Haringey Council

Corporate Committee

THURSDAY, 19TH SEPTEMBER, 2013 at 19:00 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, N22 8LE.

MEMBERS: Councillors Adje, Amin (Vice-Chair), Diakides, Griffith, Jenks, Khan, Meehan (Chair), Whyte, Williams and Wilson

AGENDA

1. APOLOGIES (IF ANY)

2. URGENT BUSINESS

The Chair will consider the admission of any late items of urgent business (late items will be considered under the agenda items where they appear. New items of unrestricted urgent business will be dealt with at item 19, new items of exempt urgent business will be dealt with at item 24).

3. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
(ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct.

4. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

To consider any requests received in accordance with Part 4, section B, Paragraph 29 of the Council's Constitution.

5. MINUTES (PAGES 1 - 12)

To consider and agree the unrestricted minutes of the meeting held on 27 June 2013.

6. PENSION FUND QUARTERLY PERFORMANCE UPDATE (PAGES 13 - 26)

Report of the Director of Corporate Resources to report the following in respect of the three months to 30th June 2013: Investment asset allocation, investment performance, responsible investment activity, budget management, late payment of contributions and communications.

7. PENSION FUND ANNUAL REPORT AND ACCOUNTS AND ISA 260 AUDIT REPORT (PAGES 27 - 160)

Report of the Director of Corporate Resources to present the audited Pension Fund Annual Report and Accounts for 2012/13 and the Annual Governance Report of the external auditors, Grant Thornton, which reports on their annual audit of the Pension Fund accounts.

8. AWARD OF CONTRACT FOR PENSION FUND INVESTMENT ADVISORY SERVICES (PAGES 161 - 166)

Report of the Director of Corporate Resources to seek approval from Committee to award a contract for Pension Fund Investment Advisory Services.

9. PENSION FUND: LONDON COLLECTIVE INVESTMENT VEHICLE (PAGES 167 - 172)

Report of the Director of Corporate Resources to advise the Committee of a letter received by the Director of Corporate resources from the London Borough of Wandsworth asking whether the Council was "considering joining the CIV". The report discusses the background to the CIV (Collective Investment Vehicle) and the principles underlying it. It recommends that the Council supports its establishment and allocates up to £25,000 as a contribution towards the initial funding of the project.

10. PENSION FUND: ASSET ALLOCATION ADVICE (PAGES 173 - 184)

Report of the Director of Corporate Resources to consider the Pension Fund's current asset allocation and recommend movement towards the agreed strategic benchmark.

11. TREASURY MANAGEMENT 2013/14 MID-YEAR ACTIVITY AND PERFORMANCE UPDATE (PAGES 185 - 196)

Report of the Director of Corporate Resources to update the Committee on the Council's treasury management activities and performance in the first half of 2013/14 in accordance with the CIPFA Treasury Management Code of Practice. It is a requirement of the Code for this to be reported on to Council once Corporate Committee has considered it.

12. STATEMENT OF ACCOUNTS 2012/13 AND ISA 260 AUDIT REPORT (PAGES 197 - 414)

Report of the Director of Corporate Resources to present the Statement of Accounts for 2012/13 following the completion of the external audit and to consider the statutory Annual Report to those charged with Governance from Grant Thornton which reports on their annual audit of the Council's statutory accounts, value for money and other relevant information.

13. EXTERNAL AUDIT PROGRESS REPORT (PAGES 415 - 426)

Report of Grant Thornton.

14. EXTERNAL AUDIT REPORT - FINANCIAL RESILIENCE (PAGES 427 - 460)

Report of Grant Thornton.

15. INTERNAL AUDIT - QUARTERLY UPDATE (PAGES 461 - 506)

Report of the Director of Corporate Resources to advise the Committee of the work undertaken during the first quarter by the Internal Audit Service in completing the 2013/14 annual audit plan together with the responsive and housing benefit fraud investigation work, and to provide details of the work undertaken by Council's Human Resources business unit in supporting disciplinary action taken across all departments by respective Council Officers and consultants employed by the Council.

16. CORPORATE RISK REGISTER (PAGES 507 - 542)

Report of the Director of Corporate Resources. A copy of the current corporate risk register is provided for review by Members. The Corporate Risk Management Policy and Strategy is also provided for review and approval. The Corporate Committee is responsible for approving the Council's Risk Management Policy and Strategy as part of its Terms of Reference. In order to facilitate this and provide information on its implementation across the Council, reports are provided to Members on a regular basis.

17. PROPOSAL TO REVIEW AND RESTRUCTURE THE SENIOR MANAGEMENT TEAM ARRANGEMENTS (PAGES 543 - 570)

Report of the Chief Executive detailing a proposed reorganisation of senior management at Director and Assistant Director level, providing background on pay and grading, initiating a review of senior managers' contracts of employment, initiating consultation on the above and setting out proposals for assessment and development of the management posts that report to posts covered by this report.

18. DELEGATED DECISIONS, SIGNIFICANT ACTIONS, URGENT ACTIONS (PAGES 571 - 576)

19. ANY OTHER BUSINESS OF AN URGENT NATURE

To consider any items admitted at item 2 above.

20. EXCLUSION OF PRESS AND PUBLIC

21. EXEMPT MINUTES (PAGES 577 - 578)

To consider the exempt minutes of the meeting held on 27 June 2013.

22. PENSION FUND INVESTMENT ADVISER TENDER RESULTS (PAGES 579 - 580)

To consider exempt information pertaining to agenda item 8 above.

23. PROPOSAL TO REVIEW AND RESTRUCTURE THE SENIOR MANAGEMENT ARRANGEMENTS (PAGES 581 - 596)

To consider exempt information pertaining to agenda item 17 above.

24. ANY OTHER EXEMPT ITEMS OF URGENT BUSINESS

David McNulty
Head of Local Democracy
and Member Services
Level 5
River Park House
225 High Road
Wood Green
London N22 8HQ

Helen Chapman
Principal Committee Coordinator
Level 5
River Park House
225 High Road
Wood Green
London N22 8HQ

Agenda Item 5

MINUTES OF THE CORPORATE COMMITTEE
THURSDAY, 27 JUNE 2013

Councillors: Adje, Amin (Vice-Chair), Diakides, Griffith, Jenks, Khan, Meehan (Chair), Whyte and Williams

Apologies: Councillor Wilson, Keith Brown

Also present: Roger Melling
Michael Jones

MINUTE NO.	SUBJECT/DECISION	ACTION BY
CC234.	**APOLOGIES (IF ANY)** Apologies for absence were received from Cllr Wilson and from Keith Brown.	
CC235.	**URGENT BUSINESS** There were no items of urgent business.	
CC236.	**DECLARATIONS OF INTEREST** There were no declarations of interest.	
CC237.	**DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS** There were no deputations, petitions, presentations or questions.	
CC238.	**MINUTES** **RESOLVED** That the unrestricted minutes of the meeting held on 14 March 2013 be approved and signed by the Chair. It was noted that it had been agreed under minutes item CC227 that written responses to the 'challenge questions' set out in the external audit progress report would be provided to the Committee, and this had not happened yet. It was advised that these would be provided within two weeks.	DCR
CC239.	**PENSION FUND QUARTERLY UPDATE** The Chair advised the Committee that for consideration of this item and the following two items on the agenda, the Committee would be operating in its capacity as an administering authority, and Members must have due regard to their duty as quasi-trustees to act in the best interest of the Pension Fund above all other considerations.	

MINUTES OF THE CORPORATE COMMITTEE
THURSDAY, 27 JUNE 2013

	The Committee received the Pension Fund quarterly update. It was noted that the Fund had increased by around £100m in the financial year 2012/13. In response to concerns raised by the Committee regarding the performance of Black Rock and Legal and General, it was noted that these portfolios had been transferred over at existing allocations rather than benchmark, which would have an impact on performance. It was agreed that officers would raise the concerns of the Committee with the managers, and that issue would be considered further at the meeting of the Pensions Working Group on 25th July. The Committee asked about the timescale for moving to benchmark in the property portfolio, and it was agreed that officers would circulate this to Members outside the meeting. The Committee asked about the report on late payments, and particularly those bodies who had been noted for late payments in previous reports. It was suggested that the Council write to the bodies in question to advise of the concerns that had been raised in public at the Corporate Committee meeting and to suggest entering into a Direct Debit agreement to prevent late payment in future. It was noted that having spoken with officers, payments by Fusion Lifestyle were now being received on time. The Committee asked whether the Council was complying with its policy statement on communications with scheme members. It was agreed that this would be checked with the Pensions Team to ensure that the policy was bring complied with. **RESOLVED** That the information provided in respect of the activity in the three months to 31st March 2013 be noted.	HoT&P HoT&P
CC240.	**PENSION FUND: ASSET ALLOCATION ADVICE** The Committee received the report on the Pension Fund's current asset allocation and the recommended movements towards the agreed strategic benchmark. In response to a question from the Committee, it was noted that officers were not aware of any developments subject to the report being produced which would affect the recommendations of the report. **RESOLVED** That the asset allocation moves set out in the Advice Table on page 6 of Appendix 1 to the report be implemented.	
CC241.	**PENSION FUND EXTERNAL AUDIT PLAN 2012/13**	

	The Committee received the audit plan prepared by the external auditors, Grant Thornton, for the audit of the Pension Fund accounts 2012/13, which was introduced by Subarna Banerjee, Grant Thornton. In response to a question from Mr Banerjee, the Committee Members indicated that they were not aware of any fraud against the Fund and this was noted. The audit report would be presented to the September meeting of the Committee. In response to a question from the Committee regarding the impact of redundancies, etc, on the Fund, it was agreed that this would be discussed in greater detail in September, when the report was available to Members. **RESOLVED** That the 2012/13 Audit Plan prepared by Grant Thornton be agreed.	
CC242.	**TREASURY MANAGEMENT 2012/13 OUTTURN AND QUARTER 1 2013/14 UPDATE** The Committee received the update on Treasury Management activity and performance during 2012/13 in accordance with the CIPFA Treasury Management Code of Practice, and the first quarter 2013/14. The report also sought approval to amend the Prudential Indicators within the Treasury Management Strategy Statement 2013/14, as set out in paragraph 14.6 of the report. The Committee asked whether Haringey was affected by the downgrade of the UK's sovereign rating to Aa1 by Moody's. It was reported that around half of the Council's borrowing was from the Debt Management Office, and that this was secure. The Committee asked about the LOBO loans as set out in paragraph 14.5 of the report; it was reported that these loans were spread across a number of lenders and that it was not possible for a lender to increase their rate, although they could pull out of the lending agreement. It was noted that, in such an event, the Council would have the option to restructure the loan. It was noted that the internal borrowing strategy was enabling the Council to take advantage of low rates and was delivering savings as a result. The Committee asked about the level of cash balance. It was reported that this was reviewed on a daily basis, and the Council aimed to keep cash holdings to a minimum. In response to the suggestion that higher interest could be earned by decreasing the cash balance and investing for higher yield, officers reported that security was prioritised over yield with regard to the Council's investments. It was reported that the Council received detailed daily updates from the treasury management advisors on the position with regards to all Council investments, and that whenever a downgrade was reported which affected the counterparty list, action was taken in accordance with the policy. In response to concerns raised regarding some of the names on the list of Money Market Funds invested in, it was agreed that the list of actual counterparties invested in would be brought as an appendix to the	

	next quarterly update. **RESOLVED** i) That the treasury management activity and performance during 2012/13 and the first quarter of 2013/14 be noted; and ii) That the amendment to the Prudential Indicators within the Treasury Management Strategy Statement 2013/14 as set out in paragraph 14.6 of the report be approved.	
CC243.	**ANNUAL INTERNAL AUDIT REPORT AND ASSURANCE STATEMENT 2012/13** The Committee received the annual audit report and assurance statement 2012/13, in accordance with the terms of reference of the Committee. The report set out the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2012/13 and gave a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other bodies. In response to questions from the Committee regarding the actions being taken in respect of those schools receiving a limited assurance rating, it was reported that a report had been taken to the head teachers' meetings and the schools' forum, and that Internal Audit had delivered training to school governors and clerks in order to offer support and advice, particularly in relation to routine financial control processes. Further training was scheduled for September, and workshops were also being run with schools' staff. It was reported that this work had been welcomed by the schools. In response to a question from the Committee, the Head of Audit and Risk Management confirmed that they were satisfied with the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2012/13. The Committee asked about the reporting arrangements for Homes for Haringey audit reports, and it was confirmed that this was via the Homes for Haringey Board in accordance with company arrangements. It was suggested that the Director of Corporate Resources provide a note explaining the reporting arrangements and requirements relating to Homes for Haringey. The Committee expressed concern that, given the significant level of Council expenditure represented by Homes for Haringey, the Members of the Corporate Committee were unable to exercise their duties in respect of monitoring audit activity in this area. It was further noted that the Committee would be receiving the Council's final accounts at its next meeting and being asked to approve these, of which Homes for Haringey would form part of the group accounts. Grant Thornton advised that, as part of the group accounts, they would receive assurances from the auditors for Homes for Haringey and would report these to the Committee accordingly. It was agreed that the Committee would request to see a copy of the	DCR

	audit reports for Homes for Haringey. **RESOLVED** That the content of the Head of Audit and Risk Management's annual audit report and assurance statement for 2012/13 be noted.	Chair
CC244.	**ANNUAL GOVERNANCE STATEMENT 2012/13** The Committee received a report setting out the draft Annual Governance Statement (AGS) for 2012/13, and the approval timescale and processes for the AGS. It was noted that the AGS had been structured so as to link in with the local Code of Corporate Governance, a report on which appeared later on the agenda. In response to a question from the Committee, the Director of Corporate Resources confirmed that the AGS was a comprehensive record of the relevant issues. It was confirmed that all of the actions identified in report to the Committee in March on the closure of the accounts process 2011/12 had now been implemented. In response to a suggestion from the Committee, it was agreed that the final paragraph of the document would be updated to include the dates when the respective bodies had considered the document. The Committee welcomed the report and it was: **RESOLVED** i) That the draft 2012/13 AGS be approved. ii) That the approval timescale and processes for the draft 2012/13 AGS be noted.	
CC245.	**2012/13 QUARTER 4 AUDIT PROGRESS REPORT** The Committee received the internal audit progress report for quarter 4 2012/13. The Head of Audit and Risk Management drew the Committee's attention to the limited assurance rating received for Health and Safety, and advised that an early follow-up audit had found that, as at 3 June 2013, all recommendations from the original audit had been implemented. The Assistant Chief Executive added that Health and Safety measures were now monitored by the Chief Executive every six weeks in order to ensure that there was a high level focus on these issues on an ongoing basis. In response to a question from the Committee around health and safety training, it was reported that evidence of training courses was being requested as part of the review being carried by the corporate Health and Safety team. The findings of the follow up audit on fostering services would be reported at the next meeting of the Committee. The Committee discussed the outstanding priority 2 recommendations from 2009/10, and the reasons why these had not been implemented. It was agreed that where recommendations had been outstanding for a	

long period of time, and circumstances meant that the recommendations may no longer be appropriate, details of these would be provided in the report.

With regard to appendix B of the report, it was confirmed that in cases where money was owed to the Council and staff members had resigned, the Council continued to seek recovery of the funds owed.

The Committee discussed the list of consultants employed by the Council as set out in appendix D of the report, and asked for further details in respect of the following entries: ACE

- Advice and support related to Spurs project
- Project Management of the SFL commissioning projects, specifically around the Highways and Street Lighting Contracts
- Support specialist software (Confirm) building asset database, IT solution for NAT and training team
- Interim Head of Community Safety pending permanent recruitment
- Project management of major sites

The Assistant Chief Executive agreed to circulate to the Committee the business cases for all the consultants listed, and more specific information on the entries listed above, in particular with regards to reasons for the length of term and the cost comparison of using consultants for these posts as opposed to permanent recruitment. In response to a question from the Committee, it was confirmed that no individual held more than one consultancy position.

There was a discussion around Member involvement in the engagement of consultants process, and it was noted that the appointment of permanent staff at chief officer and deputy chief officer levels required Member involvement. It was agreed that the same principle should be applied to the engagement of consultants employed directly under a contract for services and that the Chair of Corporate Committee would be consulted at the time that freelance consultants were engaged to cover chief officer or deputy chief officer positions. It was noted that normal procurement processes would continue to apply.

In response to a question regarding the timescales for suspension cases, it was noted that where external agencies were involved in investigations, this could lead to an increase in the length of suspension, but that in such cases the Council worked to try to expedite the proceedings as much as possible. It was also noted that for certain posts there may be safeguarding reasons for which it was not possible for an individual to return to work until an external investigation, for example a police investigation, was concluded.

RESOLVED

i) That the audit coverage and counter-fraud work completed during the fourth quarter, 2012/13 be noted.

ii) That the management responses received for those audit recommendations not fully implemented be noted; and that it be confirmed that the managers' actions taken during the quarter to address the outstanding recommendations are appropriate.

iii) That the information received from the HR business unit be noted.

iv) That that Chair of Corporate Committee would be consulted when freelance consultants were engaged to cover chief officer or deputy chief officer positions or to head up special projects.

CC246. REVISIONS TO THE CODE OF CORPORATE GOVERNANCE

The Committee received the report on the review of the local Code of Corporate Governance and the proposed revisions to the Code, which were to be recommended to the Cabinet on 9 July for approval and on to Full Council on 15 July for adoption. It was noted that the Code was now explicitly linked to the Annual Governance Statement, and the proposed revisions to the Code were therefore now reported to the Corporate Committee for approval in accordance with the Committee's audit responsibilities.

RESOLVED

i) That the revised local Code of Corporate Governance as attached as the appendix to the report be approved.

ii) That the process for consulting Member Bodies before adoption of the revise Code by Full Council be noted.

CC247. EXTERNAL AUDIT PROGRESS REPORT

The Committee received the external audit progress report from Grant Thornton. The financial statements audit was due to start on 1 July and would be reported back on in September; the Council had provided draft accounts for technical review in advance of the audit, and feedback had been provided on these. The Financial Resilience report would be considered at the meeting of the Committee in September.

In response to a question from the Committee, it was noted that officers had done all they could to ensure there were no issues arising as a result of the closure of accounts process and that it was hoped that the accounts could be signed on the 19 September 2013.

RESOLVED

That the content of the report be noted.

CC248. INDIVIDUAL ELECTORAL REGISTRATION

The Committee received the report on the changes planned for electoral registration in the transition to Individual Electoral Registration under the terms of the Electoral Registration and Administration Act 2013, and the arrangements being made under secondary legislation to postpone the annual autumn registration campaign and the consequences of this.

In response to a question regarding the DWP matching process it was advised that, where no issues arose, the Council would write to advise that no action was required. A test would be held with the DWP to get an indication of the likely rates for data matching. The Committee recognised the practical issues associated with undertaking a registration campaign in winter instead of autumn.

RESOLVED

That the changes to the Electoral Registration processes required by the Electoral Registration and Administration Act 2013, including a postponed Annual Registration Canvass, be noted and that endorsement be given to the measures being planned to maintain and enhance registration levels through this postponement including:

- First posting of registration forms at earliest permitted opportunity (first week of October 2013).
- At least one remainder round.
- Recruitment and training of canvassers on the basis of a contract that will extend to February 2014 and involve a longer than usual campaign period.
- Development of a campaign with Corporate Communications to raise awareness of the changed timetable for registration and of the importance of being registered for elections to be held on May 2014.
- Dispatch of registers to entitled parties and persons at the earliest opportunity after their publication on 17 February 2014.

CC249. UPDATE FROM CHILDREN'S SERVICE ON PROGRESS TO ADDRESS RECOMMENDATIONS FROM THE FINANCIAL RESILIENCE REPORT

The Committee received a report on progress in implementing the recommendations of the Financial Resilience report from June 2012, further to an update provided in September 2012. The two key issues identified in that report were schools' balances and business analysis, and updates on these were provided in the report.

