corporate Performance team and Data Quality audits occurred across the Council. Results of these were reported to the relevant Head of Service and Director at the end of each audit. • There is a new corporate Business Intelligence team in place. The team members previously analysed Children's service data and these skills have now been transferred to the Council's corporate performance management. Based on the above, proper arrangements for producing relevant and reliable data are considered to be in place.

Code criteria	Work completed	Conclusion
Promoting and demonstrating the principles and values of good governance	Refer to our review of Financial Resilience, review of the AGS and follow up of the governance review	• The Local Code of Corporate Governance (LCCG) has been largely effective in driving improvements and ownership of governance issues and arrangements across the Council. There are regular meetings and a work programme for key officer groups to ensure that key statutory processes and good governance arrangements are completed and awareness raised. • The Council appointed external consultants to review its governance arrangements during the year and an action plan was agreed to address issues arising from the review. Based on our follow up review, the Council has proactively addressed the issues raised and has sought to implement best practice. See page 26 for details of our follow up work. • As part of the finance reports to Cabinet, risks associated with achieving the MTFP are highlighted. Financial risks are also identified in the MTFP. • Our financial resilience review covered financial governance at the Council. This has not highlighted any significant issues with appropriate information being regularly provided to the Cabinet to provide an opportunity for review and challenge. • Our review of the Annual Governance Statement did not highlight any significant issues. Based on the above, proper arrangements for good governance are considered to be in place.

Code criteria	Work completed	Conclusion
Managing risks and maintaining a sound system of internal control	Refer to our review of Financial Resilience and review of the AGS	• The Council maintains a sound system of internal control, as evidenced by the Annual Audit Report and Assurance Statement provided by the Head of Internal Audit and Risk Management. • Our review of internal controls in operation at the Council did not lead to any high priority recommendations which would indicate a significant effect on the control system. • Our financial resilience review includes a section on financial control. This has not highlighted any significant issues. See page 24 for further details. Based on the above, proper arrangements for internal control are considered to be in place.
Making effective use of natural resources	We have updated our previous assessment through discussions with officers and a review of documentation.	• The Council's building carbon emissions for 2010/11 were 36,966 tonnes, an improvement on 2009/10 and a 10.81% improvement on the 2006/07 baseline. • The Building Schools For the Future project completed in 2010/11. It is our understanding that for 2011/12 this will have a negative impact upon the Council's carbon emissions due to the extra facilities such as IT at each school. To mitigate this risk voltage optimisation is being put into all secondary schools. Properties are also being sold by the Council which will reduce its carbon emissions. • 2010/11 saw improved recycling rates and cleaner streets supporting the Council's ambition to become London's greenest borough. • 2011/12 performance reports are based on an outcomes framework, one of the outcomes being 'Sustainable'. As part of this framework the Council will be monitoring its performance against its performance indicators for fly tipping, recycling, litter and carbon emissions. Based on the above, proper arrangements for making effective use of natural resources are considered to be in place.

Code criteria	Work completed	Conclusion
Managing assets effectively to help deliver strategic priorities and service needs	Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity	• The Council performed well in the 2009/10 assessment, showing improved performance on the previous year and providing various detailed case studies of outcomes and value for money across the Council's services. • The Council has further rationalised the use of its assets under the Smart Working programme. • Various BSF projects were completed in 2010/11, including Heartlands High which aims to achieve an independent environmental rating (BREEAM) of 'Excellent'. This support the Council's priority of a Cleaner, Greener Haringey. • Evidence to support a robust decision making process behind asset sales has been provided. There is a regular review of asset portfolios, particularly for assets that are becoming surplus or uneconomic to retain. The Capital & Asset Strategy Board considers reports on such properties and, if supported by the Board, approval for disposal will be sought by Cabinet or under delegated authority as appropriate. The Capital & Asset Strategy Board regularly monitors the programme of disposals. • The Medium Term Financial Plan sets out the Council's priorities which have been tailored to local needs. Based on the above, proper arrangements for managing assets are considered to be in place.