RESOLVED

That the actions being taken be noted.

CC250. TEMPORARY ASSISTANT DIRECTOR ARRANGEMENTS

The Committee received the report, presented by the Director of Strategy and Performance, on the revised arrangements at Assistant Director and Head of Service level, further to the report of the Chief Executive considered by the Committee in January 2013. The report set

	out the short term arrangements, in advance of a fuller report from the Chief Executive in September 2013. It was reported that an internal delivery unit was also proposed in order to enhance the Council's improvement capability. In response to a question regarding the areas of poor and under performance as mentioned in paragraph 8.5 of the report, it was reported that it would be the role of the delivery unit to identify these areas over the next few months. It was reported that it was the aim, wherever possible, to fill roles via internal secondment and the Committee welcomed this approach. **RESOLVED** i) That the following be noted: • The temporary changes set out in this report at Assistant Director and Head of Service level to be enacted by 1 August 2013. • Proposals to enhance the programme management approach of the Council. ii) That the formation of a Delivery Unit on a temporary basis from 1 July 2013 be agreed.	
CC251.	**REORGANISATION OF PLACE AND SUSTAINABILITY DIRECTORATE** The Committee received the report on the proposed restructure of the Place and Sustainability Directorate. The report included proposals for the creation and disestablishment of posts at Deputy Chief Officer level, implementation of which would result in some Deputy Chief Officers requiring early release from the Pension scheme, and Committee approval for these matters was sought. In response to questions from the Committee, it was confirmed that evaluation of the proposed new posts had been undertaken, and details of the proposed structure were set out in the report for reference. With regards to the proposed grade of the Tottenham Programme Director, it was reported that this post would be responsible for a significant budget and, although based within the Place and Sustainability Directorate, would fulfil a more corporate function and have responsibility for delivering programmes across a range of partners. It was noted that this corporate function should be explicit in the Job Description for the Tottenham Programme Director, and the Director of Place and Sustainability agreed to ensure that this point had been incorporated. The Committee asked about the current post-holders, and equalities considerations; it was reported that as a result of the proposals, a maximum of three senior managers would be made redundant, all of whom would have the opportunity to apply for other posts. With regards to equalities more generally, it was reported that, where it became necessary to go to the external market for candidates, any organisation	

used would have a specific brief to ensure a balanced long-list of candidates.

The Committee noted the potential costs contained within the exempt part of the report. It was confirmed that any costs would come from the General Fund, and not the Pension Fund.

RESOLVED

i) That the overview of the proposed future shape of the service and summary of the proposed restructure set out in the appendix to the report be noted.

ii) That the proposed changes be approved to the establishment at Deputy Chief Officer level, including:

- Disestablishment of the following posts:
    - Assistant Director Leisure
    - Assistant Director Culture
    - Head of Corporate Property Services
    - Capital Programmes Director
    - Assistant Director Planning, Regeneration and Economy

- Establishment of the following posts:
    - Assistant Director for Regeneration and Strategy
    - Assistant Director Planning
    - Assistant Director for Property and Capital Projects
    - Tottenham Programme Director

iii) That the delegation of authority to the Director of Place and Sustainability to make changes to the establishment to implement staff reorganisation as regards posts below the level of Deputy Chief Officer and following appropriate consultation be noted.

iv) That the release of pension benefits to Deputy Chief Officers resulting from these changes be approved in principle. This would include:

- Approval of the release of pension benefits to the Assistant Director for Planning, Regeneration and Economy, and

- In the event that the postholder is not successful in being appointed to the new role of AD Property and Capital Projects, approval of release of pension benefits to the Head of Corporate Property Services. A closed ring fence interview process will be used to select a postholder for this position.

v) That the financial implications of this release of benefits as set out in Section 6 and in the exempt sections of the report be noted.

	That it furthermore be noted that the capital costs arising to the pension fund as a result of the early release of benefits will be met from the Council's general fund.	
CC252.	**DELEGATED DECISIONS, SIGNIFICANT ACTIONS, URGENT ACTIONS** The Committee received the report on Non Executive delegated decisions and significant actions taken by Directors and any urgent actions taken by Directors in consultation with the Chair of the Corporate Committee. **RESOLVED** That the content of the report be noted.	
CC253.	**NEW ITEMS OF URGENT BUSINESS** There were no new items of urgent business.	
CC254.	**EXCLUSION OF PRESS AND PUBLIC** **RESOLVED** That the press and public be excluded from the meeting for the following items, as they contained information defined as exempt in Section 100a of the Local Government Act 1972, paragraphs 1, 2 and 3, information relating to any individual, information which is likely to reveal the identity of an individual and information relating to the financial or business affairs of any particular person (including the authority holding that information).	
CC255.	**EXEMPT MINUTES** **RESOLVED** That the exempt minutes of the meeting held on 14 March 2013 be approved and signed by the Chair.	
CC256.	**REORGANISATION OF PLACE AND SUSTAINABILITY DIRECTORATE** The Committee considered the exempt information relating to agenda item 18.	
CC257.	**NEW ITEMS OF EXEMPT URGENT BUSINESS** There were no new items of exempt urgent business. The meeting closed at 21:20hrs.	

COUNCILLOR GEORGE MEEHAN
CHAIR

Haringey Council

Report for:	Corporate Committee 19th September 2013	Item number	

Title:	Pension Fund Quarterly Update

Report authorised by :	for KEVIN BARTLE Director of Corporate Resources

Lead Officer:	Ian Talbot, Interim Head of Finance – Treasury & Pensions ian.talbot@haringey.gov.uk 020 8489 8621

Ward(s) affected: N/A	Report for Non Key Decision

1. **Describe the issue under consideration**

1.1 To report the following in respect of the three months to 30th June 2013:
- Investment asset allocation
- Investment performance
- Responsible investment activity
- Budget management
- Late payment of contributions
- Communications

2. **Cabinet Member Introduction**

2.1 Not applicable.

3. **Recommendations**

3.1 That the information provided in respect of the activity in the three months to 30th June 2013 is noted.

4. **Other options considered**

4.1 None.

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5. Background information

5.1 This report is produced on a quarterly basis to update the Committee on a number of Pension Fund issues. The Local Government Pension Scheme Regulations require the Committee to review investment performance on a quarterly basis and sections 13 and 14 provide the information for this. Appendix 1 shows the targets which have been agreed with the fund managers.

5.2 The Pension Fund has a responsible investment policy and section 15 of this report monitors action taken in line with it. The remainder of the report covers various issues on which the Committee or its predecessor body have requested they receive regular updates.

5.3 Following the request at the Committee's meeting in September 2012, information on communication with stakeholders has been provided by officers in Human Resources and included in section 18.

6. Comments of the Chief Financial Officer and Financial Implications

6.1 The investment performance figures in section 14 show the impact of the introduction of passive fund managers in that generally the variance from target has reduced. The continuing negative performance reflects the underperformance of the previous active managers which is likely to continue to show for the next few years. The quarterly performance is very close to target.

7. Head of Legal Services and Legal Implications

7.1 The Council as administering authority for the Haringey Pension Fund ("Fund") has an obligation to keep the performance of its investment managers under review. In this respect the Council must, at least every three months review the investments made by investment managers for the Fund and any other actions taken by them in relation to it;

7.2 Periodically the Council must consider whether or not to retain the investment managers. In particular members should note the continuing negative performance and the reason stated in this report as to why this is the case;

7.3 In carrying out its review proper advice must be obtained about the variety of investments that have been made and the suitability and types of investment;

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7.4 All monies must be invested in accordance with the Council's investment policy and members of the Committee should keep this duty in mind when considering this report and have regard to advice given to them.

8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

9.1 Not applicable

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 Appendix 1: Investment Managers' mandates, benchmarks and targets.

12. Local Government (Access to Information) Act 1985

12.1 Not applicable

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13. Investment Update

13.1 Fund Holdings at 30th June 2013

	BlackRock £000s	Legal & General £000s	CBRE £000s	Pantheon £000s	In-house £000s	Total £000s	% of Fund	Bench Mark %	Variance %
UK Equities	171,508	21,071	0	0	0	192,579	22.7	17.5	5.2
North America Equities	175,195	19,901	0	0	0	195,096	23.0	25.3	(2.3)
European Equities	44,038	43,112	0	0	0	87,150	10.3	8.6	1.7
Japanese Equities	8,413	38,371	0	0	0	46,784	5.5	4.1	1.4
Pacific ex Japan Equities	14,728	15,682	0	0	0	30,410	3.6	4.0	(0.4)
Emerging Markets Equities	0	81,262	0	0	0	81,262	9.6	10.5	(0.9)
Index linked Gilts	95,328	23,178	0	0	0	118,506	14.0	15.0	(1.0)
Property	0	0	48,712	0	0	48,712	5.7	10.0	(4.3)
Private Equity	0	0	0	35,648	0	35,648	4.2	5.0	(0.8)
Cash and other	2	0	6,875	1,596	3,183	11,656	1.4	0.0	1.4
TOTAL	509,212	242,577	55,587	37,244	3,183	847,803	100.0	100.0	0.0

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13.2 Fund Holdings at 31st July 2013

	BlackRock £000s	Legal & General £000s	CBRE £000s	Pantheon £000s	In-house £000s	Total £000s	% of Fund	Bench Mark %	Variance %
UK Equities	183,155	22,503	0	0	0	205,658	23.3	17.5	5.8
North America Equities	184,562	20,966	0	0	0	205,528	23.3	25.3	(2.0)
European Equities	47,496	46,512	0	0	0	94,008	10.7	8.6	2.1
Japanese Equities	8,480	38,673	0	0	0	47,153	5.3	4.1	1.2
Pacific ex Japan Equities	15,222	16,205	0	0	0	31,427	3.6	4.0	(0.4)
Emerging Markets Equities	0	81,873	0	0	0	81,873	9.3	10.5	(1.2)
Index linked Gilts	95,684	23,258	0	0	0	118,942	13.5	15.0	(1.5)
Property	0	0	50,878	0	0	50,878	5.8	10.0	(4.2)
Private Equity	0	0	0	37,550	0	37,550	4.2	5.0	(0.8)
Cash	2	0	5,133	0	3,090	8,225	1.0	0.0	1.0
TOTAL	534,601	249,990	56,011	37,550	3,090	881,242	100.0	100.0	0.0

Haringey Council

14. Investment Performance Update: to 30th June 2013

Appendix 1 provides details of the benchmarks and targets the fund managers have been set. The tables below show the performance in the quarter April to June 2013.

14.1 Whole Fund

	Return	Benchmark	Target	(Under)/Out
April - June 2013	(1.56%)	(1.50%)	(1.49%)	(0.07%)
One Year	15.35%	16.00%	16.04%	(0.69%)
Three Years	10.93%	11.42%	11.54%	(0.61%)
Five Years	6.91%	7.78%	9.10%	(2.19%)

- Total Value at 30/06/13: £847.8m
- Performance in the quarter was very close to target.

14.2 BlackRock Investment Management

	Return	Benchmark	Variance
April - June 2013	(1.44%)	(1.37%)	(0.07%)
One Year	17.52%	17.50%	0.02%

- Total Value at 30/06/13: £509.2m

14.3 Legal & General Investment Management

	Return	Benchmark	Variance
April - June 2013	(3.29%)	(3.38%)	0.09%.
One Year	14.11%	15.21%	(1.10%)

- Total Value at 30/06/13: £242.6m

- A variance will continue to be seen with the passive managers because the portfolios were transferred over in their existing allocations instead of at benchmark weights. Therefore the variance shows the out or under performance resulting from asset allocation being different to the benchmark.

Haringey Council

14.4 CBRE Global Investors

	Return	Benchmark	Target	(Under)/Out
April – June 2013	1.72%	1.55%	1.58%	0.14%
One Year	3.90%	3.33%	4.33%	(0.43%)
Three Years	3.72%	5.05%	6.05%	(2.33%)
Five Years	(1.56%)	0.09%	1.09%	(2.65%)

- Total Value at 30/06/13: £55.6m
- Following two quarters of underperformance, the property portfolio has now outperformed. The longer term performance is still being impacted by the issues with the European holdings, which cannot be resolved quickly due to the illiquid nature of property holdings.

14.5 Pantheon

	Return	Distributions in period	Drawdowns in period	% drawndown
April – June 2013	3.84%	£0.48m		
One Year	13.56%	£3.56m	£3.81m	
Since inception	4.40%	£5.05m	£31.09m	66.6%

- Total Value at 30/06/13: £37.2m
- Distributions exceeded drawdowns during the quarter as the funds move into the distribution phase of their cycles.

14.6 In house cash

	Value	Average Credit Rating	Average Maturity (days)	Return
At 30/06/13	£3.18m	AAA	1	0.33%
At 31/03/13	£5.51m	AAA	1	0.31%
At 31/12/12	£5.08m	AAA	1	0.37%
At 30/09/12	£3.76m	AAA	1	0.38%

Haringey Council

15. Responsible Investment Activity in the three months ended 30th June 2013

BlackRock	Legal & General	LAPFF
15.1 Environmental Issues		
BlackRock have advised that at their recent engagements with UK companies environmental topics were discussed on almost every occasion. However elsewhere in the world environmental issues did not play such a significant part and, in Japan, at their 46 engagements no environmental matters were discussed. In the Americas BlackRock attended a two-day on-site meeting with a large international energy company with the objective of better understanding the company's deep water offshore drilling operations and how the company manages the associated risks. This meeting provided them with a benchmark against which they can assess and engage with other companies involved with deep water drilling. In the UK BlackRock also met the Chief Sustainability Officer of a large mining company to understand his priorities and to emphasise the need for him to develop engagement with shareholders.	In the quarter, L and G attended 123 company meetings at which environmental issues were covered 18 times and social issues 23 times. They have engaged extensively with Rio Tinto specifically focussing on their water management targets as well as more broadly on their sustainability efforts.	

BlackRock	Legal & General	LAPFF
15.2 Governance / Remuneration Issues		
Whilst in the UK much of BlackRock's engagement was over environmental and social issues, overseas it was almost entirely related to governance matters. These engagements usually concerned the constitution of the Board, remuneration policies and the dilution of shareholder value. Within the UK, of particular note was that, at the Glencore Xstrata AGM, they voted against the election of the former Xstrata directors since, in their view, they had failed to represent shareholder interests during the process of the merger. BlackRock spoke at a conference to professionals holding positions within Company Secretariat, Investor Relations, Sustainability and Corporate Communications explaining how companies could demonstrate better their commitment to transparency and accountability.	The majority of L and G's engagements have covered governance and financial topics. Of their 123 meetings in the quarter these topics were covered in almost every one and most of their adverse voting actions were due to governance concerns. L and G had similar concerns to BlackRock over the Glencore Xstrata Board. At the AGM of JP Morgan L and G voted against the Risk Committee members and the Lead Independent Director due to poor oversight and insufficient relevant qualifications. As regards speaking engagements, of particular note was the Bank of New York Mellon Executive Women's Symposium where L and G spoke on gender diversity on boards and company performance.	LAPFF has recently joined other investors in urging stronger tax disclosure rules for oil, gas and mining companies listed in Canada. They have also expressed their concern where auditors earn more from their non-audit work with companies they audit than from the audit itself. LAPFF has held engagement meetings with Burberry, Marks and Spencer and Standard Chartered concerning executive pay.

Haringey Council

BlackRock	Legal & General	LAPFF
15.3 Other Engagement activity		
During the quarter BlackRock do not appear to have engaged to any great extent on social issues and only around 10% of their engagements included such issues in the discussions.	As well as environmental issues raised with Rio Tinto, L and G have also continued to engage with them over the deaths of mine workers at one of their mines in Indonesia and their overall direct operational risk management. They have continued to engage with National Express over the issue of labour rights in the US. However, they advise that since the engagement began three years ago the company have adopted more stringent labour policies.	LAPFF has held engagement meetings with Sainsbury's and Next over employment standards.

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16. Budget Management – position at 30th June 2013

	Budget £'000	Actual £'000	Variance (under)/ overspend £'000
Contributions & Benefit related expenditure			
Income			
Employee Contributions	2,200	2,250	(50)
Employer Contributions	8,000	8,500	(500)
Transfer Values in	1,000	580	420
Total Income	11,200	11,330	(130)
Expenditure			
Pensions & Benefits	(10,000)	(12,000)	2,000
Transfer Values Paid	(1,300)	(530)	(770)
Administrative Expenses	(200)	(220)	20
Total Expenditure	(11,500)	(12,750)	1,250
Net of Contributions & Benefits	(300)	(1,420)	1,120
Returns on investment			
Net Investment Income	900	900	0
Investment Management Expenses	(400)	(130)	(270)
Net Return on Investment	500	770	(270)
Total	**200**	**(650)**	**850**

Haringey Council

17. Late Payment of Contributions

17.1 The table below provides details of the employers who have made late payments during the last quarter.

	Occasions late	Average Number of days late	Average monthly contributions
Mulberry School	1	4	£14,300

18. Communication Policy

18.1 Two sets of regulations govern pensions communications in the LGPS: The Disclosure of Information Regulations 1996 (as amended) and Regulation 67 of the Local Government Pensions Scheme (Administration) Regulations 2008 as amended.

18.2 In March 2011, the Council approved the Pensions Administration Strategy Statement (PASS). The PASS sets out time scales and procedures which are compliant with the requirements of the Disclosure of Information Regulations. The PASS is a framework within which the Council as the Administering Authority for the Fund can work together with its employing bodies to ensure that the necessary statutory requirements are being met.

18.3 In June 2008 the Council approved the Policy Statement on Communications with scheme members and employing bodies. The Policy Statement identifies the means by which the Council communicates with the Fund members, the employing bodies, elected members, and other stakeholders. These cover a wide range of activities which include meetings, workshops, individual correspondence and use of the internet. In recent times, the Pensions web page has been developed to provide a wide range of employee guides, forms and policy documents. Where possible, Newsletters and individual notices are sent by email to reduce printing and postage costs.

18.4 The requirement to publish a Communications Policy Statement recognises the importance that transparent effective communication has on the proper management of the LGPS.

18.5 During the first quarter of 2013-14 there has been an update to the Pensions web page and the Newsletter, Atease, has been issued to pensioners and posted on the web site. Additionally employers have been advised of guidance to ill health liability insurance and the consultation arrangements for the changes to the Scheme due in 2014.

Haringey Council

Appendix 1 – Investment Managers mandates, benchmarks and targets

Manager	% of Total Portfolio	Mandate	Benchmark	Performance Target
BlackRock Investment Management	55.7%	Global Equities & Bonds	See overleaf	Index (passively managed)
Legal & General Investment Management	29.3%	Global Equities & Bonds	See overleaf	Index (passively managed)
CBRE Global Investors	10%	Property	IPD UK Pooled Property Funds All Balanced Index	+1% gross of fees p.a. over a rolling 5 yr period
Pantheon Private Equity	5%	Private Equity	MSCI World Index plus 5%	+ 0.75% gross of fees p.a.
Total	**100%**			

Asset Class	Benchmark	BlackRock Investment Management	Legal & General Investment Management	Total
UK Equities	FTSE All Share	14.9%	2.6%	17.5%
Overseas Equities		28.8%	23.7%	52.5%
North America	FT World Developed North America GBP Unhedged	*21.5%*	*3.8%*	*25.3%*
Europe ex UK	FT World Developed Europe X UK GBP Unhedged	*4.3%*	*4.3%*	*8.6%*
Pacific ex Japan	FT World Developed Pacific X Japan GBP Unhedged	*2.0%*	*2.0%*	*4.0%*
Japan	FT World Developed Japan GBP Unhedged	*1.0%*	*3.1%*	*4.1%*
Emerging Markets	FT World Global Emerging Markets GBP Unhedged	*0.0%*	*10.5%*	*10.5%*
Index Linked Gilts	FTA Index Linked Over 5 Years Index	12.0%	3.0%	15.0%
		55.7%	29.3%	85.0%

Agenda Item 7

Haringey Council

Report for:	Corporate Committee 19th September 2013	Item number	

Title:	Pension Fund Annual Report and Accounts 2012/13 and ISA260 Audit report

Report authorised by :	J. Parker 10/9/13 Director of Corporate Resources

Lead Officer:	Ian Talbot, Interim Head of Finance – Treasury & Pensions ian.talbot@haringey.gov.uk 020 8489 8621

Ward(s) affected: N/A	Report for Non Key Decision

1. Describe the issue under consideration

1.1 This report presents the audited Pension Fund Annual Report and Accounts for 2012/13 and the Annual Governance Report of the external auditors, Grant Thornton, which reports on their annual audit of the Pension Fund accounts.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

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

3.2 That the Committee approves the Pension Fund Annual Report and Accounts for 2012-13.

4. Other options considered

Haringey Council

4.1 None.

5. Background information

5.1 The Local Government Pension Scheme Administration Regulations 2008 require local government pension funds to produce an annual report every year and they set out the contents of such a report. The report is required to be published by 1st December each year. One of the key components of the annual report is the audited pension fund accounts for the year. The pension fund accounts are also still required to be part of the Council's main accounts, even though they are audited separately. The deadline for the publication of the audited accounts is 30th September each year.

5.2 At the Corporate Committee meeting on 27th June 2012 Grant Thornton presented their plan detailing how they would undertake the audit of the 2012/13 accounts. The Audit Commission's statutory Code of Practice for Local Government bodies requires the external auditor to report to those charged with governance on matters arising from their audit before it is finalised.

6. Comments of the Chief Financial Officer and financial Implications

6.1 The Pension Fund auditors have recommended only that efforts continue to be made to ensure all contributions from admitted and scheduled bodies are made within 19 days of month end. This recommendation is accepted.

7. Head of Legal Services and Legal Implications

7.1 As the report confirms the Authority is required to publish a pension fund annual report in a specific format annually on or before 1 December of the year following the year end to which the annual report relates. Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008 sets out this requirement and the format in which the report should be published. The annual report annexed to this report complies with the requirements of Regulation 34.

7.2 Members must take into account any verbal updates given (if any) by Grant Thornton at the meeting prior to approving the Pension Fund Annual Report.

8. Equalities and Community Cohesion Comments

Haringey Council

8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

9.1 Not applicable

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 Appendix 1: Pension Fund Annual Report and Accounts 2012-13
Appendix 2: ISA260 - Annual Governance Report, Grant Thornton
Appendix 3: Letter of Representation

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

13. Annual Report and Accounts 2012/13

13.1 The annual report has been prepared in accordance with the Local Government Pension Scheme Administration Regulations 2008 and includes all the items required.

13.2 The first section of the report sets out what the management arrangements for the Pension Fund were during 2012/13 including the Corporate Committee membership and the Fund's advisers. The following section covers investments setting out the investment strategy operated during the year and the resulting performance. The administration section is next, describing the administration arrangements during the year and reporting on the membership. The results of the last formal actuarial valuation are set out in the funding section. The Financial report follows and the appendices are the latest versions of the Pension Fund's policy statements.

13.3 The accounts are made up of the Fund Account, which shows income and expenditure during the year, the Net Assets Statement, which shows the Fund's investments and other asset and liabilities at the end of the year and the Notes to the Accounts which provide more detail about the figures.

Haringey Council

13.4 In the Fund Account, it can be seen that net reductions from dealing with members, which is effectively contributions less benefits, totalled £1m in the year. This was substantially less than the £7m surplus seen the year before, due mainly to reductions in contributions receivable and transfers into the Fund.

13.5 The market value of the Fund was £863m on the balance sheet date of 31st March 2013. Offsetting the reductions described in 13.4 above, net returns on investments added £109m to the value of the Fund

14. Auditor's Annual Governance Report

14.1 The ISA260 - Annual Governance Report from Grant Thornton is attached at Appendix 2. This sets out their findings in detail. The report will be presented to the meeting by Mr Subarna Banerjee, the Audit Director.

15. Letter of Representation

15.1 The Chief Financial Officer is required to sign a letter of representation to acknowledge the responsibility for the fair presentation of the information in the financial statements and the Pension Fund Annual Report. A proposed draft of this letter is shown at Appendix 3 of this report for the Committee's information.

Annual Pension Fund Report and Accounts

For the year ended 31 March 2013

Registration 00329316RX

Contents

Introduction

Haringey Council Pension Fund presents its Annual Pension Fund Report and Accounts of the Haringey Local Government Pension Fund for the year ended 31st March 2013.

The Local Government Pension Scheme is a defined benefit Pension Scheme and was established on 1st April 1965. The Scheme is a Registered Pension Scheme under Chapter 2 of Part IV of the Finance Act 2004 and is contracted-out of the State Second Pension (S2P). It is a national scheme run locally by councils nominated as "Administering Authorities".

Haringey Council is the Administering Authority in the Haringey area and runs the Scheme to provide retirement benefits to all eligible employees of Haringey Council and other eligible organisations in the Haringey area. More detail about these organisations can be found in the Membership section on page 9. The Management report on page 4 provides information about how the scheme is run. The registration number is 00329316RX.

Scheme Rules
There have been no changes in the Scheme rules during the year. Other than in accordance with legislative requirements, there were no increases to benefits in payment in the year. The Administration report on page 17 provides details about the administration of the Scheme.

Membership
There were 6,168 active members (2012: 6,102), 7,332 (2012: 7,293) deferred members, and 6,692 (2012: 6,473) pensioners and dependents receiving benefits. More details can be found in the Membership section on page 11.

Financial position
The financial statements on pages 30 to 58 show that the value of the Fund's assets increased by £108m to £863m as at 31 March 2013. The most significant factor in the increase in the value of the fund was the increase in the market value of investments of £107m. Investment income net of investment management expenses and taxation added £2m and a net deficit of £1m resulting from benefit payments being more than contributions offset it.

Investments
During the year the rate of return on the Fund's investments was 14.87%. This was 0.45% below the Fund's target for the year. More details of the investment strategy and the performance can be found in the Policy and Performance Report on page 12.

Funding position
The last formal valuation of the funding position took place as at 31st March 2010, when the funding level was 69% – details can be found in the Funding report on page 23. The next formal valuation will be carried out as at 31st March 2013 and results will be available later in 2013.

Management & Financial Performance Report

Governance Arrangements

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Corporate Committee. Details of the Corporate Committee which served during 2012/13 are shown below.

The terms of reference for Corporate Committee are set out in the Council's constitution. The Committee consists of ten elected Councillors, with full voting rights and three representatives. Councillors are selected by their respective political Groups and their appointment was confirmed at a meeting of the full Council. They were not appointed for a fixed term but the membership is reviewed regularly by the political groups. The three representatives were appointed by their peer groups. The membership of the Committee during the 2012/13 year was:

Cllr George Meehan	Chair
Cllr Kaushika Amin	Vice Chair
Cllr Charles Adje	(from May 2012)
Cllr Isidoros Diakides	(from May 2012)
Cllr Robert Gorrie	(until May 2012)
Cllr Eddie Griffith	
Cllr Jim Jenks	
Cllr Gmmh Rahman Khan	
Cllr Stuart McNamara	(until May 2012)
Cllr Richard Watson	(until May 2012)
Cllr Monica Whyte	
Cllr Neil Williams	
Cllr Richard Wilson	(from May 2012)
Roger Melling	Employee representative
Michael Jones	Pensioner representative
Keith Brown	Admitted and Scheduled Bodies representative

Governance Compliance Statement

The Pension Fund has published a Governance Compliance Statement in accordance with the LGPS Regulations and this is set out in Appendix 1 on page 60. The objective of the statement is to make the administration and stewardship of the Pension Fund transparent and accountable to all stakeholders.

Service Delivery

Haringey Council Pension Service is composed of two distinct arms: Fund Management and Pension Administration. These two functions are run from two business units in Haringey Council; Fund Management is part of Finance (Corporate Resources Directorate), while Pensions Administration is part of Personnel (Assistant Chief Executive People, Organisation and Development's Service).

Finance is responsible for Fund Management work. Key tasks include:

- Support to the Committee to set investment strategy and monitor investment performance;
- Managing the contracts with the Pension Fund's advisers;
- Producing the annual Pension Fund budget and Annual report and accounts; and
- Maintaining the key governance statements the Pension Fund is required to publish (the current versions can be found in the Appendices).

The Scheme Administration report on page 17 sets out the key tasks of the Pensions Administration service.

The Pension Fund's internal auditors are Deloitte & Touche Public Sector Internal Audit Limited. Regular audits are carried out on both Pension Fund investments and Pensions administration.

<u>Key Officer contacts</u>

Director of Corporate Resources	Julie Parker
Head of Legal Services and Monitoring Officer	Bernie Ryan
Assistant Director of Finance	Kevin Bartle
Pensions Manager	Janet Richards

Pension Fund Advisers

The Pension Fund retains a number of advisers to provide specialist advice and services. The contracts with these advisers are reviewed on a regular basis. A list of all advisers is provided below:

Secretary to the Committee	Head of Local Democracy and Member Services
Scheme Administrator	Chief Financial Officer
Actuary	Hymans Robertson
Investment Managers	Capital International (until May 2012) Fidelity International (until May 2012) Legal & General Investment Management BlackRock Investment Management (from May 2012) CBRE Global Investors Pantheon
Custodian	Northern Trust
Investment Consultants	Aon Hewitt Limited
Independent Adviser	John Raisin BA, MBA, CPFA, IMC (from June 2012)
Bankers	Royal Bank of Scotland
Legal advisers	Head of Legal Services
Additional Voluntary Contribution providers	Clerical and Medical Equitable Life Assurance Society Prudential Assurance
Internal Auditors	Deloitte & Touche Public Sector Internal Audit Limited
External Auditors	Grant Thornton UK LLP

Management Report for 2012/13

Financial Performance

The key activity during the year was the move to entirely passive management of the Fund's equities and bonds. This took place in May 2012 and involved the replacement of two active fund managers and the appointment of BlackRock Investment Management and the re-appointment of Legal & General Investment Management.

The investment performance during the year was positive at 14.87% as the equity markets in particular performed very well. The performance was slightly below target (by 0.45%), but the introduction of passive management has improved the relative performance considerably.

Administrative Management Performance

On 1st April 2011, the Fund implemented a Pension Administration Strategy Statement. Details of the monitoring of the strategy are set out in the Scheme Administration report. During the financial year 2012-13 no formal action has been taken against any employers. The only breaches of the performance standards have been minor and have been dealt with informally. The timeliness of contribution payments from employers in the Fund has been monitored by Corporate Committee on a quarterly basis and issues followed up by the Fund's officers.

Total membership of the Fund increased by 1.6% between years, but the main change in membership was the growth in the number of employers participating in the Fund. The number of scheduled bodies increased from 8 to 21 due to a number of new academies opening.

Risk Management

Investment risk is a key risk which the Fund is exposed to due to the range of different types of assets the Fund has chosen to invest in. All investments are undertaken in line with the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 and only following advice from the Fund's investment adviser and from the Independent Adviser.

The Committee has set an investment strategy which involves a wide range of asset classes and geographical areas. This provides diversification which reduces the risk of low and volatile returns. Following the decision to invest the majority of the Fund on a passive basis, the risk of underperforming the benchmark has been significantly reduced.

The majority of the Pension Fund's assets are managed by external fund managers and they are required to provide an audited internal controls report regularly to the Council which sets out how they ensure the Fund's assets are managed in accordance with the Investment Management Agreement the Council has signed with each fund manager. The Committee took the decision to spread the Fund's passive equity and bond investments across two fund managers to mitigate any risk arising in one fund management company.

The Committee consider reports on investment performance, responsible investment activities and other pertinent matters relating to investments and fund managers on a quarterly basis.

Membership

Haringey Council is the Administering Authority for the Haringey Pension Fund and eligible staff are members of the scheme. In addition the Pension Fund has a number of other organisations participating in the Fund.

A scheduled body is a public body which is required by law to participate in the LGPS. Each scheduled employer is listed in the LGPS regulations.

A transferee admission body is an employer permitted to participate in the LGPS. This might be a non profit making body carrying out work that is similar in nature to a public service like local government or it might be a private company to which a service or assets have been outsourced.

A community admission body is an organisation providing a public service in the UK otherwise than for gain. The organisation is expected to have sufficient links with the Council such that it is regarded as having a community interest.

The table below shows the number of organisations with members in the Pension Fund on 31st March 2013, compared to the previous year.

	31st March 2013	**31st March 2012**
Administering Authority	1	1
Scheduled Bodies	21	8
Transferee Admission Bodies	7	6
Community Admission Bodies	3	3
Bodies no longer participating	10	9
TOTAL	**42**	**27**

The increase in the number of employers during the year has been as a result of the set up of new academies who join the scheme in their own right as scheduled bodies

In addition to the types of employer described above, there are a number of employers who no longer have active members and do not actively participate in the Pension Fund, but the Fund is responsible for paying their pensioners.

The membership of the Pension Fund at 31st March 2013 compared with the previous financial year is shown in the table below:

	31st March 2013	**31st March 2012**
Active members	6,168	6,102
Deferred members	7,332	7,293

Pensioners & Dependants	6,692	6,473
TOTAL	20,192	19,868

The table above shows an increase an overall increase in membership of 1.6%. The majority of this increase was in pensioners & dependants which rose by 3.4%.

A schedule of the membership from each of the employers is shown overleaf.

Employer	Active Members	Deferred Beneficiaries	Pensioners & Dependants
Scheduled Bodies			
Haringey Council Employees	4,684	6,788	6,258
Haringey Council Councillors	21	7	4
Homes for Haringey	513	131	119
College Haringey, Enfield & NE London	178	195	115
Greig City Academy	42	19	4
Fortismere School	41	10	7
John Loughborough School	13	2	1
Alexandra Park Academy	56	4	2
Woodside Academy	57	1	1
Eden Free School	7	0	0
Harris Academy Coleraine	16	0	0
Harris Academy Philip Lane	19	0	0
AET Trinity Primary	26	0	0
AET Noel Park	41	0	0
Haringey 6th Form Centre	47	0	0
St Pauls & All Hallows Infant Academy	19	0	0
St Pauls & All Hallows Junior Academy	9	0	0
St Michaels Academy	12	1	0
St Ann CE Academy	17	0	0
Holy Trinity CE Academy	12	0	0
Hartsbrook Academy	1	0	0
St Thomas More School Academy	28	0	0
Community Admission Bodies			
Alexandra Palace Trading Co Ltd	4	11	8
Haringey Age UK	2	2	16
Haringey Citizens Advice Bureau	7	1	4
Transferee Admission Bodies			
Balfour Beatty Workforce	85	0	0
Churchill Contract Services	3	0	1
ESSL	1	0	0
Fusion Lifestyle	73	0	0
TLC Ltd	17	5	4
Urban Futures London Ltd	3	8	0
Veolia Environmental Services (UK) plc	114	19	10
Bodies no longer actively participating			
CSS (Haringey) Ltd	0	34	49
Enterprise Futures London Ltd	0	39	45
Haringey Magistrates	0	21	19
Harrisons Catering	0	1	2
Initial Catering Ltd	0	1	1
Jarvis Workspace Ltd	0	25	18
Mittie Ltd	0	0	2
One Complete Solution Ltd	0	1	1
Ontime Parking Solutions	0	3	1
RM Education Ltd	0	3	0
Totals	**6,168**	**7,332**	**6,692**

Investment Policy & Performance Report

Investment Strategy

Responsible Investment

Fund Managers

Investment Performance

Investment Strategy

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

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

The strategy is set out in detail in the Statement of Investment Principles, which is shown in Appendix 2 on page 65. All investments were externally managed, with the exception of a small allocation of cash used to meet benefit payments, which was held in-house.

In May 2012, the Fund moved all equity and bond investments from active to passive management. Passive management is investing in line with a benchmark; active management involves taking positions away from the benchmark to achieve a higher return. A new strategic benchmark was also introduced and the Fund is moving on a gradual basis towards this new benchmark.

The Fund's benchmark showing target asset allocation, is shown below, alongside the actual allocation of the Fund's investments at 31st March 2013. The financial statements show that the Fund is invested in pooled funds and the breakdown in the table below shows the allocation of the underlying holdings.

Asset class	**Benchmark %**	**Actual % at 31 March 2013**
UK Equities	17.5	24.9
Overseas Equities	52.5	49.2
UK Index linked gilts	15.0	14.9
Property	10.0	5.6
Private Equity	5.0	4.0
Cash	0.0	1.4

Custodial arrangements

The Council employs Northern Trust to act as independent custodian of the Pension Fund's investments. As professional custodians, they employ a rigorous system of controls to ensure the safekeeping of assets entrusted to them. The custodian is responsible for the settlement of all day-to-day investment transactions, collection of investment income and the safe custody of the Pension Fund's investments.

Responsible Investment

The Pension Fund believes that the adoption by companies of positive Environmental, Social and Governance principles can enhance their long term performance and increase their financial returns. These issues are of concern to the Fund because it is considered that companies who do not have regard for the social and environmental impact of their business, or who conduct their business in a way which is not sustainable over the longer term are in danger of adversely affecting the future prospects of the company, and potentially the company's long term share price.

Due to the need to prioritise fiduciary duty, the Fund does not participate in stock screening or exclusionary approaches. Instead the Fund seeks to influence the behaviour of companies through engagement. This engagement is undertaken through the following parties:

- The Fund's investment managers
- Local Authority Pension Fund Forum (LAPFF)
- National Association of Pension Funds (NAPF)

The Fund maintains membership of the LAPFF and the NAPF in order that engagement can be undertaken on it's behalf.

In addition to this, the Fund has signed up and formally adopted the 'United Nations Principles for Responsible Investment' initiative and all the Fund's investment managers are also signatories to it.

On a quarterly basis the Corporate Committee receive reports on the engagement activity undertaken on behalf of the Fund, covering environmental issues, governance and remuneration and all other responsible investment issues.

Fund Managers

The Pension Fund has appointed external fund managers to undertake day to day management of the Fund's investments. Each fund manager is appointed with a mandate covering a defined asset class or classes with a target set that relates to a benchmark covering the asset class or classes they are managing. The fund managers in place during the majority of 2012/13, the asset classes they cover and their percentage of the Fund's investments on 31st March 2013 are shown in the table below (the remaining 0.7% was invested in-house in cash):

Investment Manager	Mandate	% at 31 March 2013
BlackRock Investment Management	Passive Global Equities & Bonds	60.0%
Legal & General Investment Management	Passive Global Equities & Bonds	29.0%
CBRE Global Investors	Property	6.3%
Pantheon	Private Equity	4.0%

The benchmarks and targets set for the fund managers are detailed below:

Passive managers – target is to meet the benchmark:

Asset class	Benchmark
UK Equities	FTSE All Share
North American Equities	FT World Developed North America GBP Unhedged
European Equities	FT World Developed Europe ex UK GBP Unhedged
Japanese Equities	FT World Developed Japan GBP Unhedged
Pacific ex Japan Equities	FT World Developed Pacific ex Japan GBP Unhedged
Emerging Markets Equities	FT World Global Emerging Markets GBP Unhedged
Index Linked Gilts	FTA Index Linked Over 5 Years Index

Active managers

Investment Manager	Benchmark	Target over 3 year rolling periods
CBRE Global Investors	HSBC/APUT Balance Funds Index	+1 % (gross) of fees p.a.
Pantheon	MSCI World Index plus 5%	+0.75% (gross) of fees p.a.

Investment Performance

The investment performance of the Pension Fund and the fund managers is regularly reviewed by Committee members. Performance reports to compare actual performance against the targets set for the fund managers are provided to and discussed by the Committee quarterly.