Code criteria	Work completed	Conclusion
Planning, organising and developing the workforce effectively to support the achievement of strategic priorities	Refer to our review of Financial Resilience. Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity.	• The Council operates a highly regarded workforce management monitoring system, and outputs from this system are included in the finance and performance monitoring reports to CEMB and the Cabinet, where actions are agreed to manage related workforce issues. • The sickness absence level during 2009/10 was an average of 9.38 per FTE. This compares to the London average of 9.4 and the national average of 12.3 for the same period. • However, Haringey's sickness absence levels have fluctuated over the past three years, with increase of an average 0.5 per FTE (5.6%) during 2009/10 and a reduction during 2010/11 of an average of 1.42 per FTE (15%). 2011/12 and beyond will represent a real challenge in terms of maintaining the downward momentum when budgets are squeezed and staff are under more pressure to delver "more for less". • Sickness absence levels have an appropriate profile with senior management and actions are agreed and minuted. Given the significant organisational change that is taking place during 2011/12, it will be important for CEMB to continue to carefully manage workforce issues when they arise and maintain a robust approach to sickness absence monitoring for the recent downward trend to improve. • We have held discussions with the Assistant Chief Executive as to the workforce challenges currently facing the Council. We RAG rated 'Workforce' as green in our Financial Resilience report, based on the above. Based on this, proper arrangements for workforce are considered to be in place.

Matters arising from the review of Value for Money

Key outcomes from our local programme of work are detailed below. Where we have identified areas of weakness in the Council's arrangements, recommendations to support improvements have been made and are detailed in Appendix C of this report.

Securing Financial Resilience

We have completed a review to assess whether the Council has robust systems and processes in place to effectively manage its financial risks and opportunities and secure a stable financial position. We also have considered whether the Council's financial position should enable it to continue to operate for the foreseeable future.

To support our conclusion against this criteria we have undertaken a review which considered the Council's arrangements against three key areas:

- Strategic financial planning
- Financial governance
- Financial control

The key findings from this review are:

Key Indicators of Performance

We RAG rated this area of the assessment as Green. The key indicators of performance considered include working capital ratio, the level of useable reserves compared to gross revenue expenditure, outturn against budget and sickness absence levels. Haringey has not faired well compared to the rest of London in terms of spending power reductions, and has had to take significant steps to ensure financial balance. In particular, the Council's level of available reserves and contingencies provide adequate cover for known future financial risks. The Council has been developing a robust approach to absence management, and it will be important to maintain this focus during the MTFP period.

Strategic Financial Planning

We RAG rated this area of the assessment as Amber. The key reason for this is the scale of the savings challenge facing the Council and whether it can be effectively delivered whilst maintaining priority services. Some aspects of the 2011/12 planning process were understandably rushed, impacting on the ability of some services to finalise savings and budget assumptions prior to the start of 2011/12. This has been recognised by the Council, which is intending to conclude its review of the 2012/13 budget significantly earlier than the previous year. Significant work is still required to meet the outstanding budget gap of £21.3m within the MTFP.

Financial Governance

We RAG rated this area of the assessment as Green. The Council has a well established approach to financial governance that has delivered solid results in recent financial years. Significant reductions to finance resource, allied to reductions in service manager posts and some operational challenges in relation to the use of some key financial systems raise risks in relation to the role and responsibilities of the new "Haringey Manager". However, the Council well understands these risks and is progressing mitigating actions.

Financial Control

We RAG rated this area of the assessment as Green. The Council's has a robust approach to financial and performance management, and has a largely good record in controlling spend in non demand led services. The Council also demonstrates appropriate deployment of internal and external assurance mechanisms. Achieving financial management cultural change throughout the organisation represents a barrier to delivering effective budgetary controls in the period beyond delivering the front ended savings of the SR 10.

Securing Economy, Efficiency and Effectiveness

We have reviewed whether the Council has prioritised its resources to take into account budget constraints and whether it has achieved cost reductions and improved productivity and efficiencies.

As well as a review against key risk indicators, we have completed a number of reviews that support and inform our conclusion in respect of this criteria:

Personal Budgets in Adult Social Care

A personal budget (PB) is an allocation of money for an individual to spend on a support plan. The individual completes a questionnaire and then develops the support plan, with social care professionals, to meet a jointly agreed set of needs. PBs give users a transparent and agreed allocation of funding and the power to choose how to spend that money in the way they think most suitable to meet their needs.

In 2007 the government, through the concordat 'Putting People First', made PBs one of the cornerstones of personalising social care. The Department of Health (DoH) expected that by April 2011 30% of all eligible social care users or carers should have a PB. The policy direction described in 'Putting People First' is broadly continued in the coalition government's 'Vision for Adult Social Care: Capable Communities and Active Citizens'. The government has said it is committed to ensuring PBs are available to all recipients of ongoing state funded social care by 2013 as a response to rising public expectations of choice and quality and increasing demand. The challenge for all Councils in implementing PBs is the financial environment that they are operating in.