The overall Pension Fund performance is summarised in the table below. All figures shown are annualised performance figures over the various periods to 31st March 2013.

	1 year	3 years	5 years
Overall Pension Fund performance	14.87	8.85	6.39
Benchmark	15.28	9.32	7.77
Performance versus benchmark	(0.41)	(0.47)	(1.38)
Target	15.32	10.43	9.09
Performance versus target	(0.45)	(1.58)	(2.70)

Individual fund manager performance against the targets set during 2012/13 is shown in the table below. Although the private equity returns are reflected in the overall Pension Fund return, separate performance figures for Pantheon are not shown because, due to the nature of private equity, they are not meaningful in the early years of investment.

Fund Manager	Mandate	Annual actual return %	Annual target return %	Annual (Under)/Over Performance %
BlackRock Investment Management	Passive Equities & Bonds	22.30 *	21.79 *	0.51 *
Legal & General Investment Management	Passive Equities & Bonds	21.19 *	22.45 *	(1.26) *
CBRE Global Investors	Property	2.94	3.06	(0.12)
Total Fund Performance		**14.87**	**15.32**	**(0.45)**

* These figures are shown since inception of the mandates in May 2012, as a full year is not available.

Scheme Administration Report

Local Government Pension Scheme

Administration Service Delivery

Communications Policy

Pensions Administration Strategy

Local Government Pension Scheme

The Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme with defined benefits based on membership and final pay and guaranteed by law. The benefits are set out in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. Haringey Pension Fund cannot make changes to the scheme, and may only exercise such discretions as are prescribed by the LGPS regulations.

Membership is open to the non-teaching employees of the Administering Authority, all scheduled bodies and certain admitted bodies and Councillor Members until the day before age 75. There were no changes to scheme benefits during the 2012/13 financial year.

Consultation has commenced on changes to the Local Government Pension Scheme to be implemented from 1st April 2014. These changes, if implemented, would change the scheme from a final salary scheme to a Career Average Revalued Earnings (CARE) scheme.

Administration Service Delivery

The Haringey Council Pension Service is composed of two distinct arms: Fund Management and Pension Administration. Pension Administration is part of Personnel (Assistant Chief Executive People, Organisation and Development's Service).

The Pension Administration service is included in the Personnel business plan which makes links to the Council's aims and objectives. The Pensions team calculates and pays pension benefits, maintains a database of members and is responsible for the interpretation and implementation of the Local Government Pension Scheme regulations and related legislation.

The service operates in accordance with their professional standards and within the regulations laid down by the Local Government Pension Scheme.

Internal Dispute Resolution Procedure

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved.

To facilitate this process, an Internal Disputes Resolution Procedure has been established. In the first instance, members are expected to take up matters with the Pensions Manager, Janet Richards at the following address: Level 4, Alexandra House, 10 Station Road, Wood Green, London, N22 7LR or janet.richards@haringey.gov.uk. If the matter remains unresolved, a stage 1 appeal may be made to the Head of Human Resources and thereafter, if necessary a further appeal may be made to Bernie Ryan, Head of Legal Services at Level 5, River Park House, 225 High Road, Wood Green, London, N22 8HQ or bernie.ryan@haringey.gov.uk.

If the problem remains unresolved, members then have the facility to refer the matter to The Pensions Advisory Service (TPAS) which has a network of pension advisers who will try to resolve problems before they are referred on to the Pensions Ombudsman. However, the TPAS service may be invoked at any stage of the appeal process. Both TPAS and the Pensions Ombudsman can be contacted at:
11 Belgrave Road
London
SW1V 1RB

The statutory body responsible for the regulation of pension schemes in the United Kingdom is The Pensions Regulator and can be contacted at the following address:
The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

A central tracing agency exists to help individuals keep track of deferred pension entitlements from previous employers' pension schemes. An application for a search can be submitted to:
Pension Tracing Service
The Pension Service
Whitley Road
Newcastle upon Tyne
NE98 1BA
The Haringey Pension Fund's details are registered with the tracing agency.

Further information

For information about the Scheme generally, further information about resolving disputes, or an individual's entitlement to benefit, please refer to the member's booklet issued to all members of the Scheme or contact the Pensions Team, 4th Floor, Alexandra House, 10 Station Road, Wood Green, N22 7TR / telephone 020 8489 5919 or refer to the Council's website: www.haringey.gov.uk/pensionfund

Communications Policy

Effective communication between the Administering Authority, the scheme members, and the employers within the Fund is essential to the proper management of the Local Government Pension Scheme on a transparent and accountable basis.

The current policy, which has been prepared in accordance with the LGPS regulatory requirement is attached in Appendix 4 on page 77 and sets out the policy framework within which the Pension Fund communicates with:

- Members of the scheme;
- Representatives of scheme members;
- Employing bodies; and,
- Prospective scheme members.

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and employing bodies.

The Communications Policy includes the provision of a pensions page on the Haringey website www.haringey.gov.uk/pensionfund. This facility enables staff to access information about the Local Government Pension Scheme in their own home with families and partners who may also have an interest in the benefits of the scheme.

Pensions Administration Strategy Statement

The Fund implemented a Pensions Administration Strategy Statement on 1st April 2011, following consultation with the employers participating in the Fund and approval by Committee.

This statement sets out the performance standards expected of the Council in its role of Administering Authority for the Fund and those expected of employers participating in the scheme. It seeks to promote good working relationships, improve efficiency and ensure quality of service and data. It sets out details of how performance will be monitored and what action might be taken in the event of persistent failure.

During the financial year 2012-13 no formal action has been taken against any employers. The only breaches of the performance standards have been minor and have been dealt with informally.

The Pensions Administration Strategy Statement can be found on the Haringey Pension Fund website www.haringey.gov.uk/pensionfund.

Actuarial Funding Report

Funding Position

Funding Strategy Statement

Statement of the Fund Actuary

Funding Position

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

The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2010 in a report dated 31 March 2011. A valuation of the Fund as at 31st March 2013 is currently being carried out and the report will be available by 31st March 2014.

The 2010 valuation was carried out in accordance with the Fund's Funding Strategy Statement and Guidelines GN9: Funding Defined Benefits – Presentation of Actuarial Advice published by the Board for Actuarial Standards. The valuation method used was the projected unit method. The resulting contribution rates reflected the cost of providing year by year accrual of benefits for the active members and the level of funding for each employer's past service liabilities.

The market value of the Fund at the time of the last triennial valuation as at 31 March 2010 was £664m. Against this sum liabilities were identified of £960m equivalent to a funding deficit of £296m. The movement in the actuarial deficit between 2007 and the last valuation in 2010 is analysed below:

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

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

The funding objective of the Fund is to be fully funded. As this objective had not been achieved at the last valuation date it was agreed with the actuary that the past service deficit would be recovered over a period not exceeding 20 years. Further information about the principles for achieving full funding is set out in the Funding Strategy Statement in Appendix 4 on page 80.

Following the valuation as at 31 March 2010, the actuary agreed that the Council's contribution rate could remain at the 2010/11 rate of 22.9% of pensionable salaries for the following three financial years. The 2012/13 contribution rate was split between 5.8% for the past service adjustment to fund the deficit over 20 years and the future service rate of 17.1%.

The main assumptions used in the 2010 valuation were:

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

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

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

Funding Strategy Statement

The Local Government Pension Scheme Regulations require Local Government Pension Funds to prepare, publish and maintain a Funding Strategy Statement in accordance with guidance issued by CIPFA.

The purposes of a Funding Strategy Statement are:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and,
- to take a prudent longer-term view of funding those liabilities.

The Funding Strategy Statement is reviewed in detail every three years alongside the triennial valuation. It is reviewed in collaboration with the Pension Fund's actuary, and after consultation with the Pension Fund's employers and investment advisers. The current statement was reviewed during 2010/11 and agreed in February 2011.

The objectives of the Funding policy set out in the Statement are:

- to ensure the long-term solvency of the Fund (and of the share of the Fund notionally allocated to individual employers);
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The policy is shown in full in Appendix 4 on page 80.

Statement of the Fund Actuary

This statement has been prepared in accordance with Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2012/13.

Description of Funding Policy

The funding policy is set out in the London Borough of Haringey Pension Fund Funding Strategy Statement (FSS), dated 31 March 2011. The key funding principles are set out on page 26.

The Funding Strategy Statement sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out.

Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 50% chance that the Fund will return to full funding over 24 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £664 million, were sufficient to meet 69.2% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £296 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2011.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2010 valuation were as set out overleaf:

Financial assumptions	31 March 2010	
	% p.a. Nominal	% p.a. Real
Discount rate	6.1%	2.8%
Pay increases *	5.3%	2.0%
Price inflation/Pension increases	3.3%	-

** plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.*

The key demographic assumption was the allowance made for longevity. The baseline longevity assumptions adopted at this valuation were in line with standard SAPS mortality tables, and included improvements based on medium cohort projections and a 1% p.a. underpin effective from 2007. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	24.7 years
Future Pensioners	23.3 years	26.1 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Haringey Council, administering authority to the Fund.

<u>Experience over the period since April 2010</u>
The funding level is likely to have worsened since 31 March 2010. The reasons for this are:

i. There has been a significant fall in Government bond yields (meaning that the nominal discount rate has decreased). This has been partially offset by a decrease in the market's expectation for long term inflation (resulting in a decrease in the pension increase assumption) but overall there has been an increase in the real discount rate (the nominal discount rate net of inflation). This will have led to an increase in the value placed on the liabilities and an increase in the deficit.

ii. However, the increase in deficit will have been partially offset as a result of total investment returns being slightly better than the long term assumption made at the 2010 valuation.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

Douglas Green
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
March 2013

Chief Financial Officer's Responsibilities

The financial statements are the responsibility of the Chief Financial Officer. Pension scheme regulations require that audited financial statements for each Scheme year are made available to Scheme members, beneficiaries and certain other parties, which:

"show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom".

The Chief Financial Officer has supervised the preparation of the financial statements and has, agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Chief Financial Officer is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Chief Financial Officer is responsible for ensuring that records are kept in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Administering Authority and other participating bodies by the due dates.

The Chief Financial Officer is responsible for the maintenance and integrity of the financial information of the Scheme included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Chief Financial Officer also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Basis of Preparation

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2007 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, which is based on International Financial Reporting Standards and having regard to the Financial Reports of Pension Schemes – A Statement of Recommended Practice. The principal accounting policies of the Fund are set out below. The policies have remained unchanged from the previous year except where indicated.

Accounting Policies and Principles

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2007 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, which is based on International Financial Reporting Standards and having regard to the Financial Reports of Pension Schemes – A Statement of Recommended Practice. The principal accounting policies of the Fund are set out below. The policies have remained unchanged from the previous year except where indicated.

Contributions
Employer and employee contributions are included on an accruals basis relating to wages and salaries payable for the financial year. Employers' capital cost payments are also accounted for on an accruals basis relating to the period in which the liability arises.

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

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

Administrative expenses
Administrative expenses are shown on an accruals basis. A proportion of relevant Council officers' time, including related on-costs, has been charged to the Fund on the basis of actual time spent on scheme administration and investment related matters. Charges paid to HMRC in respect of scheme members breaching the Pensions Lifetime allowance are disclosed under administrative expenses.

Investment income
Dividends are shown on an accruals basis by reference to the ex-dividend date. Withholding tax, which is recoverable, is accrued on the same basis as the income to which it relates. Interest on fixed interest investments, index linked securities, cash and short term deposits is accounted for on an accruals basis. Distributions from equity and bond pooled funds are recognised on the date of payment. Distributions from property unit trusts are shown on an accruals basis by reference to the ex-dividend date.

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

Derivative contracts
In relation to income from forward foreign exchange contracts, all realised and unrealised gains and losses are included within change in market value. All interest receivable is accrued on a daily basis. The Pension Fund holds no other types of derivative contract.

Investment management expenses

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

Investments – market values

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

- Listed securities are stated at bid value;
- Unquoted securities are stated at the estimate of fair value provided by the investment manager;
- Units in managed funds and pooled investment vehicles are stated at bid value; and
- Forward foreign exchange contracts are valued by establishing the gain or loss that would arise on closing out the contract at the accounting date by entering into an equal and opposite contract on that date.

There are no published price quotations available to determine the fair value of the Fund's private equity holdings. The value of these holdings is therefore assessed by the Private Equity Fund Manager on a fair value basis as determined at 31 December 2012 adjusted for drawdowns paid and distributions received in the period 1 January 2013 to 31 March 2013.

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

Actuarial Present Value of Promised Retirement Benefits

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

Additional Voluntary Contributions ("AVCs")

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

Further details about the AVC arrangements are disclosed in note 19 to the financial statements.

Critical Judgements Applied

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

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

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

Pension Fund Account

2012/13 £'000		Notes	2011/12 £'000
	Dealings with members, employers and others directly involved in the scheme		
40,762	Contributions receivable	1	44,481
4,258	Transfers In	2	9,072
(40,077)	Benefits payable	3	(42,001)
(5,128)	Payments to and on account of leavers	4	(4,232)
(876)	Administrative Expenses	5	(651)
(1,061)	**Net additions from dealings with members**		**6,669**
	Returns on Investments:		
3,603	Investment Income	6	12,365
107,377	Change in market value of investments	9	18,389
(33)	Taxes on Income	7	(94)
(1,642)	Investment management expenses	8	(3,333)
109,305	**Net returns on investments**		**27,327**
108,244	**Net increase in the Fund during the year**		**33,996**
754,948	**Add: Opening net assets of the scheme**		**720,952**
863,192	**Closing net assets of the scheme**		**754,948**

Net Asset Statement

The Net Asset Statement sets out the assets and liabilities for the Fund as at 31 March 2013. The Fund is separately managed by the Council acting in its role as Administering Authority and its accounts are separate from the Council's.

31/03/13 £'000		Notes	31/03/12 £'000
860,379	Investment assets		754,512
0	Investment liabilities		(2,680)
860,379		9	751,832
3,802	Current Assets	12,13	4,025
(989)	Current Liabilities	13,14	(909)
863,192	**Total Assets**		**754,948**

Notes to Pension Fund Account

1. Contributions Receivable

2012/13 £'000		2011/12 £'000
23,127	Employers' normal contributions	23,959
6,661	Employers' deficit funding contributions	6,979
2,155	Employers' other contributions	4,179
31,943		35,117
8,819	Members' normal contributions	9,364
40,762	**Total**	**44,481**

Employers' deficit funding contributions include lump sum payments and the deficit element of the employers' contribution rate. In addition, payments resulting from cessation valuations are also included.

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

Contributions are further analysed in the following note:

1a. Analysis of Contributions Receivable

2012/13 £'000		2011/12 £'000
31,599	Administering authority	36,455
7,937	Scheduled bodies	6,765
1,226	Admitted bodies	1,261
40,762	**Total**	**44,481**

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

2. Transfers In

2012/13 £'000		2011/12 £'000
4,258	Individual transfers in from other schemes	4,980
0	Bulk transfers in from other schemes	4,092
4,258	**Total**	**9,072**

3. Benefits Payable

2012/13 £'000		2011/12 £'000
31,380	Pensions	28,525
7,771	Commutation of pensions & lump sum retirement benefits	12,956
926	Lump sum death benefits	520
40,077	**Total**	**42,001**

Benefits payable are further analysed in the following note.

3a. Analysis of Benefits Payable

2012/13 £'000		2011/12 £'000
36,183	Administering authority	37,719
2,995	Scheduled bodies	3,308
899	Admitted bodies	974
40,077	**Total**	**42,001**

4. Payments to and on account of leavers

2012/13 £'000		2011/12 £'000
1	Refunds of contributions	1
4,052	Individual transfers out to other schemes	4,231
1,075	Bulk transfers out to other schemes	-
5,128	**Total**	**4,232**

5. Administrative Expenses

2012/13 £'000		2011/12 £'000
646	Administration and processing	572
87	Legal and professional fees	79
143	HMRC Charges	0
876	**Total**	**651**

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

6. Investment Income

2012/13 £'000		2011/12 £'000
19	Interest from fixed interest securities	77
1,008	Dividends from equities	4,136
53	Income from index-linked securities	569
2,437	Income from pooled investment vehicles	7,215
86	Interest on cash deposits	368
3,603	**Total**	**12,365**

7. Taxes on Income

2012/13 £'000		2011/12 £'000
33	Irrecoverable withholding tax on investment income	94
33	**Total**	**94**

8. Investment management expenses

2012/13 £'000		2011/12 £'000
1,462	Fund managers fees	3,150
60	Custodian fees	86
81	Investment consultant fees	80
20	Independent adviser fees	1
19	Other	16
1,642	**Total**	**3,333**

9. Reconciliation of movements in Investment assets & liabilities

2012/13	Value as at 1 April 2012	Purchases at Cost & Derivative payments	Sales Proceeds & derivative receipts	Net Security Movements	Changes in market value	Value as at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest securities	0	1,107	(2,258)	1,163	(12)	0
Equities	131,453	0	(5,056)	(114,181)	(12,216)	0
Index-linked securities	53,316	714	(9,112)	(37,647)	(7,271)	0
Pooled Investment vehicles	529,585	324,583	(274,340)	150,665	118,079	848,572
Derivative Contracts	(1)	10	(14)	0	5	0
	714,353	326,414	(290,780)	0	98,585	848,572
Cash Deposits	38,684	5,385	(32,793)	0	34	11,310
Other Investment Balances	(1,205)	2,554	(840)	0	(12)	497
	37,479	7,939	(33,633)	0	22	11,807
Net Investment Assets	**751,832**	**334,353**	**(324,413)**	**0**	**98,607**	**860,379**

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

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

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £2k (2011/12: £132k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

9a. Analysis of investment assets excluding derivatives and other investment balances

31/03/13 £'000		31/03/12 £'000
	Fixed Interest Securities	
0	UK Public Sector quoted	0
0	UK Corporate quoted	0
0		**0**
	Equities	
0	UK quoted	34,109
0	Overseas quoted	97,344
0		**131,453**
	Index Linked Securities	
0	UK Public sector quoted	53,316
0	UK Other quoted	0
0		**53,316**
	Pooled Investment Vehicles	
	Unit Trusts:	
44,053	- Property - UK	46,989
0	- Other - UK	0
0	- Other - Overseas	14,088
	Unitised Insurance Policies	
342,400	- UK	120,109
423,661	- Overseas	63,629
	Other managed funds	
3,702	- Property - Overseas	5,571
0	- Other - UK	136,589
34,756	- Other - Overseas	142,610
848,572		**529,585**
	Cash Deposits	
10,823	Sterling	38,384
487	Foreign Currency	300
11,310		**38,684**

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

9b. Derivative Contracts

31/03/13 £'000		31/03/12 £'000
	Forward Foreign exchange:	
0	Pending forward foreign exchange purchases (asset)	128
0	Pending forward foreign exchange sales (liability)	(129)
0	**Total**	**(1)**

The Pension Fund investment managers were using forward foreign exchange contracts to reduce currency risk when undertaking investment transactions in foreign currencies in the early part of the financial year. At the end of the financial year, there were no such contracts outstanding.

In addition to forward foreign exchange contracts, the Pension Fund investment managers are permitted to use certain other derivatives in managing their portfolios, including warrants, futures, convertible securities and swaps. The use of all these derivatives is in line with the investment management agreements in place between the Fund and the investment managers. The Pension Fund did not hold any derivative contracts, other than forward foreign exchange contracts, as at 31 March 2013 or 31 March 2012.

9c. Investment Assets – Other Investment Balances

31/03/13 £’000		31/03/12 £’000
495	Outstanding dividend entitlements	1,193
2	Interest receivable	11
0	Outstanding trade sales proceeds	62
0	Pending foreign exchange purchases - spot deals	80
497		**1,346**

9d. Investment Liabilities – Other Investment Balances

31/03/13 £’000		31/03/12 £’000
0	Pending foreign exchange sales - spot deals	(80)
0	Unsettled investment trade purchases	(2,471)
0		**(2,551)**

9e. Analysis of Investments by fund manager

31/03/2013 £'000	%	Fund Manager	31/03/2012 £'000	%
516,158	60.0	BlackRock Investment Mngt	0	0.0
0	0.0	Capital International	203,301	27.1
0	0.0	Fidelity International	250,142	33.3
249,906	29.1	Legal & General	183,738	24.4
54,046	6.3	CBRE Global Investors	52,060	6.9
34,756	4.0	Pantheon	29,485	3.9
5,513	0.6	In house cash deposits	33,106	4.4
860,379	**100.0**	**Total**	**751,832**	**100.0**

9f. Investments exceeding 5% of Net Assets

31/03/2013 £'000		Name of holding	31/03/2012 £'000	
193,256	22.4%	BlackRock Aquila Life UK Equity Index Fund	0	0.0%
139,082	16.1%	BlackRock Aquila Life US Equity Index Fund	0	0.0%
102,848	11.9%	BlackRock Aquila Life Over 5 Years Index Linked	0	0.0%
84,242	9.8%	Legal & General World Emerging Equity Index	0	0.0%
47,589	5.5%	Legal & General Europe ex UK Equity Index	0	0.0%
43,563	5.0%	BlackRock Aquila Life European Equity Index Fund	0	0.0%
21,364	2.5%	Legal & General UK Equity Index	120,110	15.9%
0	0.0%	Legal & General World Equity Index	63,629	8.4%
0	0.0%	Fidelity Institutional Index Linked Bond Fund	68,671	9.1%
0	0.0%	Fidelity Institutional Exempt America	41,029	5.4%
0	0.0%	Fidelity UK Institutional UK Equities	38,889	5.2%

10a. Classification of Financial Instruments

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

31/03/13 Carrying Value £'000	31/03/13 Fair Value £'000		31/03/12 Carrying Value £'000	31/03/12 Fair Value £'000
		FINANCIAL ASSETS		
		Financial Assets at Fair Value through Profit or Loss		
0	0	Fixed Interest securities	0	0
0	0	Equities	119,711	131,453
0	0	Index-linked securities	45,294	53,316
714,929	848,572	Pooled Investment vehicles	417,211	529,586
0	0	Derivative Contracts	128	128
497	497	Other Investment Balances	1,347	1,346
715,426	**849,069**		**583,691**	**715,829**
		Loans & Receivables		
11,310	11,310	Cash Deposits	38,684	38,684
3,802	3,802	Debtors	4,025	4,025
0	0	Cash at Bank	0	0
15,112	**15,112**		**42,709**	**42,709**
		FINANCIAL LIABILITIES		
		Financial Liabilities at Fair Value through Profit or Loss		
0	0	Derivative Contracts	(129)	(129)
0	0	Other Investment Balances	(2,727)	(2,551)
0	**0**		**(2,856)**	**(2,680)**
		Financial Liabilities at Amortised Cost		
(897)	(897)	Creditors	(891)	(891)
(92)	(92)	Cash overdrawn	(18)	(18)
(989)	**(989)**		**(909)**	**(909)**
729,549	**863,192**	**Net Assets**	**622,635**	**754,949**

10b. Net gains and losses on financial instruments

The table below analyses gains and losses according to financial instrument classification.

31/03/13 £'000		31/03/12 £'000
Financial Assets		
98,431	Fair Value through profit or loss	18,429
34	Loans & receivables	(70)
Financial Liabilities		
142	Fair Value through profit or loss	30
0	Financial Liabilities at Amortised Cost	0
98,607	**Total**	**18,389**

11. Nature and extent of risks arising from Financial Instruments

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

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

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

Prior to 2012-13 the Council had become increasingly concerned about the performance of its active fund managers and the volatility in returns that this style of management can produce. To seek to improve performance and the management of risk the Council decided to alter its strategy and to invest 90% of its funds with managers who are required to manage on a passive basis and produce consistent performance closely aligned to defined indices.

b) Market price risk

The key risk for the Pension Fund is market risk, which is the risk that the value of the investments fluctuates due to changes in market prices. The majority of the Fund is invested in pooled funds with underlying assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. The Fund's investments increased in value during 2012/13 by £107m, equivalent to around 14.2%. To demonstrate the impact of this volatility, the table below shows the impact a 10% movement up and down in market prices would have had on the portfolio in 2012/13 and for the previous year.

	Market Value at 31/03/13 £'000	% change	Value on increase £'000	Value on decrease £'000
Fixed Interest securities	0	10%	0	0
Equities	0	10%	0	0
Index-linked securities	0	10%	0	0
Pooled Investment vehicles	848,572	10%	933,429	763,714
Derivative Contracts	0	0%	0	0
Cash Deposits	11,310	0%	11,310	11,310
Other Investment Balances	497	0%	497	497
Net Investment Assets	**860,379**		**945,236**	**775,521**

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

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

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

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 54% of the Fund value on 31st March 2013. There is a risk that due to exchange rate movements that the sterling equivalent value of the investments falls. The table below shows the impact a 10% movement up and down of the pound against foreign currencies would have had on the portfolio in 2012/13 and for the previous year.

	Market Value at 31/03/13 £'000	**% change**	**Value on increase £'000**	**Value on decrease £'000**
Overseas exposure in Pooled Investment vehicles	462,119	10%	508,331	415,907
Foreign Currency	487	10%	536	438
Total	**462,606**		**508,867**	**416,345**

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

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

d) Interest Rate risk

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

	Interest earned 2012/13 £'000	Interest if rates 1% higher £'000	Interest if rates 1% lower £'000
Fixed Interest securities	19	30	8
Index-linked securities	53	97	8
Cash Deposits	86	215	0
	158	**342**	**16**

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

e) Credit risk and counterparty risk

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

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table below shows the split of the bond investments by credit rating at 31st March 2013 and 31st March 2012.

	Market Value at 31/03/2013 £'000	AAA %	AA %	A %	BBB %	Below BBB %

Bond exposure in Pooled Investment vehicles	127,780	100.0	0.0	0.0	0.0	0.0
Total / Weighted Average	**127,780**	**100.0**	**0.0**	**0.0**	**0.0**	**0.0**

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

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

	Credit rating on 31/03/13	**Exposure £'000**
Northern Trust	AA-	521
Money Market Funds	AAAm	10,789
Total		**11,310**

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

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

f) Liquidity risk

Liquidity risk is the risk that monies are not available to meet the Pension Fund's obligation to pay pension benefits on time. Maintaining a level of internally managed cash balances enables the Pension Fund to ensure liquidity is not an issue. All of the internally managed cash held on 31 March 2013 was in instant access money market funds, ensuring cash is available as required. Monitoring of the cashflow position daily assists with maintaining this position.

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

12. Debtors

31/03/13 £'000		31/03/12 £'000
	Local Authorities	
	Contributions due from :	
2,100	Administering Authority in respect of the Council	2,457
523	Administering Authority in respect of members	587
2,623		3,044
3	Administering Authority - other	26
3		26
	Central Government Bodies	
14	HM Revenue & Customs	39
14		39
	Other entities and individuals	
	Contributions due from :	
102	Admitted Bodies in respect of employers	80
29	Admitted Bodies in respect of members	20
959	Scheduled Bodies in respect of employers	430
59	Scheduled Bodies in respect of members	155
0	Other - Reimbursement of Fund management expenses	228
13	Other	3
1,162		916
3,802		**4,025**

All contributions due to the Scheme were paid in full to the Scheme. All were paid within the timescales required by the Scheme Rules, with the exception of two employers, whose contributions were received late.

13. Cash at bank

31/03/13 **31/03/12**

£'000		£'000
(92)	Cash at bank / (Cash Overdrawn)	(18)
(92)		**(18)**

14. Creditors

31/03/13 £'000		31/03/12 £'000
	Local Authorities	
27	Administering Authority	0
	Central Government Bodies	
320	HM Revenue & Customs	283
	Other entities and individuals	
205	Unpaid benefits in respect of the Administering Authority	164
345	Fund manager and adviser fees	437
0	Other	7
897		**891**

15. Contingent assets

Five admitted bodies in the London Borough of Haringey Pension Fund hold bonds to protect the Fund against the possibility of being unable to meet their pension obligations. The bonds would only be payable to the Fund in the event of default on the part of the admitted body. There were four bonds in place on 31st March 2012.

16. Contingent liabilities

The Fund had the following outstanding commitments to invest at the balance sheet date:

31/03/13 £'000	31/03/12 £'000

15,750	Pantheon - Private Equity	21,400
0	CBRE Global Investors - Property	852
15,750	**Total**	**22,252**

The commitments relate to outstanding call payments due in relation to the private equity and property portfolios.

17. Related party transactions

Haringey Council
In 2012/13 the Pension Fund paid £0.564m to the Council for administration and legal services (£0.502m in 2011/12). As at 31 March 2013 a net £2.599m was due from the Council to the Fund (£3.07m in 2011/12), mainly in relation to employer and employee contributions.

Governance
During 2012/13 five council members who served on the Corporate Committee were also members of the Pension Fund. Committee members are required to declare their interests at the beginning of each Committee meeting.

Key Management Personnel
Local Authorities are exempt from the key management personnel requirements of IAS24, on the basis of the disclosures required by the Accounts and Audit (England) Regulations. This also applies to the Haringey Pension Fund. The disclosures prepared in line with the Regulations can be found in the main accounts of Haringey Council.

There were no other material related party transactions.

18. Actuarial present value of promised retirement benefits

Annex 1 to the Financial Statements is a report from the Fund's Actuary setting out this information.

The figures included in this note are for the purpose of accounting under International Accounting Standard 19 only. It is the results of the formal funding valuation that are used to determine the funding strategy and employer contribution rates for the Pension Fund. Details of the results of the formal funding valuation can be found in the Actuarial Position section.

19. Additional Voluntary Contributions ("AVCs")

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

Movements by provider are summarised below:

2012/13 £	Equitable Life Assurance Society	2011/12 £
333,145	Value as at 6 April	453,980
2,891	Contributions received	7,636
(12,565)	Retirement benefits and charges	(132,212)
19,645	Change in market value	3,741
343,116	Value as at 5 April	**333,145**
158,724	Equitable With Profits	165,288
70,733	Equitable Deposit Account Fund	69,191
113,659	Equitable Unit Linked	98,666
343,116	Total	**333,145**
24	Number of active members	26
22	Number of members with preserved benefits	23

2012/13 £	Clerical and Medical	2011/12 £
66,735	Value as at 1 April	56,901
2,894	Contributions received	5,279
5,354	Change in market value	4,555
74,983	Value as at 31 March	**66,735**
4,838	Clerical Medical With Profits	4,593
70,145	Clerical Medical Unit Linked	62,142
74,983	Total	**66,735**
4	Number of active members	4
2	Number of members with preserved benefits	2

2012/13 £	Prudential Assurance	2011/12 £
1,095,650	Value as at 1 April	1,117,023
175,664	Contributions received	217,025
(322,964)	Retirement benefits and charges	(299,646)
42,130	Change in market value	61,248

990,480	Value as at 31 March	**1,095,650**
779,091	Prudential With Profits Cash accumulation	718,643
87,394	Prudential Deposit Fund	53,656
123,995	Prudential Unit Linked	323,351
990,480	Total	**1,095,650**
75	Number of active members	84
24	Number of members with preserved benefits	19

20. Post Balance Sheet Events

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

Annex 1 to the Financial Statements

As referred to in note 18 to the Financial Statements, the following actuarial report has been provided by Hymans Robertson.

Pension Fund Accounts Reporting Requirement

Introduction
CIPFA's Code of Practice on Local Authority Accounting 2012/13 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund which is in the remainder of this note.

Balance Sheet

31/03/13 £'000		**31/03/12 £'000**
1,389,000	Present Value of Promised Retirement Benefits	1,186,000
1,389,000	**Total**	**1,186,000**

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31st March 2010. I estimate this liability at 31st March 2013 comprises £693m in respect of employee members, £314m in respect of deferred pensioners and £382m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. It should be noted that the figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).
Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate the impact of the change of assumptions to 31st March 2013 is to increase the actuarial present value by £120m.

Financial Assumptions
My recommended financial assumptions are summarised below:

31/03/13 % p.a.		**31/03/12 % p.a.**
2.8%	Inflation / Pension Increase Rate	2.5%
5.1%*	Salary Increase Rate	4.8%*
4.5%	Discount Rate	4.8%

** Salary increases are 1% p.a. until 31 March 2016, reverting to the long term rate thereafter*

Longevity Assumption
The life expectancy assumption is based on the standard SAPS tables with improvements from 2007 in line with the Medium Cohort and a 1% per annum underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current Pensioners	21.9 years	24.7 years
Future Pensioners (assumed to be currently aged 45)	23.3 years	26.1 years

This assumption is the same as at 31st March 2012.

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

Professional Notes
This paper accompanies my covering report titled "Actuarial Valuation as at 31st March 2013 for the purposes of International Accounting Standard 19 dated April 2013". The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper together with further details regarding the professional requirements and assumptions. This report is available from the Administering Authority on request.

Douglas Green FFA
For and on behalf of Hymans Robertson LLP
30th April 2013.

Auditor's Report

Appendices

<u>Current approved versions of key policy statements</u>

1 Governance Compliance Statement

2 Statement of Investment Principles

3 Communications Policy

4 Funding Strategy Statement

Appendix 1: Governance Compliance Statement

1 Introduction

This Governance Compliance Statement document sets out how governance of the Pension Fund operates in Haringey. It is prepared in accordance with Regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 and the associated statutory guidance issued by the Department for Communities and Local Government.

The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to the stakeholders.

2 Council delegation

Haringey Council, in its role as Administering Authority, has delegated responsibility for administering the Local Government Pension Scheme to the Corporate Committee. The terms of reference for the Committee were adopted by the Council on 23rd May 2011, are included in the Council's constitution and are set out in the section below:

3 Terms of reference

The terms of reference for Corporate Committee in relation to Pensions Administering Authority functions are set out below:

"Exercising all the Council's functions as "Administering Authority" and being responsible for the management and monitoring of the Council's Pension Fund and the approval all relevant policies and statements. This includes:

(A) Selection, appointment and performance monitoring of investment managers, AVC scheme providers, custodians and other specialist external advisers;

(B) Formulation of investment, socially responsible investment and governance policies and maintaining a statement of investment principles;

(C) Monitoring the Pension Fund Budget including Fund expenditure and actuarial valuations; and

(D) Agreeing the admission and terms of admission of other bodies into the Council's Pension Scheme."

4 Membership of Committee

The Committee's membership is made up of ten elected members of Haringey Council and three members representing Scheduled & Admitted Bodies, Active Members and Pensioners.

5 Compliance with statutory guidance

The Council is fully compliant with the statutory guidance issued by the Department for Communities and Local Government in 2008. Annex 1 details this compliance in each area of the guidance.

Annex 1: Compliance with Statutory Guidance

A. Structure
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council. *b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.* *c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.* *d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.*
Haringey position Fully compliant. The terms of reference for Corporate Committee in respect of Pensions are clear that administration of benefits and strategic management of fund assets are part of the remit. In addition to elected members, there are three representative members on the Committee representing Scheduled & Admitted Bodies, Active members and Pensioners. The Pensions working group is a sub-group of the main Committee, so all members attend both working group meetings and the main Committee, which ensures all issues are communicated.
B. Representation
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- *i) employing authorities (including non-scheme employers, e.g, admitted bodies);* *ii) scheme members (including deferred and pensioner scheme members);* *iii) independent professional observers, and* *iv) expert advisers (on an ad-hoc basis).* *b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.*

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Haringey position Fully compliant. In addition to elected members, there are three representative members on the Committee representing Scheduled & Admitted Bodies, Active members and Pensioners. Independent and expert advisers attend as required by the Committee. All representative members of the Committee have access to all papers, meetings and training on an equal footing with elected members.
C. Selection and role of lay members
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.
Haringey position Fully compliant. The terms of reference for the Committee sets out the role and function of the Committee in relation to Pensions. This is supplemented by induction training offered to all new members of the Committee.
D. Voting
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.
Haringey position Fully compliant. The policy regarding voting rights is clearly set out and only elected members of the Committee are permitted to vote. Representative members are able to participate fully in all discussions of the Committee and the nature of the decisions are such that the majority have been reached by consensus, rather than voting.

E. Training, Facility time, Expenses
a) *That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.* b) *That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.*
<u>Haringey position</u> Fully compliant. There is a clear policy on reimbursement of expenses for elected members of the Committee. All members of the Committee have equal access to training.
F. Meetings (frequency/quorum)
a) *That an administering authority's main committee or committees meet at least quarterly.* b) *That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.* c) *That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.*
<u>Haringey position</u> Fully compliant. The Committee meets four times a year and the Pensions working group meets as required to consider investment issues. The meetings of the working group are synchronised with the main committee to ensure issues are reported back on a timely basis.

G. Access
That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
Haringey position Fully compliant. All members of the Committee have equal access to all papers, documents and advice.
H. Scope
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.
Haringey position Fully compliant. The Committee's terms of reference include the wide range of pensions issues – investment, funding, administration, admission and budgeting.
I. Publicity
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.
Haringey position Fully compliant. The Governance Compliance Statement is circulated to all employers in the Pension Fund and published on the Council's website.

Appendix 2: Statement of Investment Principles

1 Introduction

This Statement of Investment Principles document sets out the principles governing the Haringey Council Pension Fund's decisions about the investment of Pension Fund money. It is prepared in accordance with Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

2 Governance and decision making

Haringey Council is the Administering Authority for the Local Government Pension Scheme in the London Borough of Haringey area and as such is responsible for the investment of Pension Fund money. The Council has delegated this responsibility to the Corporate Committee.

The Committee is responsible for setting the investment strategy for the Pension Fund, appointing fund managers to implement it and monitoring the performance of the strategy. The Committee retains an independent adviser and the services of an investment consultancy company, in addition to the advice it receives from the Director of Corporate Resources and their staff.

Further information on the governance of the Pension Fund can be found in the Governance Compliance Statement on the website www.haringey.gov.uk/pensionfund

Stock level decisions are taken by the investment managers appointed by the Committee to implement the agreed investment strategy. These decisions are taken within the parameters set out for each manager – more detail is provided in section 6 below.

3 Objectives of the Pension Fund

The primary objective of the Pension Fund is:

- To provide for members' pension and lump sums benefits on their retirement or for their dependants benefits on death before or after retirement on a defined benefits basis.

The investment objective of the Pension Fund is:

- To achieve a return on Fund assets, which is sufficient, over the long term, to meet the funding objectives.

The Pension Fund recognises that the investment performance of the Fund is critical as it impacts directly on the level of employer's contributions that the employers are required to pay.

The key funding objectives that relate to investment strategy are summarised below and more detail about them and how they will be achieved can be found in the Pension Fund's Funding Strategy Statement on the website www.haringey.gov.uk/pensionfund

- To ensure the long-term solvency of the Fund;
- To ensure that sufficient funds are available to meet all benefits as they fall due for payment; and
- Not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk.

This Statement of Investment Principles describes how the Haringey Council Pension Fund seeks to meet its objectives.

4 Investment Parameters

The investment strategy of the Pension Fund must operate within the parameters set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the regulations"). The regulations state that the Pension Fund must invest any monies not needed immediately to make payments.

The regulations also state that the Pension Fund must have regard to the suitability and range of investments used and take proper advice in determining its investment strategy. These issues are covered in more detail in sections 5-7 below.

The limits within which the Pension Fund operates are shown overleaf. All the limits are the lowest set by Schedule 1 to the regulations with the exception of the single insurance contract limit The Committee has exercised its right to increase its limit for a single insurance contract limit within the range set by the regulations. This was done, after taking proper advice, in order to maximise the diversification and performance of the Fund's assets while minimising the costs to the Pension Fund.