In October 2010 The Audit Commission published its report 'Financial Management of Personal Budgets - Challenges and Opportunities for Councils'. Our methodology was informed by this research, and by our review of the progress made by another London borough as part of its 2009/10 VFM audit.

The Council's 2010/11 outturn against NI 130, Social Care Clients receiving Self Directed Support (SDS), was 23%. This was an improvement on the 2009/10 performance of 21%, when the comparative data available shows that Haringey was the fifth strongest performer in London. Regarding the indicator, it should be noted that the Audit Commission's October 2010 report found that "NI 130... probably underestimates the proportion of PB holders... The definition for NI 130 includes more people (than the Association of Directors of Adult Social Services survey of councils). ADASS believes many 'do not appear to be directly relevant to the offering of a PB'". In addition, there is evidence to suggest that some other authorities have not complied with the NI guidance and have captured significantly lower community base numbers as a result. This inflates their performance against the indicator.

According to the results of the ADASS PBs survey in April 2011, the majority of authorities are now delivering PBs to over a third of their eligible users. The Council's outturn for this survey was 24.5%. This snapshot survey does not capture any direct payments which ceased before the 31st March, for example carers' one-off payments or any where the client passed away before the year end. Again, the Council has informed us that for the purposes of the survey other authorities have reduced their community base figures which therefore inflated their reported SDS percentage.

Finally, the Council's 2010/11 outturn reported to London Councils was 30.1%, in line with the London average. This figure is higher than the NI 130 figure as it excludes one-off items of equipment as it would be unlikely these clients would want or qualify for a personal budget. The Council asserts that for the purposes of this return many authorities have excluded both professional support and equipment clients from their community base figures and that again this artificially inflates their SDS percentage. Indeed, if the Council were to employ these practices it has calculated that its 2010/11 outturn would have been 45.2% and that performance would therefore be the third best in London compared with the other authorities that appear to be excluding professional support and equipment from their community base figures.

It is therefore unclear as to whether or not the Council was able to meet the Department of Health's April 2011 target of 30% and we recognise that given the variability of sources from which councils have compiled their data a meaningful comparison with other councils is difficult.

However, the unequivocal indicator that performance at the Council has improved is the significant increase in the numbers of users with PBs. This provides a clearer picture than the percentages as these differ substantially according to source and compliance with definition and what has or has not been included in the community base figure. The number of users in receipt of PBs in Haringey has increased from 17 in 2009/10 to 278 in 2010/11 and we are told that the current number as at August 2011 is 453. In addition, the Council does have a very high number of people on Direct Payments, (the precursor to Personal Budgets) and it anticipates that these can be converted to PBs relatively quickly now that the conversion process is established. An action plan is in place to increase the number of people receiving PBs and this is monitored through the monthly performance call over. The total number of clients in receipt of self directed support overall has increased from 1236 in 2009/10 to 1259 in 2010/11.

It is our view that the Council has worked hard over the past four years to embed personalisation. Stakeholder engagement is good, particularly with users and carers via user reference groups. The Council performed well in terms of the quality outcomes survey it was involved in with nine other local authority demonstrator sites. This centred on the experience of people receiving a personal budget and the difference it made to their lives. The Council is taking steps to safeguard users via its locally produced Supplier Accreditation process. It is committed to developing the market and to driving down costs for users.

We found that there are appropriate management structures, monthly budget monitoring occurs and there is member involvement on the Transforming Social Care Board. However, we found issues with the recording of data used to report performance against NI 130 in 2009/10.

We identified weak controls in place to mitigate the risk of fraud or abuse of direct payments to users. This is of particular concern as in Haringey the percentage of PBs being administered via direct payment in is more than double the national average. We also found that the risk of external fraud in relation to PBs was not included on the Adult services risk register.

The Council is aware of these fraud risk issues and has drafted a 'Personal Budget Audit Policy' which will give social workers some needed leverage when holding discussions with the borough's challenging client base. The policy states how often direct payment recipients will be subject to checks of their bank statements and receipts, and gives staff a process to follow. The draft policy states thresholds for what is considered an amount needing enhanced monitoring, and also gives guidelines for what to do if a user has any unspent budget left in their bank account. The Council plans to finalise the policy as soon as possible, having consulted widely prior to implementation of the policy in order to comply with Equality Impact Assessment requirements.

Our overall conclusion is that the Council has made good progress within a challenging budgetary environment; there are however some areas for improvement as noted above.