Type of Investment	Limit
Any single sub-underwriting contract	1%
All contributions to any single partnership	2%
All contributions to partnerships	5%
The sum of all loans (except a Government loan) and all deposits with local authorities	10%
All investments in unlisted securities of companies	10%
Any single holding (except unit trusts & UK gilts)	10%
All deposits with any single institution	10%
All sub-underwriting contracts	15%
All investments in units or shares of the investments subject to the trusts of unit trust scheme managed by any one body	25%
All investments in open ended investment companies where the collective investment schemes constituted by the companies are managed by one body	25%
All investments in unit or other shares of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes are constituted by those companies are managed by any one body.	25%
Any single insurance contract	35%*

* This limit is at the higher limit of the range (25-35%) laid down in the regulations.

5 Types of investments

The Committee has determined an overall asset allocation for the Pension Fund to meet the objectives within the parameters set out in section 4 above and to comply with the regulations. The Committee have considered the suitability of different investments and the need to diversify the investments to reduce risk. The Fund's revised strategic benchmark is shown in the table overleaf.

Asset class	Benchmark %	
UK Equities		17.5
Overseas Equities		52.5
North America	25.3	
Europe ex UK	8.6	
Pacific ex Japan	4.0	
Japan	4.1	
Emerging Markets	10.5	
UK Index linked gilts		15.0
Property		10.0
Private Equity		5.0
Cash		0.0

The Committee has decided to invest the majority of the Pension Fund investments in passively managed equity and bond funds to remove the risk of underperformance and ensure benchmark performance at a low cost.

Due to the size of the portfolios allocated to the investment managers, the investments are generally held in pooled funds, which are more cost effective for the Fund.

The majority of the investment types the Committee have decided to invest in are quickly realisable if required, as they are quoted on major markets. The only exceptions to this are property and private equity, which are long term less liquid investments not designed to be realised early. At the present time the Pension Fund has sufficient regular cash receipts to cover benefit payments and does not need to realise investments quickly.

The asset allocation and associated benchmark is expected to produce a return in excess of the investment return assumed in the actuarial valuation over the long term.

6 Investment Management arrangements

The Committee has appointed a number of external investment managers to implement its investment strategy. The current investment managers and the percentage of the Pension Fund they currently manage is shown in the table below:

Investment Manager	Mandate	%
BlackRock Investment Management	Global Equities & Bonds	60.0
Legal & General Investment Management	Global Equities & Bonds	29.0
CBRE Global Investors	Property	6.3
Pantheon	Private Equity	4.0

A range of investment managers have been appointed to diversify the Pension Fund and so reduce the risk of poor performance.

The equity and bond investment managers are expected to perform in line with their benchmarks, as they are investing on behalf of the Fund on a passive basis. The detail of their benchmarks is set out in Annex B. The property and private equity investment managers are expected to meet the targets set above the benchmarks detailed in Annex A over the long term.

The investment managers' performance is assessed on a quarterly basis, with independent performance data provided by the Pension Fund's global custodian Northern Trust. The Director of Corporate Resources and/or their representative meet with the bond and equity investment managers on a semi-annual basis to discuss performance. Meetings are held with the property and private equity investment managers on a quarterly basis, reflecting the active nature of these investments.

The investment managers are paid fees relating to the value of the funds they are managing on the Pension Fund's behalf, or in the case of private equity on the amount committed.

There will always be a balance of cash used to manage benefit payments invested in-house and there may be occasions when the Committee decide to invest in cash on a short term basis. These investments will be placed in line with the Treasury Management Strategy Statement in place at the time.

7 Advice

The regulations set out the requirement for the Pension Fund to obtain proper advice at reasonable intervals. The Committee has three sources of advice independent of the investment managers used by the Pension Fund:

- Director of Corporate Resources and their staff
- Investment Consultant – currently the Pension Fund use Aon Hewitt
- Independent Adviser

The Director of Corporate Resources (or their representative) attend all Committee meetings to support the Committee to scrutinise both the performance of the investment managers and the investment consultant. The Investment Consultant and Independent Adviser attend Committee meetings as required.

8 Risk

The Pension Fund's investment strategy has an inherent degree of risk which has to be taken in order to achieve the rate of return required. The Pension Fund has put in place a number of controls in order to minimise the level of risk taken.

The benchmark the Committee has set involves a wide range of asset classes and geographical areas. This diversification reduces the risk of low returns. As the majority of the Fund is invested on a passive basis, risk of underperforming the benchmark is significantly reduced.

Appointing a range of investment managers ensures that the risk of underperformance is reduced through diversification.

9 Responsible ownership

The Committee has agreed a responsible investment policy, which can be found on the website www.haringey.gov.uk/pensionfund

The Pension Fund believes the adoption by companies of positive Environmental, Social and Governance principles can enhance their long term performance and increase their financial returns. The Pension Fund has demonstrated this by adopting the United Nations Principles for Responsible Investment and by being a member of the Local Authority Pension Fund Forum, which undertakes engagement activity with companies on behalf of its members.

The investment managers are expected to consider responsible investment issues when voting on behalf of the Pension Fund. However in instances where shareholder value and responsible investment conflict, the investment managers are instructed to vote for shareholder value and report these instances to the Committee. All investment managers are expected to vote in respect of all pooled funds.

10 Compliance with Myners Principles

The regulations require Local Government Pension Funds to state in their Statement of Investment Principles the extent to which the Fund's investment policy complies with published guidance on the Myners Principles. The Myners principles are a set of principles on investment decision making for occupational pension schemes. The Pension Fund complies with all of these principles. The detail of the principles is set out in Annex D.

11 Additional Voluntary Contributions (AVCs)

The Pension Fund is required to provide scheme members with the opportunity to invest additional voluntary contributions. These are invested separately from the Pension Fund's other assets and the scheme members take the investment risk.

AVCs are invested with Prudential Assurance, Clerical & Medical and Equitable Life. Scheme members can choose which company to invest with (except Equitable Life, which is not open to new members) and select from a range of policies to suit their appetite for risk.

12 Other issues

Custody – The Pension Fund's assets are held by an independent global custodian, Northern Trust. The performance and fees for their contract are reviewed regularly.

Stock Lending – The Pension Fund does not undertake any stock lending activities.

Review process – This document is reviewed by the Committee on annual basis and whenever any major change to the investment strategy is undertaken to ensure it remains up to date.

Publication – This document is published on the Haringey Council Pension Fund website www.haringey.gov.uk/pensionfund and forms part of the Pension Fund Annual Report.

Annexes

A	Investment managers and mandates
B	Global Equity & Bond benchmarks
C	Compliance with Myners principles

Annex A: Investment Managers and mandates

Manager	Target % of Total Portfolio	Mandate	Benchmark	Performance Target
BlackRock Investment Management	55.7%	Global Equities & Bonds	See below	Index (passively managed)
Legal & General Investment Management	29.3%	Global Equities & Bonds	See below	Index (passively managed)
CBRE Global Investors	10%	Property	IPD UK Pooled Property Funds All Balanced Index	+1% gross of fees p.a. over a rolling 5 yr period
Pantheon Private Equity	5%	Private Equity	MSCI World Index plus 5%	+ 0.75% gross of fees p.a.
Total	**100%**			

Annex B: Global Equity & Bond Benchmarks

Asset Class	Benchmark	BlackRock Investment Management	Legal & General Investment Management	Total
UK Equities	FTSE All Share	14.9%	2.6%	17.5%
Overseas Equities		28.8%	23.7%	52.5%
North America	FT World Developed North America GBP Unhedged	*21.5%*	*3.8%*	*25.3%*
Europe ex UK	FT World Developed Europe X UK GBP Unhedged	*4.3%*	*4.3%*	*8.6%*
Pacific ex Japan	FT World Developed Pacific X Japan GBP Unhedged	*2.0%*	*2.0%*	*4.0%*
Japan	FT World Developed Japan GBP Unhedged	*1.0%*	*3.1%*	*4.1%*
Emerging Markets	FT World Global Emerging Markets GBP Unhedged	*0.0%*	*10.5%*	*10.5%*
Index Linked Gilts	FTA Index Linked Over 5 Years Index	12.0%	3.0%	15.0%
		55.7%	29.3%	85.0%

Annex C: Compliance with Myners Principles

1. Effective Decision Making
Administering authorities should ensure that: • *decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and* • *those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.*
Haringey position Haringey offers regular training to all members of the Committee to ensure they have the necessary knowledge to make decisions and challenge the advice they receive.
2. Clear Objectives
An overall investment objective(s) should be set out for the fund that takes account of the Fund's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and Fund employers, and these should be clearly communicated to advisers and investment managers.
Haringey position The Pension Fund sets out an investment objective in section 2 of this Statement of Investment Principles, which reflects the current deficit position of the Pension Fund and the desire to return to full funding with a minimum impact on the local tax payer. The Statement of Investment Principles is provided to all the Pension Fund's advisers and investment managers whenever it is updated.

3. Risk and Liabilities
In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.
Haringey position The Committee's investment strategy was set following the results of the last formal valuation of the Pension Fund, which incorporated these issues.
4. Performance Assessment
Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. *Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.*
Haringey position The Committee reviews the performance of Pension Fund investments on a quarterly basis and meets with investment managers at least once a year. Contracts with advisers are reviewed regularly. The Committee undertakes an assessment of their own effectiveness on a regular basis.

5. Responsible ownership
Administering authorities should: • *adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents* • *include a statement of their policy on responsible ownership in the statement of investment principles* • *report periodically to scheme members on the discharge of such responsibilities.*
Haringey position The Pension Fund's fund managers have adopted or are committed to the Institutional Shareholders' Committee Statement of Principles. The Pension Fund includes a statement of their policy on responsible ownership in section 9 of this Statement of Investment Principles. This is monitored on a quarterly basis through the Committee and reported to scheme members through the annual report to scheme members.
6.Transparency and reporting
Administering authorities should: • *act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives* • *provide regular communication to scheme members in the form they consider most appropriate.*
Haringey position The Pension Fund communicates with its stakeholders through the publication of policy statements and an Annual Report on its website. The Pension Fund communicates regularly with its scheme members and the communication policy statement provides information about how this is done.

Appendix 3: Communications Policy

Local Government Pension Scheme Regulations 1997 (as amended) Reg. 106B
Policy Statement on Communications with Members and Employing Bodies

Effective communication between Haringey Council, the scheme members, and the employers within the fund is essential to the proper management of the LGPS on a transparent and accountable basis.

This document sets out a policy framework within which the Council will communicate with:-

- Members of the scheme
- Representatives of members
- Employing bodies and
- Prospective members

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and employing bodies.

Members of the scheme:

A. Points of Contacts:

i. Admin Team for day-to-day contact and visits. The Pension Team operate an open door policy for visitors such that pre booked appointments are not required

ii. Ad hoc briefings and workshops

iii. Harinet

iv. Pensions web page www.haringey.gov.uk/pensionfund

A pensions page is maintained on Harinet which provides:-

- Guides to the LGPS including Pension Sharing on Divorce, Increasing Pension Benefits and the Appeals Process
- Policy Statements on the use of the Council's Discretionary Powers, Statement of Investment Principles, the Funding Strategy Statement and the Communications Policy
- Annual Reports and Pensions Bulletins
- Notice of events
- Contact List for Pensions Team
- Cost calculator for purchase of additional pension
- Links to other useful sites including the scheme regulations and the national LGPS website

The information held on the Harinet pensions page is reviewed and updated on a regular basis.

B. Levels of Communication:

i. General day to day administration of the scheme

ii. Payslips in April and May of each year and thereafter if net pay varies by £1

iii. Annual newsletter to Pensioner Members

iv. Statutory notices and statements e.g. : individual notices regarding entry to the scheme or hours changes and Annual Benefits Statements

v. Formal notice of significant proposals to change the scheme

vi. Life certificates to Pensioners living abroad.

C. Medium of communication

i. Telephone and e-mail

ii. Hard copy dispatches

iii. Annual Open Day for all fund members and employing bodies

iv. Workshops / Employee Briefings

v. Face to face meetings

D. Timing

i. General policy is to issue statutory notifications and statements within the prescribed limits and to respond to written enquiries within 10 working days.

ii. A summary Annual Report on the Fund is published annually prior to the Annual Open Day.

iii. Pension Bulletins on items of significance are issued as the need arises.

iv. The Pensions Newsletter is published in April of each year to coincide with pensions increase awards.

v. The Deferred members newsletter is published in June each year and coincides with the distribution of the deferred members Annual Benefit Statements.

<u>Representatives of scheme members</u>

A. Points of Contact

i. The Corporate Industrial Relations Group

ii. Council and Staff Joint Consultative Committee

iii. Corporate Committee

iv. Face to face meetings or issues raised in correspondence or by telephone.

v. Ad hoc presentations to Trade Union Officers and work place representatives.

B. Levels of communication

i. Consultation on proposed scheme changes and significant policy issues on the use of employer discretions.

ii. Joint meetings with staff affected by TUPE transfers

iii. Response to employee complaints or queries via their representatives.

iv. Semi-formal meetings to brief employee representatives on scheme changes or to explain existing scheme rules.

C. Medium of communication

i. Telephone and e-mail

ii. Hard copy dispatches

iii. Ad-hoc informal meetings at Officer level

iv. Committee meetings at Elected Member level

v. Face to face meetings

D. Timing

Formal meetings are dictated by pre determined dates. Informal meetings as and when required.

Employers

A. Points of contact:

Day to day contact falls into three categories:-

i. Pensions team for day to day administration

ii. Pay Support (where the Council provides a payroll service)

iii. Finance for FRS 17 and IAS19 disclosure and funding issues.

B. Levels of Communication:

i. General day to day administration of the scheme

ii. Formal notification of discussion documents and consultation papers

iii. Employer briefings on issues affecting the scheme including an Employers Guide to the LGPS

iv. Pre and post fund valuation meetings.

C. Medium of communication

i. Telephone and e-mail

ii. Site visits

iii. Hard copy dispatches

iv. Annual General Meeting

D. Timing

The general policy is to keep employers informed of issues as they arise or are expected to arise in good time for the appropriate action to be taken or comments considered.

Prospective Members and promoting the LGPS

i. All new starters are issued with a leaflet Pensions Choice as part of their new starter packs. This gives a brief outline of the scheme benefits and the alternative choices available.

ii. All new Haringey Council starters attend an induction course where they are reminded of the right to join the scheme.

iii. An Annual Benefits Statement is issued which includes a forecast of State Scheme benefits. This ensures that members appreciate the value of being a scheme member which they can share with colleagues.

Promotions of the Additional Voluntary Contributions Scheme are held in conjunction with the Council's AVC providers. These events are open to all staff and act to attract non members to the LGPS.

Appendix 4: Funding Strategy Statement

1. Introduction

This is the Funding Strategy Statement (FSS) of the London Borough of Haringey Pension Fund, (“the Fund”) that is administered by Haringey Council, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser. This revised version replaces the previous Funding Strategy Statement and is effective from 31 March 2011.

1.1 Regulatory Framework

Scheme members’ accrued benefits are guaranteed by statute. Members’ contributions are fixed in the Regulations at a level that covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.
The FSS forms part of a framework that includes:

- the Local Government Pension Scheme Administration Regulations 2008 (regulations 35, 36 and 38 are particularly relevant);
- the Rates and Adjustments Certificate, which can be found appended to this statement in Annex A and the Fund actuary’s triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions, provides recommendations to the Administering Authority when other funding decisions are required, for example when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

The key requirements relating to the FSS are that:

- After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
- In preparing the FSS the administering authority must have regard to :
  - FSS guidance produced by CIPFA
  - It’s Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

The Fund’s actuary must have regard to the FSS as part of the fund valuation process.

1.2 Reviews of FSS

The FSS is reviewed in detail at least every three years in conjunction with triennial valuations being carried out, with the next full review due to be completed by 31 March 2014. More frequently, Annex A is updated to reflect any changes to employers.

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact Nicola Webb in the first instance at Nicola.webb@haringey.gov.uk or on 020-8489-3726.

2. Purpose

2.1 Purpose of FSS

The Department for Communities and Local Government (CLG) has stated that the purpose of the FSS is:

- *"to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and*
- *to take a prudent longer-term view of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.
This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis across a range of employers participating in the Fund.

2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.
The roles and responsibilities of the key parties involved in the management of the Pension Fund are summarised in Annex B.

2.3 Aims of the Funding Policy

The objectives of the Fund's funding policy include the following:

- to ensure the long-term solvency of the Fund (and of the share of the Fund notionally allocated to individual employers);
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "*future service rate*"; plus

b) an adjustment for the funding position (or "solvency") of accrued benefits relative to the Fund's solvency target, "*past service adjustment"*. If there is a surplus there may be a contribution reduction; if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary is required by the regulations to report the *Common Contribution Rate* (see regulation 36(4) of the Local Government Pension Scheme (Administration) Regulations 2008), for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) is currently spread over a period of 20 years.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer (see regulation 36(7) of the Local Government Pension Scheme (Administration) Regulations 2008). It is the adjusted contribution rate which employers are actually required to pay. The sorts of "peculiar" factors which are considered are discussed in Section 3.5.
In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods. For some employers if may be agreed to pool contributions, see Section 3.7.8.

Annex A contains a breakdown of each employer's contributions following the 2010 valuation for the financial years 2011/12, 2012/13 and 2013/14. It also identifies if employers' contributions have been pooled with others.
Any costs of early retirements other than on the grounds of ill-health must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers' contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should agree with the Administering Authority before making one-off capital payments.

3.2 Solvency and Target Funding Levels

The Fund's actuary is required to report on the "solvency" of the whole fund at least every three years.
'Solvency" for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund actuary's *ongoing funding basis*. This quantity is known as a funding level.
The ongoing funding basis is that used for each triennial valuation for all employers in the Fund. The on-going funding basis assumes employers in the Fund are an on-going concern and is described in the next section. The Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the Administering Authority.

The Fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. The time horizon of the funding target may vary by employer depending on the expected duration of their participation in the Fund. Please refer to paragraph 3.8 for the treatment of departing employers.

3.3 Ongoing Funding Basis

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experiences of LGPS funds advised by the Fund Actuary. It is acknowledged that future life expectancy and in particular, the allowance for future improvements in mortality, is uncertain. Allowance has been made in the ongoing valuation basis for future improvements in line with "medium cohort" and a 1% minimum underpin to future reductions in mortality rates.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed statutory guarantee underpinning members' benefits. The demographic assumptions vary by type of member and so reflect the different profiles of employers.

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from the Fund's assets in excess of gilts. There is, however, no guarantee that assets will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

In light of the statutory requirement for the Actuary to consider the stability of employer contributions, it is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.

Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the 2010 valuation, it is assumed that the Fund's investments will deliver an average real additional return of 1.6% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation. The long term in this context would be 20 to 30 years or more. In the opinion of the Fund Actuary, based on the current investment strategy of the Fund, an asset out-performance assumption (AOA) of 1.6% p.a. is within a range that would be considered acceptable for the purposes of the funding valuation.

Pay for public sector employees will be frozen by Government until 2012, with a flat increase of £250 being applied to all those earning less than £21,000 p.a. Although this "pay freeze" does not officially apply to local government employers, it has been suggested that they are expected to show similar restraint in respect of pay awards. Based on an analysis of the membership in LGPS funds, the average expected increase in pensionable pay across all employees should be around 1% p.a. for the next two years. Therefore the salary increase assumption at the 2010 valuation has been set to 1% p.a. for 2010/11 and 2011/12 for all employers. After this point, the assumption will revert back to RPI plus 1.5% p.a, as adopted for the previous valuation, although this will be subject to monitoring by the actuary to the Fund.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index (CPI) rather than the retail prices index (RPI) will be the basis for future increases to public sector pensions in payment and in deferment. This proposed change has been allowed for in the valuation calculations as at 31 March 2010.