Follow-up of Review of Partnerships
In March 2010 we issued our 'Partnership working in Haringey' report. As part of our VFM work for 2010/11 we have followed up this report, looking at progress made against the recommendations raised. The situation has changed considerably since the time of our review, particularly in light of the government's deficit reduction strategy. The removal of many of the requirements of Local Area Agreements has meant that the Haringey Strategic Partnership (HSP) needed to look again at its structure and the costs and resultant outcomes that were being achieved. In addition, the reorganisation of the NHS has put strain on the Health and Wellbeing Board. The HSP Executive instigated a further review of its structure by external consultants, which encourages the view of partnership working as 'business as usual'.

Key issues raised in our 2010 review that the HSP still needs to focus on are:

- Theme board effectiveness – the Council is currently undertaking a 'mapping exercise' which will document the decisions, actions and outputs of each theme board over the past two years. This will appropriately inform any decisions to be made regarding changes to these boards and the structure of the HSP as a whole.
- Joint Strategic Needs Assessment (JSNA) – with potential changes occurring to the form of the theme boards, the HSP needs to ensure that engagement in JSNA priority setting for 2011/12 is maintained regardless of the structures in place.
- Community and Voluntary sector involvement – the Council needs to carefully manage its relationship with HAVCO and CVS groups as it makes the transition to commissioning services rather than giving grants direct to CVS bodies.
- Private sector involvement – little progress has been noted in this area. It should continue to be a priority given the importance of limiting unemployment in the borough.

The HSP should also review its response to the civil disturbances suffered in London in early August 2011 and should ensure that it learns from the experience.

Follow-up of review of Governance
In December 2010 the Council commissioned external consultants to review the Council's governance arrangements. The purpose of our follow-up review was to gain assurance that the Council has taken on board the report's findings and has made efforts towards putting its recommendations into place. The work carried out does not suggest anything to the contrary.

We were provided with numerous Protocol documents which evidence the discussions held and conclusions made by the Council in relation to the recommendations. The Council have sited that there may be difficulties in implementing some of the recommendations but have treated these difficulties as challenges rather than reasons as to why the recommendations ought to be rejected.

As recommended in the report, he Council has introduced Area Committees to enable devolved decision making. These cover the same geographical area as the Area Assemblies which were already in place. The Area Committee Chairs form the core of the Overview and Scrutiny Committee.

In line with recommendations, the number of Council committees has been reduced from eight to five. The number of Full Council meetings has been reduced from eight or nine a year to five, with three of these being divided into two parts - a "Haringey Debate", where observers can attend and speak, and a formal business session when observers do not have speaking rights. Our impression is that this is challenging change to introduce, but that the first Debate held (on Health Inequalities) was constructive and apolitical.

Given that a relatively small amount of time has elapsed between the submission of the report and today's date, it is understandable that not all recommendations have yet been met. As the majority of recommendations have been addressed and good progress made this supports our unqualified VFM conclusion.

Follow Up of prior year assessment

There were no areas where the Council's arrangements were considered to be inadequate in the year ended 31 March 2010. However, we did make one high priority and four medium priority recommendations in our Value For Money report issued in October 2010.

We have followed up the recommendations made and are satisfied that they have all been met. Regarding the production of the Council's Annual Report, this is no longer a requirement for us to be able to reach an unqualified VFM conclusion. We would, however, still consider the production of an Annual Report to be best practice.

Overall conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects the London Borough of Haringey put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Appendices

A. The reporting requirements of ISA 260

Purpose of report
The purpose of this report is to highlight the key issues affecting the results of the Council and the preparation of the Council's financial statements for the year ended 31 March 2011.

The document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK and Ireland) 260.

We would like to point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Council.

This report is strictly confidential, and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the terms of our audit engagement.

The contents of this report should not be disclosed with third parties without our prior written consent.

Responsibilities of the directors and auditors
The directors are responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the directors confirm that our understanding of all the matters in this report is appropriate, having regard to their knowledge of the particular circumstances.

Clarification of the roles and responsibilities with respect to internal controls
The Council's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Corporate Committee that it has done so.

The Corporate Committee is required to review the Council's internal financial controls. In addition, the Corporate Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

The Corporate Committee should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of testing, we identify any control weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would be pleased to discuss any further work in this regard with the Corporate Committee.

ISAUK 260 requires communication of:
- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- significant findings from the audit

Independence and robustness

Ethical standards require us to give you full and fair disclosure of the matters relating to our independence. In this context we ensure that:

- the appointed audit partner and audit manager are subject to rotation every seven years;
- Grant Thornton, its partners and the audit team have no family, financial, employment, investment or business relationship with the Council;
- our fees paid by the Council do not represent an inappropriate proportion of total fee income for either the firm, office or individual partner; and
- at all times during the audit, we will maintain a robustly independent position in respect of key judgement areas

Audit and non-audit services

Services supplied to the Council for the year ended 31 March 2011 are as follows:

	£
Audit services	
Statutory audit	505,000*

* The Audit Commission issued a rebate to the Council of approximately 9% against this fee

Audit quality assurance

Grant Thornton's audit practice is currently monitored by the Audit Inspection Unit, an arm of the Financial Reporting Council which has responsibility for monitoring the firm's public interest audit engagements.

The audit practice is also monitored by the Quality Assurance Directorate of the ICAEW. Grant Thornton also conducts internal quality reviews of engagements.

Furthermore, audits of public interest bodies are subject to the Audit Commission's quality review process.

We would be happy to discuss further the firm's approach to quality assurance.

B. Audit adjustments

Adjustment type

Misstatement - A change in the value of a balance presented in the financial statements
Classification - The movement of a balance from one location in the accounts to another
Disclosure - A change in the way in which a balance is disclosed or presented in an explanatory note

Adjustments to the financial statements

Adjustment type	£000	Account balance	Impact on financial statements
Misstatement	42,866	Long Term Debtors and Bad Debt Provision	Increase of long term debtors and bad debt provision This relates to the requirement under IFRS for the Alexandra Park & Palace accounts to be included within the Council's Group Accounts. As a result of this AP&P's cumulative deficit of £42.9m which has been funded by the Council needs to be reflected within the Council's primary statements. The debt of £42.9m owed to the Council by AP&P will be reinstated onto the Council's balance sheet, along with the introduction of a £42.9m bad debt provision against the long term debtor. The net impact of this on the Group balance sheet will be immaterial. This is classed as a misstatement due to the impact upon the accounts. However it should be noted that the lack of consolidation in the draft financial statements was because the Charity Commission had not yet confirmed that consolidation would not impact upon the Trust's charitable status, as opposed to an error being made by the Council.
Misstatement	11,855	Property, plant & equipment and Capital Adjustment Account	Increase of Property, plant & equipment and decrease of Capital Adjustment Account This relates to depreciation on council dwellings not reversed in previous years.
Classification	6,015	Provisions and Creditors	Increase of creditors and decrease of provisions. This relates to the holiday pay accrual being classified as a provision instead of an accrual.

Adjustment type	£000	Account balance	Impact on financial statements
Classification	4,913	Income and expenditure	Decrease of gross income and gross expenditure, however no impact on the net expenditure or surplus reported for the year on the face of the comprehensive income and expenditure statement This relates to transfers to capital expenditure with the balancing entry incorrectly coded as grant income instead of revenue expenditure. £2,920k of the adjustment relates to 2010/11, with a further £1,993k having been identified relating to the prior year. As the amount is not material no prior year adjustment required and the adjustment has been made in 2010/11.
Classification	4,572	Provisions	Increase in non-current and decrease in current insurance provision Under IFRS the Council's insurance provision should be split between current and non-current. This has an impact on the classification with in the Statement of Financial Position.
Misstatement	4,501	Provisions and reserves	Increase of provision and decrease in reserves. This relates to redundancies agreed since the initial estimate of the redundancy provision was calculated and other provisions related to staff costs.
Classification	2,351	Creditors and Bank	Decrease of creditors and bank balances. This relates to internal amounts owed between the Council and schools which should have been netted off at the time of preparing the accounts. Combined with the adjustment below, the net impact is a reduction in the schools bank balance of £14k.
Classification	2,337	Debtors and Bank	Decrease of debtors and increase of bank balances. As above, this relates to internal amounts owed between the Council and schools which should have been netted off at the time of preparing the accounts. Combined with the adjustment above, the net impact is a reduction in the schools bank balance of £14k.