At the 2007 valuation, the assumption for RPI was derived from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. At this valuation, we propose to adjust this market-derived rate downwards by 0.5% p.a. to allow for the "formula effect" of the difference between RPI and CPI. Basing pension increases on CPI rather than RPI will serve to reduce the value placed on the Fund's liabilities. The demographic assumptions vary by type of member and so reflect the different membership profiles of employers. The same financial assumptions are adopted for all ongoing employers. All employers have the same asset allocation.

3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The future service rate has been calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable as a whole.

The approach used to calculate the employer's future service contribution rate depends on whether or not new entrants are being admitted.

Employers should note that it is only Admission Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.4.1 Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the *Projected Unit Method* with a one year control period. This method calculates the contribution rate which meets the cost of benefits accruing in the year after the valuation date.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

3.4.2 Employers that do not admit new entrants

Certain Admission Bodies have closed the scheme to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the *Attained Age* funding method is normally adopted. This method anticipates the ageing of the membership and, for a closed employer, would lead to a stable total contribution rate if the assumptions are borne out in practice. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the Actuary's report on the valuation.

Both future service rates will include an allowance for expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's funding position.
The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, part-time/full-time, manual/non manual);
- the effect of any changes to the valuation basis from the one used in the previous valuation, on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between the 2007 and 2010 valuations and each subsequent triennial valuation period.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation, including, but not limited to:

- the actual timing of employer contributions within any financial year; and
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund's actuary is required to apportion the assets of the whole Fund between the employers (or pool of employers) at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer or pool of employers. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus". The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.

The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.7 Stability of Employer Contributions

3.7.1 Solvency issues and target funding levels

In setting employer contribution rates, the Administering Authority must balance the aims of stability and affordability with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. The more secure the employer, the more emphasis can be placed on stability of employer contributions without jeopardising the Administering Authority's commitment to prudent stewardship of the Fund. For the most secure, long term employers an explicit stabilisation overlay based on a risk-based, stochastic valuation approach is used (see para 3.7.2).

For less secure and shorter term employers (principally, but not exclusively, the admission bodies) it is generally not possible to achieve the same degree of stability in employer contribution rates without compromising on prudent stewardship. However, other measures such as re-lengthening deficits recovery periods, phasing in of employer contribution increases or pooling help achieve a greater degree of stability of employer contributions than would otherwise be the case. Further, in cases where employers provide additional security to the Fund, the Administering Authority may, at its discretion, be prepared to agree to employer contributions below the theoretical rate derived from the valuation results.

The Administering Authority's policies in respect of the use of these approaches are set out in the remainder of 3.7 and in 3.8 below.

3.7.2 Stabilisation

For the most secure, long term employers there is an explicit stabilisation overlay. The stabilisation mechanism analyses a number of metrics over the long-term including the evolution of the funding level to check the likelihood of achieving the solvency of the Fund over the longer-term under a variety of contribution strategies. This analysis enables the Administering Authority to reduce the effect of short term investment market volatility on the contribution rates of eligible employers.

Stabilisation overlay rules and eligibility

Under the stabilisation overlay, variations in the employer contribution rate from year to year are kept within a pre-determined range so that eligible employers' contribution rates can remain relatively stable. Only precepting employers are eligible for stabilisation.

The stabilisation overlay rules for eligible employers are

- No increases for the period 1 April 2011 to 31 March 2014; and
- Maximum change of 1% p.a. thereafter.

Notes:

1) Increases and reductions apply over the three year period between valuations;
2) Increases and reductions are relative to rates certified at the previous valuation.

Circumstances in which eligibility for stabilisation will be reviewed

- The Administering Authority may review an employer's eligibility for stabilisation at any time in the event of significant changes in the employer's membership (due for example to redundancies or outsourcing) or if there is a significant change in the Administering Authority's assessment of an employer's security.

- Stabilisation rules and eligibility may be reviewed at any time in the event of changes to scheme benefits. Changes in scheme benefits may arise because of changes in regulations or other events that have a material impact (such as the change with effect from April 2011 from RPI to CPI for increases to pensions in payment).

- The stabilisation rules and eligibility criteria will be reviewed no later than at the 31 March 2013 valuation, with any changes in contribution strategy taking effect from 1 April 2014. The review will take into account factors including, but not necessarily restricted to, market conditions (the long-term risk-based analysis will be recalibrated to market conditions as at 31 March 2013), the Administering Authority's assessment of employer's security and the maturity of each employer's membership profile.

Setting the parameters of the stabilisation overlay

The parameters for the stabilisation overlay have been determined by carrying out an asset liability modelling exercise. This allows for the future uncertainty in investment returns, interest rates and inflation using a stochastic modelling technique. The actuary tested the contribution stabilisation rules to ensure that they were compatible with the current investment strategy. He has advised the Administering Authority that the stabilisation overlay for secure long term secure employers satisfies the requirement for the funding strategy to take a prudent longer-term view based on a reasonably prudent ongoing funding basis.

3.7.3 Deficit Recovery Periods

The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table below unless otherwise agreed by the Administering Authority and the Fund's actuary.

Type of Employer	**Maximum Length of Deficit Recovery Period**
Statutory bodies with tax raising powers	A period to be agreed with each employer not exceeding 20 years.
Scheduled Bodies	A period to be agreed with each employer depending on the strength of their covenant, but not exceeding 20 years.
Community Admission Bodies with funding guarantees	A period to be agreed with each employer depending on the terms of the guarantee, but not exceeding 20 years.
Transferee Admission Bodies	The period from the start of the revised contributions to the end of the employer's contract.
All other types of employer	A period to be agreed with each employer depending on the strength of their covenant; this will generally be equivalent to the expected future working lifetime of the remaining scheme members.

This *maximum* period (unless otherwise agreed by the Administering Authority and the Fund's actuary) is used in calculating each employer's *minimum* contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2011 for 2010 valuation).

3.7.4 *Deficit Recovery Payments*

For employers where stabilisation is not being applied, the deficit recovery payments for each employer covering the three year period until the next valuation will usually be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is an admitted body with a relatively large deficit recovery contribution rate, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

3.7.5 *Surplus Spreading Periods*

For any employer deemed to be in surplus, the approach is to maintain contributions at no less than the assessed future service level. At the Administering Authority's discretion however, employers may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above for deficits in calculating their minimum contributions.
However if they take the full benefit of their surplus re-payments then their ability to withstand future adverse shocks in the 2013 valuation will be diminished. Employers should consider carefully whether or not to take the full benefit of their current surplus.

3.7.6 *Phasing in of Contribution Rises*

Transferee Admission Bodies are not eligible for phasing in of contribution rises. Other employers may opt to phase in contribution rises over a three year period providing they pay a minimum of the future service rate.

3.7.7 *Phasing in of Contribution Reductions*

Any contribution reductions will be phased in over three years for all employers except Transferee Admission Bodies who can take the reduction with immediate effect.

3.7.8 *The Effect of Opting for Longer Spreading or Phasing-In*

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2007 valuation, or to phase-in contribution changes, will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Therefore, deferring paying contributions will lead to higher contributions in the long-term (depending on the actual financial and demographic performance of the Fund relative to the valuation assumptions).

However any adjustment is expressed for different employers, the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.7.9 *Pooled Contributions*

The Administering Authority currently allows Haringey Council to pool the legacy liabilities and assets that remain when an employer leaves the Fund.

The Administering Authority will consider the arguments for pooling on a case by case basis, but in general does not permit the pooling of contribution rates.

3.7.10 Regular Reviews

The Administering Authority reserves the right to review contribution rates and amounts and the level of security provided, at regular intervals. These intervals may be annual, in the case of Admission Bodies and/or in the last few years of the employer's contract. Such reviews may be triggered by significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions payable (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), an increased level of security or guarantee, or some combination of these.

3.8 Admission Bodies ceasing

Admission Agreements for Best Value contractors are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point.

The Fund, however, considers any of the following as triggers for the termination of an admission agreement:

- Last active member ceasing participation in the LGPS;
- The insolvency, winding up or liquidation of the admission body;
- Any breach by the Admission Body of any of its obligations under the agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the admission body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the admission body to renew or adjust the level of the bond or indemnity or to confirm appropriate alternative guarantor as required by the Fund.

In addition either party can voluntarily terminate the admission agreement by giving the appropriate period of notice as set out in the admission agreement to the other party (or parties in the case of a Transferee Admission Body).

If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation to determine whether there is any deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

(a) For Transferee Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

(b) For non-Transferee Admission Bodies that elect to voluntarily terminate their participation, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. In order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis" with no allowance for potential future investment outperformance and with an allowance for further future improvements in life expectancy. This approach results in a higher value being placed on the liabilities than would be the case under a valuation on the ongoing funding basis and could give rise to significant payments being required.

(c) For Admission Bodies with guarantors or a successor body, it is possible that any deficit could be transferred to the guarantor/successor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor/successor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

As an alternative to (b) above where the ceasing Admission Body is continuing in business, the Fund, at its absolute discretion, reserves the right to enter into an agreement with the ceasing Admission Body to accept an appropriate alternative security to be held against any funding deficit and to carry out the cessation valuation on an ongoing valuation basis. This approach would be monitored as part of each triennial valuation and the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified.

In the event that the Fund is not able to recover the required payment in full directly from the Admission Body or from any bond or indemnity or guarantor, then:

a. In the case of Transferee Admission Bodies the awarding authority will be liable. At its absolute discretion, the Administering Authority may agree to recover any outstanding amounts via an increase in the awarding authority's contribution rate over an agreed period.

b. In the case of admission bodies that are not Transferee Admission Bodies and have no guarantor, the unpaid amounts fall to be shared amongst all of the employers in the Fund. This will normally be reflected in contribution rates set at the formal valuation following the cessation date.

3.9 Early Retirement Costs

3.9.1 Non Ill Health retirements

The actuary's funding basis makes no allowance for premature retirement except on the grounds of ill-health. All employers are required to pay additional contributions wherever an employee retires "early" (see below) with no reduction to their benefit or receives an enhanced pension on retirement.

It is assumed that members' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire. Members receiving their pension unreduced before this age other than on ill-health grounds are deemed to have retired "early".

The additional costs of premature retirement are calculated by reference to these ages. Employers must make these additional contributions as a one off payment to the Fund immediately on awarding the early retirement.

3.9.2 Ill health monitoring

The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative number of ill health retirements in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as applies for non ill-health cases.

3.9.3 Ill health insurance

Employers have the ability to insure ill health early retirement strains through a policy that can currently be arranged with Legal & General. Where this insurance is effected:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged;
- there is no need for monitoring of allowances.

3.10 <u>New admitted bodies</u>

The Fund requires the following from any potential Admission Bodies wishing to join the Fund.

Transferee Admission Bodies will be required to have a guarantee from the transferring scheduled body and also provide a bond if requested by the Administering Authority. The bond is required to cover the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the employer's contract
- allowance for the risk of asset underperformance
- allowance for the risk of a fall in gilt yields
- allowance for unpaid contributions

The employer may also be required to include their current deficit within the bond amount. The bond will be reassessed on an annual basis.
When the Administering Authority considers requests from Community Admission Bodies to join the Fund, they will be seeking sponsorship for the Body from a scheduled body with tax raising powers guaranteeing their liabilities and also if appropriate a bond.

This reduces the risk to the Fund of potentially having to pick up any shortfall in respect of Admission Bodies.

4. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31 March 2010, the proportion held in equities and property was 72% of the total Fund assets.

The investment strategy of lowest risk would be one which provides cash-flows which replicate the expected benefit cash-flows (i.e. the liabilities). Equity investment would not be consistent with this.

The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from a liability matching strategy. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund and the secure nature of most employers' covenants.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different investment strategies for different employers.

4.2 Consistency with Funding Basis

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from equities in excess of bonds. There is, however, no guarantee that equities will out-perform bonds. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply. It is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.
In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund, the asset outperformance assumption is within a range that would be considered acceptable for the purposes of the funding valuation and consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities (see para 2.1). The same financial assumptions are adopted for all employers which fund on the ongoing basis. However, low risk financial assumptions are adopted for all employers which fund on the low risk basis.

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and asset returns may fall short of this target. The stability measures described in Section 5 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.3 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities.

4.4 Inter-valuation monitoring of funding position

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of annual interim valuations. If appropriate, investigations will also be made into the individual employer funding positions.

5. Key Risks & Controls

5.1 Types of Risk

The Administering Authority has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- Financial;
- Demographic;
- Regulatory; and
- Governance.

5.2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	*Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.* *Analyse progress at three yearly valuations for all employers.* *Annual interim valuations.*
Inappropriate long-term investment strategy	*Set a Fund-specific benchmark following receipt of professional investment advice.*
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	*Inter-valuation monitoring, as above.*
Active investment manager under-performance relative to benchmark	*Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark and target.*
Pay and price inflation significantly more than anticipated	*The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.* *Inter-valuation monitoring, as above, gives early warning.* *Some investment in index linked bonds also helps to mitigate this risk.* *Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.*

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	*Seek feedback from employers on scope to absorb short-term contribution rises.* *Mitigate impact through deficit spreading and phasing in of contribution rises.*

5.3 Demographic Risks

Risk	Summary of Control Mechanisms
Ill-health retirements significantly more than anticipated.	*Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumptions built in.*
Pensioners living longer.	*Set mortality assumptions with some allowance for future increases in life expectancy.* *Fund actuary monitors combined experience of around 50 funds to look for early warnings of lower pension amounts ceasing than assumed in funding.*
Deteriorating patterns of early retirements.	*Employers are charged the extra capital cost of non ill health retirements following each individual decision.* *Employer ill health retirement experience is monitored.*
Maturing Fund i.e. proportion of actively contributing employees declines relative to retired employees.	*Continue to monitor at each valuation, consider seeking monetary amounts rather than percentage of pay and consider alternative investment strategies.*

5.4 Regulatory

Risk	Summary of Control Mechanisms
Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees	*The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself.*
Changes to national pension requirements and/or HM Revenue and Customs rules e.g. effect of abolition of earnings cap for post 1989 entrants from April 2006, abolition of 85 year rule and new 2008 scheme	*The Administering Authority considers all consultation papers issued by the CLG and comments where appropriate.* *The Administering Authority will consult employers where it considers that it is appropriate*

5.5 Governance

<table>
<tr><th>Risk</th><th>Summary of Control Mechanisms</th></tr>
<tr><td>Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).</td><td rowspan="2">The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations

Deficit contributions are expressed as monetary amounts and percentages (see Annex A).</td></tr>
<tr><td>Administering Authority not advised of an employer closing to new entrants.</td></tr>
<tr><td>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.</td><td>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.

It also operates a diary system to alert it to the forthcoming termination of Best Value Admission Agreements.</td></tr>
<tr><td>An employer ceasing to exist with insufficient funding or adequacy of a bond.</td><td>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.

The risk is mitigated by:
• Seeking a funding guarantee from another scheme employer, or external body, wherever possible.
• Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.
• Vetting prospective employers before admission.
• Where permitted under the regulations requiring a bond to protect the Fund from the extra cost of early retirements on redundancy if the employer failed.</td></tr>
</table>

Annex A – Employers' Contributions

Following the 2010 valuation, the minimum employer contributions shown in the Rates and Adjustment certificate attached to the 2010 valuation report are based on the deficit recovery periods and phasing periods shown in the table below.

Employer name	Contributions paid in 2010/11	Minimum Contributions for the Year Ending		
		31 March 2012	31 March 2013	31 March 2014
Haringey Council	22.9%	22.9%	22.9%	22.9%
Age Concern Haringey	33.8%	22.6% plus £32,000	33.8%	33.8%
College of Enfield and North East London	19.9%	17.2% plus £303,000	17.2% plus £468,000	17.2% plus £662,000
Haringey Citizens Advice Bureaux	19.6%	21.7% plus £22,000	21.7% plus £22,000	21.7% plus £23,000
Alexandra Palace Trading Co Ltd	18.7%	23.0% plus £41,000	23.0% plus £41,000	23.0% plus £43,000
Urban Futures London Ltd	17.4%	19.5% plus £28,000	19.5% plus £29,000	19.5% plus £30,000
Greig City Academy	13.0%	16.8% plus £8,000	16.8% plus £8,000	16.8% plus £8,000
Homes for Haringey	15.4%	18.3% plus £69,000	18.3% plus £70,000	18.3% plus £74,000
John Loughborough	17.2%	18.9%	18.9%	18.9%
TLC at Coopercroft	19.0%	25.4%	25.4%	25.4%
Fortismere School	18.1%	19.2% plus £25,000	19.2% plus £25,000	19.2% plus £27,000
RM Education PLC	12.3%	17.6%	17.6%	17.6%
Ontime Parking Solutions	21.4%	22.1%	22.1%	22.1%
ESSL	28.0%	24.6%	24.6%	24.6%

Annex B – Responsibilities of Key Parties

The Administering Authority should:

- collect employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the fund's actuary;
- prepare and maintain a Funding Strategy Statement and Statement of Investment Principles, both after proper consultation with interested parties;
- monitor all aspects of the fund's performance and funding and amend Funding Strategy Statement and Statement of Investment Principles as necessary;
- prepare annual accounts and get these audited, control cash flow and administration costs.

The Individual Employer should:

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, excess ill-health early retirements if appropriate;
- notify the administering authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement;
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

The Committee should:

- carry out statutory functions relating to local government pensions under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972. Broadly this enables them to oversee the general framework within which the Fund is managed
- monitor investment and administration performance
- carry out regular reviews of investments and investment strategy
- determine and keep under constant review, an overall asset allocation policy for the Fund, including appointment and termination of fund managers
- consider appropriate professional advice on all matters with a material impact on the Fund
- approve significant internal decisions and documents for the scheme including the valuation, Annual Report and Accounts and the FSS, and
- determine and keep under constant review, all policies and strategies of the Fund.

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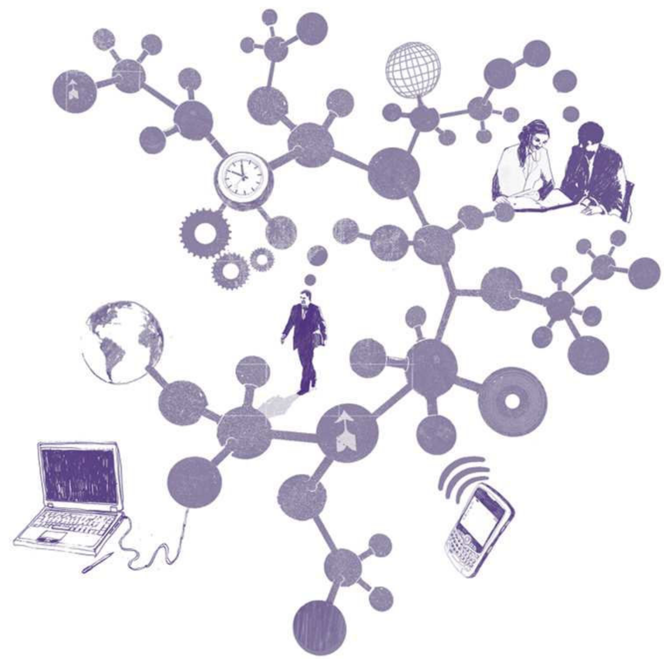
Grant Thornton

The Audit Findings for London Borough of Haringey Pension Fund

Year ended 31 March 2013

6 September 2013



Subarna Banerjee
Engagement leader
T 01908 359647
E subarna.banerjee@uk.gt.com

Stuart Halliday
Audit Manager
T 01908 359665
E stuart.n.halliday@uk.gt.com

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key issues arising from the audit of London Borough of Haringey Pension Fund's ('the Fund') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statement's present a true and fair view of the financial position, the financial transactions of the fund during the year and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit, we have not had to alter our audit plan, which we communicated to you in our Audit Plan dated 3 June 2013. Our audit is substantially complete although we are finalising our procedures in the following areas:

- confirmations from Invesco and RBS
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the start of our audit.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the funds financial position. The audited financial statements show net assets carried forward of £863,192k.