Adjustment type	£000	Account balance	Impact on financial statements
Misstatement	2,103	Debtors and Capital Adjustment Account	Increase of debtors and adjustment to Capital Adjustment Account During the year the Council made a long term loan to Alexandra Palace & Park to facilitate refurbishment of the ice rink. This had been incorrectly treated as Revenue Expenditure Funded from Capital Under Statute. An adjustment is required in order to place the loan onto the Council's balance sheet as a debtor as AP&P will be repaying it over a 12 year term.
Misstatement	1,970	Collection Fund - NNDR income due from ratepayers	Decrease in NNDR income due recognised within the Collection Fund. This is due a difference noted between the estimate of the income within the accounts and the amount subsequently included on the NNDR return.
Classification	1,789	Provisions and Creditors	Increase in provisions and decrease in creditors. This relates to housing accruals that should have been coded as provisions.
Misstatement	725	Bad Debt Provision and Reserves	Increase in adults bad debt provision and decrease in earmarked reserves This relates to an adjustment to the healthcare debtors being recognised within the financial statements. An increase in the bad debt provision was proposed in light of potential recoverability issues on invoices being disputed. This has been funded by a transfer from the Earmarked reserves. The bad debt provision is a matter of subjective judgement and therefore this is not considered to be a 'misstatement' in the strictest sense.
Classification	421	Impairment of debtors	Increase of housing rent impairment of doubtful debt and decrease of homelessness impairment of doubtful debt. This relates to an misclassification of a code to the homelessness impairment of doubtful debt instead of the housing rent impairment.

Adjustment type	£000	Account balance	Impact on financial statements
Misstatement	383	Investment property and Capital Adjustment Account	Decrease in Investment property and adjustment to Capital Adjustment Account This relates to Investment Properties which should be valued at fair value. We identified that six units within a block of investment properties had not been revalued during the year. Property Services agreed to complete a valuation to update the accounts accordingly. Per IAS 40 and the Code, gains and losses on revaluation of investment properties should be accounted in the comprehensive income and expenditure statement. This has no impact on the surplus reported as the amount is then adjusted out through the Capital Adjustment Account.
Classification	304	Other operating expenditure and Cost of services	Decrease in Other operating expenditure and increase in Corporate and democratic core expenditure This relates to levy payments incorrectly classified as Other operating expenditure.
Misstatement	173	Government Debtors and Receipts in Advance	Decrease in Government Debtors and decrease in Receipts in Advance Adjustment to Government Debtors as it should have incorporated Receipts in Advance from National Non Domestic Rate payers.
Disclosure	Various	Various	We have agreed various other revised or additional disclosures with the Council, the most significant being: * enhanced disclosure around property, plant and equipment for schools * disclosure around the civil disturbances in August 2011 as this is a non-adjusting Post Balance Sheet event * inclusion of required reconciliation between the Segmental Reporting note and the Comprehensive Income and Expenditure Statement

Unprocessed adjustments to the financial statements

Adjustment type	£000	Account balance	Impact on financial statements
Misstatement	236	Housing benefits expenditure and creditors	Decrease in housing expenditure and decrease in creditors. This relates to an adjustment of the housing benefits creditor due to the difference between the estimate used for the creditor within the accounts and the amount subsequently included on the housing and council tax benefits claim submitted.

C. Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
Accounts audit				
1	We tested a sample of payments to confirm whether contracts were in place as required by the Standing Orders. At time of writing the Council has not been able to retrieve all the contracts requested. We also found that the archiving company had destroyed two contracts without the Council's authorisation. The Council should ensure that signed contracts are available in order to assess the performance of providers against the contract requirements.	H	All officers will be advised of the importance of this. The archive company's action will be investigated.	Head of Finance – Budgets, Accounts and Systems 31 October 2011
2	Where information was requested from other departments outside of Corporate Finance delays were suffered with obtaining this information. The Council will need to ensure that other departments understand that information should be provided to the audit team as quickly as possible to enable the work to be completed.	M	All officers involved in the audit of the accounts will be reminded of the need for responses to be provided to the auditors in line with agreed protocols of 5 days after requests for information are made.	Head of Finance – Budgets, Accounts and Systems 30 June 2012
3	We noted a lack of documented evidence to support the assumptions used by the valuation team to derive the Council Dwelling valuation. Clarity ISA requirements mean that judgments of this nature need to be adequately supported and the Council should improve its arrangements for future years.	M	The requirements of the working papers to support valuation decisions will be reviewed and improved to take account of the auditors' recommendations.	Head of Finance – Budgets, Accounts and Systems/ Head of Corporate Property Services 31 March 2012

C. Action plan

Priority

High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
Accounts audit				
4	The Council should continue to ensure it has processes in place to facilitate its provisions and other estimates being based on the most up to date information available.	M	The Council's view is that it currently has proper processes in place to ensure the most accurate provisions are made at the time of closing the accounts. All provisions made in the 2010/11 accounts, at the time the accounts were presented to the auditors, were reasonable. Through the audit some of these figures have been changed, due to more up to date information becoming available. This is the reality of having a cut-off date at a given point in time and there will always be a possibility of this incidence occurring.	Head of Finance – Budgets, Accounts and Systems 31 March 2012
5	As the Council will have a new team preparing the accounts next year and will need to ensure the knowledge within the team is not lost.	M	Full training will be given to all staff involved in the year end process to ensure continuity of the standards required and full technical knowledge.	Head of Finance – Budgets, Accounts and Systems 31 March 2012
6	The total value of assets revalued in the year should be calculated by the valuation team, not the finance team. The valuers should also provide the finance team with a spreadsheet of the valuations to reduce the number of errors during input of the valuation amounts onto SAP. These changes will help to ensure that the valuation team take ownership of the property valuations appearing in the accounts.	M	The accounts team will liaise with Corporate Property Services to further improve upon the valuation process and to ensure the auditors are satisfied with the process in the forth coming year.	Head of Finance – Budgets, Accounts and Systems/ Head of Corporate Property Services 31 March 2012

C. Action plan

Priority

High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
Accounts audit				
7	The current restructuring of Property Services will impact upon who is carrying out the Council's PPE valuations. The Council needs to ensure that the risk of insufficient knowledge transfer of its property portfolio is mitigated.	M	Agreed.	Head of Finance – Budgets, Accounts and Systems/ Head of Corporate Property Services 31 December 2011
8	The Council should enhance its controls within the Housing team to ensure adequate review of accruals and provisions. This will mitigate the risk of liabilities being incorrectly coded.	M	Agreed.	Head of Finance – Budgets, Accounts and Systems / Head of Finance - Adults & Housing 31 March 2012
9	The Council should ensure that working papers for debtors and creditors, from which a sample can be selected, are available at the start of the audit.	M	The accounts team will work with the auditors, prior to the commencement of the audit, to ensure working paper requirements are fully understood and can be provided at the start of the audit.	Head of Finance – Budgets, Accounts and Systems 31 March 2012
10	We found that the Deputy Chief Financial Officer has the access rights necessary to make journal entries in the general ledger. These rights should be removed as the duties of senior financial reporting personnel should not include the ability to make journal entries.	L	Agreed. It should be noted that whilst this access was available, the officer in question has not actioned any such transactions.	Systems Manager 30 September 2011

C. Action plan

Priority

High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
Accounts audit				
11	The Council should ensure that in future years its Segmental Reporting note separately identifies the following items of income and expenditure, in order to fully meet the disclosure requirements of the Code: • Income from Council Tax, Interest Payments and Precepts and Levies	L	Agreed	Head of Finance – Budgets, Accounts and Systems 30 June 2012
Accounts 2009/10 recommendations not yet implemented				
12	**NNDR Income from Ratepayers** Our testing identified a significant difference between the NNDR income recorded in the Collection Fund and the NNDR income as per the NNDR3 return submitted by the Council for certification. The Council should ensure that the calculation for NNDR income to be included in the accounts is based upon the same report used for the NNDR3 return. This should ensure that in future years the two income figures can be agreed. **2010/11 update:** A £1,970k difference was noted between the NNDR3 return and the draft accounts, due to the return having been compiled at a later date on 28/6/10. The Council should amend its closedown procedures so that the NNDR3 return is completed in line with the accounts closure timetable.	M	Improvements were made during the 2010/11 closing process, which has resulted in an accurate debtor position of monies due from the Government in the form of the NNDR pool debtor. In addition there are genuine areas in the NNDR3 that are not required in the accounts. However the auditors recommendation from the 2009/10 audit is agreed and procedures will be put in place for the 2011/12 closing process to ensure that this recommendation is fully complied with, subject to those areas where there should be genuine differences.	Head of Finance – Budgets, Accounts and Systems 31 March 2012

C. Action plan

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
Review of IT controls				
13	Management should ensure that security hardened baseline configurations are utilised across all network devices. In addition, consideration should be given to subscribing to manufacturers / software supplier security advisory alerts.	M	Regular external penetration tests are undertaken by a Tiger scheme approved supplier. An annual IT Health Check is also undertaken. Up-to-date action plans are created and agreed to address the weaknesses identified in these penetration test reports. The risks & actions are prioritised and assigned to responsible officers. Risk acceptance will be sought from the Section 151 Officer if required. Compliance with the identified weaknesses will also be addressed during completion of the Infrastructure Renewal Programme schedule of works. As the IT infrastructure is changing substantially, not all weaknesses are now relevant. IT Services will ensure that, where possible, security hardened baseline configurations will be deployed across all new & upgraded network devices, or the associated risks will be accepted. Logicalis have registered to become a member of the Cisco Advisory Service.	IT Operations Manager Ongoing

C. Action plan

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
14	Management should ensure that an effective policy and related procedures are established for the collation, analysis, dissemination and retention of Network logs to ensure that they facilitate proactive monitoring and maintenance.	M	The requirement for proactive log monitoring is published in the Council's security policies (ISP006 & ISP008). It is further supplemented within the Information Security Standards Manual (ISS002). IT Services is aware of the risk of current non-compliance and is in the process of addressing the recommendation. LogRhythm training was provided to relevant IT Infrastructure & Network Service Delivery staff on 15/03/11 & a deadline of 30/09/11 was agreed with the IT Operations Manager for full implementation. Dedicated resources are however required to facilitate proactive monitoring and the delivery of these is being considered.	IT Operations Manager 30/09/11
Review of Internal Audit				
15	The work documented in the file should be consistent with the findings in the final internal audit report. For instance, where information has been received from the Council staff after the draft report is issued, this should be documented on the file and used to support the revised report. Similarly, where review notes have been used to explain work completed and recommendations made, the file should be updated accordingly, to ensure that issues identified on the file are explained once those review notes are removed.	M	We consider that this should be a Low priority. We agree that it would be good practice to retain on file all audit evidence that comes to light subsequent to the draft report being issued, in support of the changes made the report. In future, the testing programme and working papers will be updated to reflect the cleared file review points. However, we do not believe that there are any control risks on the basis of the findings.	Deloitte Audit Manager Immediately

C. Action plan

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
16	Controls should not be removed unless the risks which they address are sufficiently covered by the remaining controls.	M	We consider that this should be a Low priority. This relates to the Housing Benefits audit and more specifically to the risk that 'Management information is not complete, accurate, valid or timely'. Although the remaining controls did not fully mitigate the risk, evidence was obtained of monthly management team meetings where information is presented, which form the basis of informed decisions. Therefore we do not believe that there is any substantial control risk. However, the point raised has been noted for future reference.	Deloitte Audit Manager Immediately
17	The final report should include either recommendations or minor points in the body of the report for all controls which have not been found to be 'Effective'.	L	The findings relate to one of the controls tested as part of the Payroll audit The control which was found to be 'Partly Effective' relates to Service Managers requiring to complete a Notification of Leaving e-form through Harinet. The audit sampled 20 leavers and five exceptions were found where a form was not completed. Four relate to electoral staff for whom no records are normally kept because of their casual role and one relates to a Councillor for whom an HR file is not kept. In the case of the Councillor, the Pay Control Manager obtained confirmation of the list of Councillors who were not re-elected. In all cases the correct date of leaving was recorded on SAP. We do not believe that there are any control risks based on the findings of this review.	Deloitte Audit Manager Immediately

Grant Thornton

{**Prepare on client letterhead**}
Our Ref
Your Ref

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

23 September 2011

Dear Sirs

London Borough of Haringey
Financial Statements for the Year Ended31 March 2011

This representation letter is provided in connection with the audit of the financial statements of London Borough of Haringey("the Council") for the year ended 31 March 2011for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm to the best of our knowledge and belief that the following representations are made on the basis of appropriate enquiries of other officers and members 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 following representations to you in respect of your audit of the above financial statements.

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards.

ii The financial statements give a true and fair view, fairly present in all material respects the financial position of the Council and the Group in accordance with the Code and we have made accurate representations to you.

iii The Alexandra Park & Palace accounts that have been consolidated into the Group financial statements have been subject to audit review and no significant issues have been brought to our attention, although we note that the auditors have not yet signed their opinion.

iv We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

v We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.

vi Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vii We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi There are no unadjusted misstatements that were brought to our attention through the course of the audit,and the financial statements are free of material misstatements, including omissions.

xii Except as stated in the financial statements:

a. there are no unrecorded liabilities, actual or contingent
b. none of the assets of the Council have been assigned, pledged or mortgaged there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.

xvi We have disclosed to you the results of our assessment of the risk that thefinancial statements may be materially misstated as a result of fraud.

xvii We have communicated to you all deficiencies in internal control of which management is aware.

xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:

a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the financial statements.

xx We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

xxi We have disclosed to you all known instances of non-compliance orsuspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Other statements

xxiii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Yours faithfully

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