We anticipate providing an unqualified opinion on the Fund's financial statements.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2013

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Corporate Committee on 27 June 2013. We also set out any adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 3 June 2013.

Audit opinion

We anticipate that we will provide the Fund with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section, we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	We have rebutted this presumption and therefore do not consider this to be a significant risk for the London Borough of Haringey Pension Fund, as communicated to you in our Audit Plan.	Refer to our audit findings against other risks.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. We have obtained a download of all journals processed in the year and tested a sample to supporting documents to ensure that postings are appropriate. There were no issues arising from our review. We have not identified any significant judgements or estimates which have been made by management and have not identified any significant unusual transactions.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investments	Investments are not valid or fair value measurements are not correct	• direct confirmations from fund managers, and the global custodian of investments held were obtained. • compare holdings confirmed by global custodian to individual fund managers • We obtained direct confirmation of market prices for a selection of investment holdings to individual fund manager reports • We agreed a selection of purchase and sales transactions to supporting information	There was a difference of £1,179k between the valuation by Northern Trust for Pantheon and the value based on the March 2013 accounts obtained from Pantheon. If the investment were valued based on the March 2013 accounts, the value would be higher. However it was noted that the March 2013 accounts are unaudited. The value per Northern Trust, which has been used in preparing the accounts, is based on the value per the audited Dec ember 2012 accounts adjusted for transactions to 31 March 2013. The valuation method adopted is in accordance with the Fund's accounting policy and is in line with prior periods. As such, we are satisfied that the investment is not materially misstated in the accounts. We have not identified any further issues as a result of our work on investments.
Benefit Payments	Benefits paid incomplete and / or incorrectly calculated	• A pensions rationalisation was performed with reference to changes in member numbers and increases in the year • for each benefit, a selection of transactions will be made and agreed to supporting documentation maintained on individual member files	No issues were noted as a result of our work on benefits.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Benefits paid incomplete and / or incorrectly calculated	• We estimate total contributions by reference to average pensionable salaries, and average member numbers • A review of overall contributions received on a monthly basis was completed and any unusual trends were investigated. • A sample of deductions of contributions from salaries were reviewed for a selection of members to ensure accuracy, and that they were correctly paid over to the fund	We have not identified any significant issues as a result of our work. However, we noted a number of instances where contributions were paid late as follows: • Mulberry School – five late payments during the year, averaging £14k. The average delay in payment was 26 days. • Fusion – two late payments averaging £24k. The average delay in payment was 29 days. • John Loughborough – two late payments averaging £6k. The average delay in payment was 8 days. • Rockley Dene – six late payments averaging £5k. The average delay in payment was 4 days. • ESSL – one late payment of £1k which was 1 day late. • Churchill – five late payments averaging £1k. The average delay in payment was 2 days. • Northumberland Park – one late payment of £1k which was paid 12 days late. • Hartsbrook Free School – one late payment of £3k which was paid 4 days late. • Balfour Beatty – two late payments averaging £21k. The average delay in payment was 13 days. Late payments are followed up and chased by the Pension Admin team on a monthly basis and the results are reported to the committee quarterly. Based on the amounts involved, we do not consider the late payments above to be a material breach of Schedule of Contributions. However, we recommend these bodies continue to be reminded of the need to make payments in a timely fashion, We have not identified any further issues as a result of our work on contributions.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	• Key estimates and judgements include : – pension fund valuations and settlements – investment valuation	• We have reviewed the Fund's key estimates and judgements and have no comments to make.	●
Other accounting policies	• The Fund's accounting policies are in accordance with the requirements of the Code of Practice on Local Authority Accounting	• We have reviewed the Fund's policies against the requirements of the Code of Practice on Local Authority Accounting and have no comments to make.	●

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

No adjustments have been identified during the audit process.

Misclassifications & disclosure changes

There were no misclassification or disclosure changes identified during the audit.

Unadjusted misstatements

No unadjusted misstatements have been identified during the audit.

Internal control

- The purpose of an audit is to express an opinion on the financial statements.
- Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.
- These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

We are pleased to report that we have not identified any significant control deficiencies as a result of our work.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Fund.
4.	**Disclosures**	• Our review found no material omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Going concern**	• Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

Section 3: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Fund audit	22,379	22,379

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected unmodified auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	We recommend that efforts continue to be made to ensure all contributions are received within 19 days.	Low	Agreed.	Immediate, Head of Human Resources.

Appendix B: Audit opinion

We anticipate that we will provide the Fund with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF London Borough of Haringey Pension Fund

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of the London Borough of Haringey Pension Fund for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement 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 2012/13.

This report is made solely to the members of the London Borough of Haringey Pension Fund 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 of 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 Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements 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 financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements 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 Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the pension fund annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if, in our opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We have nothing to report in this respect.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, 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 2012/13.

Grant Thornton

grant-thornton.co.uk

Corporate Resources
6th Floor Alexandra House
10 Station Road
London N22 8HQ
Tel: 020 8489 2688
Email:Julie.parker@haringey.gov.uk
www.haringey.gov.uk

Haringey Council

Julie Parker – Director of Corporate Resources

Your Ref: SB/ SH/ H05806062

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

20 September 2013

Dear Sirs

London Borough of Haringey Pension Fund - financial statements for the year ended 31 March 2013

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.

i We acknowledge our responsibilities for ensuring that financial statements are prepared which give a true and fair view of the financial position of the pension fund in accordance with the Code of Practice on Local Authority Accounting in the UK (the Code) and for making accurate representations to you.

ii As far as we are aware:
- there is no relevant audit information of which you are unaware; and
- we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.

iii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

iv All the accounting records of the pension fund have been made available to you for the purpose of your audit and all the transactions undertaken by the pension fund have been properly recorded in the accounting records and reflected in the financial statements.

v We believe that the Pension Fund'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 Pension Fund's needs. We believe that no further disclosures relating to the Pension Scheme's ability to continue as a going concern need to be made in the financial statements.

vi There have been no restatements made to correct a material misstatements in prior period financial statements that affect the comparative information.

vii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

viii All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

ix We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Pension Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgment based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

x Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

xi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS 19 disclosures are consistent with our knowledge.

xii 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).

xiii All other records and related information, including minutes of all management and Committee meetings, have been made available to you.

xiv The financial statements are free of material misstatements, including omissions.

xv We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.

xvi We have no knowledge of fraud or suspected fraud affecting the pension fund involving:
- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

xii We are not aware of any irregularities, including fraud, involving management or employees of the Council. We are not aware of any instances of actual or possible non-compliance with laws, regulations, contracts, agreements or the Council's constitution that might result in the Pension Fund suffering significant penalties, other loss or affecting the financial statements. No allegations of such irregularities, including fraud, or such non-compliance have come to our notice.

xiii Except as stated in the accounts:
- there are no unrecorded liabilities, actual or contingent
- there are no employer related investments
- none of the assets of the pension fund have been assigned, pledged or mortgaged
- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

xiv All related parties have been identified to you and there were no transactions with related parties which should be disclosed in the financial statements, that are not already disclosed in the notes to the accounts.

xv There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to provide security for such matters), in relation to the Pension Fund involving Pension Board members or officers that should be disclosed in the financial statements.

xvi There are no claims, legal proceedings or other matters which may lead to a loss falling on the authority or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements.

xvii The Pension Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

xviii We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.

xix No significant events having an effect on the financial position of the Pension Fund have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.

Approval

The approval of this letter of representation was minuted by the Corporate Committee at its meeting on 19 September 2013.

Signed on behalf of The London Borough of Haringey Pension Fund:

Name .... Name ....
Position .... Position ....
Date .... Date ....

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Agenda Item 8

Haringey Council

Report for:	Corporate Committee 19th September 2013	Item number	

Title:	Award of contract for Pension Fund Investment Advisory Services

Report authorised by :	J. Parker 10/9/13 Director of Corporate Resources

Lead Officer:	Ian Talbot, Interim Head of Finance – Treasury & Pensions ian.talbot@haringey.gov.uk 020 8489 8621

Ward(s) affected: N/A	Report for Non Key Decision

1. Describe the issue under consideration

1.1 This report seeks approval from Committee to award a contract for Pension Fund Investment Advisory Services.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the Committee approve the award of the Pension Fund Investment Advisory Services contract to Mercer Ltd for a period of 3 years from 6th November 2013 with the Council having the option to offer an extension for a further year, at an estimated cost of £240,000 over the initial period.

Haringey Council

4 Other options considered

4.1 Following the decision to enter into a framework agreement for Pension Fund Investment Advisory Services, a mini competition was undertaken and the five tenders received were evaluated before making this recommendation.

5 Background information

5.1 The current Pension Fund Investment Advisory Services contract with Aon Hewitt, as extended under Contract Standing Order 10.01, expires on 31st October 2013.

5.2 Norfolk County Council has undertaken an OJEU compliant tender process for a framework agreement for Pension Fund Investment Advisory Services which is available for all Local Government Pension Fund administering authorities to use. The Council has entered into this framework agreement which has facilitated the selection of a provider to be made through a process of mini competition, avoiding the need for a time and resource consuming full OJEU tender process.

5.3 The six organisations on the framework agreement were invited to take part in the mini competition process and the following five responded:

Aon Hewitt
JLT Investment Consulting
Hymans Robertson LLP
KPMG LLP
Mercer Ltd

5.4 The submissions were evaluated by a panel comprising:

Assistant Director – Finance
Interim Head of Finance, Treasury and Pensions
Pension Fund Independent Adviser

5.5 The Panel evaluated written responses to questions about how the service would be provided to the Council and what the price levels would be within the price ceilings set out in the framework. The responses were scored with 70% of the marks awarded for quality and service fit and 30% for price.

Haringey Council

Quality scores were awarded on the basis of written responses to a set of questions covering the broad reasons why the tenderers considered they should be appointed, their staffing resources and qualifications, examples of their advice and how they would work with the Fund and its officers. The tenderers then further clarified their responses at interview with the Panel.

Each pricing element was evaluated separately with the most favourable price being allocated the maximum available points (e.g. for Manager Search the most favourable received 11 marks). Each of the other tenders was awarded marks in proportion to this price, so that, for example, a price that was 10% more expensive received 10% fewer marks, one that is 20% more expensive received 20% fewer marks, etc.

5.7 The table below details the scores awarded by the evaluation panel:

Evaluation criteria	Max. score	Firm A	Firm B	Firm C	Firm D Mercer	Firm E
Quality and fit	70%	52.1	45.3	63.1	61.5	52.9
Price	30%	30.0	9.8	18.6	24.5	13.6
TOTAL	100%	82.1	55.1	81.7	86.0	66.5

Full details of all the scores are given in the exempt appendix

5.8 As the table above demonstrates, Mercer scored highly in both areas demonstrating an effective and efficient approach to Investment Advisory duties.

5.9 Therefore it is recommended that the Pension Fund Investment Advisory Services contract is awarded to Mercer Ltd for a period initially of 3 years with the option for the Council to offer an extension of a further year should it wish. The cost is estimated at £240,000 over the initial period.

Haringey Council

6 Comments of the Chief Financial Officer and financial Implications

6.1 The use of a framework has saved time and resource while at the same time ensuring that the procurement of the Pension Fund Investment Advisory Services is compliant with OJEU requirements. A charge of £5,000 to use the framework was paid to Norfolk County Council to cover the costs in setting it up. Whilst it is difficult to predict the exact level of service that will be required the value of the contract over the three years initial contract period is estimated to be in the region of £240,000. All investment advisory work for the Pension Fund is charged to the Fund and any work undertaken specifically for an employer will be recharged to that employer.

7 Head of Legal Services and Legal Implications

7.1 The services are being procured via a Framework Agreement which was established by Norfolk County Council following an OJEU procurement process and which the Council as a contracting authority is able to utilise.

7.2 The Council has followed a mini-competition process by inviting the economic operators on the Framework Agreement who are capable of performing the contract to submit bids for the services.

7.3 The Council now wishes to award the contract to Mercer Limited.

7.4 Under Contract Standing Order 3.3, the Corporate Committee has the same powers as the Cabinet in relation to procurement decisions and award of contracts relating to the Pension Fund.

7.5 The Corporate Committee therefore has power to approve the award of this contract.

7.6 The Head of Legal Services confirms that there are no legal reasons preventing Members from approving the recommendations in this report.

8 Equalities and Community Cohesion Comments

8.1 Haringey Council is committed to wherever possible, to use its procurement function as a strategic tool to help performance on its public sector equality duty. In this regard, the Council's aims are two folds. To ensure that:

procedures used in inviting and selecting tenders are as accessible and as fair as possible so that all who are interested and able to can tender for Council business;

Haringey Council

contracts are performed in a manner that have regard to the need to serve all intended beneficiaries equally and without discrimination on ground of any of the characteristics protected by section 4 of the Equality Act 2010.

8.2 As this report indicates in paragraph 5.2, the framework agreement used in this procurement has been made OJEU compliant by the work of Norfolk County Council. This has ensured that access to opportunity to compete was facilitated.

8.3 The aim of the contract is to procure Pension Fund Investment Advisory Services that will ensure that Members and employees of the Council who are members of the pension fund are well served, equally and without discrimination on grounds of whatever equality characteristics they may possess.

8.4 Thus, the twin aims of the Council's equal opportunities policy in regard to procurement are served.

9 Head of Procurement Comments

9.1 Consultancy services falls under Part A services and therefore a contracting authority must normally advertise the contract in the EU's Official Journal and follow the procedural rules set down in the Regulations. The National LGPS Framework allows local authorities to access the framework and carry out a mini competition between a range of qualified providers. By using the framework the Council saved significant time and resources, whilst still delivering a service specified to the client's requirements. The Council are also able to benefit from a collaborative procurement which includes an aggregated cumulative stepped rebate.

9.2 The procurement process was carried out with the guidance of a procurement officer. A clear methodology and evaluation criteria were given and the winning bidder clearly offers best value by achieving the highest total (quality and price) score.

10 Policy Implications

10.1 None.

11 Use of Appendices

11.1 Contained in Part B for exempt information.

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12 Local Government (Access to Information) Act 1985

12.1 This report contains exempt and non-exempt information. Exempt information is contained in Part B and is not for publication. The information is exempt under the following category (identified in the amended Schedule 12A of the Local Government Act 1972): Information relating to the financial or business affairs of any particular person (including the authority holding that information) (Ground 3)

Agenda Item 9

Haringey Council

Report for:	Corporate Committee 19th September 2013	Item number	

Title:	Pension Fund: London Collective Investment Vehicle

Report authorised by :	J. Parker 10/9/13 Director of Corporate Resources

Lead Officer:	Ian Talbot, Interim Head of Finance – Treasury & Pensions ian.talbot@haringey.gov.uk 020 8489 8621

Ward(s) affected: N/A	Report for Non Key Decision

1. Describe the issue under consideration

1.1 This report advises the Committee of a communication received by the Director of Corporate Resources from the London Borough of Wandsworth asking whether the Council was "considering joining the CIV." This report discusses the background to the CIV (Collective Investment Vehicle) and the principles underlying it. It recommends that the Council supports its establishment and allocates up to £25,000 as a contribution towards the initial funding of the project but not that it joins the CIV.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the Committee should support the establishment of a London-wide Collective Investment Vehicle (CIV).

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3.2 That the Committee approves expenditure of up to £25,000 as a contribution towards the legal and other related costs in connection with the establishment of the CIV.

4. Other options considered

4.1 None.

5. Background information

5.1 In recent years there have been a number of discussion papers and a degree of academic research which has intimated that the LGPS would be more efficient if it was operated as a smaller number of larger funds. It has been argued that those larger funds would have lower unit administration costs and have better investment returns.

5.2 Over recent months, Government statements and consultation papers have developed these principles and there have been statements from the LPFA arguing that all London funds should be merged and that they should manage the single fund.

5.3 The overall response of the London boroughs has not been supportive of forced mergers and certainly not in favour of the LPFA proposal.

5.4 However, there is a view within the London boroughs that the maintenance of the status quo is not a viable proposition and one response has been the commissioning by London Councils of a survey by the Society of London Treasurers to guage interest in establishing a Collective Investment Vehicle (CIV).

5.5 On 18 June 2013 the Director of Corporate Resources received a communication from the Director of Finance, London Borough of Wandsworth as follows:

> "Indicative support for CIV. It would be useful if you are considering joining the CIV if you could get some kind of in principal support from whatever is the appropriate body in your Council (I suspect in most cases its your pensions committee or similar.). Ideally , this should be backed with an offer to pay some of the set up costs , I estimate that this will be no more than £25,000 per borough and probably less. *If you are prepared to do this please let me know.* This is not a definite we are signing up but a firm expression of interest. I have this at present from two boroughs. If you have any queries on the CIV please let me know. If it helps I append the report which I did for our Pensions committee last month ,which you can use as template (NB This report has unfortunately been misquoted in the trade press as a Wandsworth take over bid , it is not , the report clearly states that our preference is for a London Council's led vehicle, with our offer to lead only being

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secondary to ensure that something happens). Could you please let me knowby July 3rd if possible if you are going to report this to your Pensions committee or equivalent and what the recommendation is likely to be."

5.6 The survey conducted by Wandsworth indicates that there is significant interest in the creation of such a vehicle.

5.7 The basic principle underling the proposal is that the London boroughs could achieve both lower investment administration costs and greater investment performance without the loss of operational independence in terms of asset allocation policy.

5.8 Some of the main operational proposals are as follows:

- The management would be fulfilled with a lead authority carrying out the role which could be either London Councils itself or a lead borough
- Funding would initially come from participating boroughs but, once the CIV was established, it would be financed from reduced fees
- The lead authority would procure an investment adviser followed by a transition manager and investment funds / fund managers within each asset class, including alternatives like infrastructure
- The CIV would operate by maintaining a "best of breed" selection of funds / managers for each asset class. These would be well defined, generally segregated mandates, with the CIV using its buying power to secure lower investment manager fees
- The CIV would be responsible for day-to-day governance in relation to each selected manager, including, in conjunction with the appointed investment adviser, performing necessary due diligence for the chosen managers. This would include quarterly meetings with managers, providing quarterly reports for borough Pensions Committees that summarise performance and other pertinent due diligence.
- Boroughs would be free to choose which, if any, manager to use from the CIV. They would not be compelled to use any CIV manager but, clearly, best in breed managers at the lowest cost obtainable should make the selection of managers desirable.
- Boroughs would retain their own custodians, control over asset allocation and accounting responsibilities, although manager related information would be supplied by the CIV
- In time, the CIV could also be used to provide any other officer-related investment duties that boroughs voluntarily wished to delegate, for instance if key staff left a particular borough this could extend to preparing draft reports for investment related matters, using a common custodian, preparation of accounts etc

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- If and when appropriate funds / managers would be de-selected and recommendations for change made
- Boroughs would be free to focus their investment governance budget on asset allocation, the key driver of investment performance e.g, the London boroughs could achieve both lower investment administration costs and greater investment performance without the loss of operational independence in terms of asset allocation policy.

5.9 As can be seen from the email above, the Council is not being asked to "sign up" to the CIV but simply to support its establishment and to commit up to £25,000 as a contribution towards its establishment costs. The Committee are recommended to do so.

6. Comments of the Chief Financial Officer and financial Implications

6.1 At this stage the Council is only being asked to support the establishment of a London-wide Collective Investment Vehicle (CIV). The proposed expenditure of up to £25,000 can be met from the Pension Fund.

7. Head of Legal Services and Legal Implications

7.1 The Council has the power as administering authority to the Haringey Pension Fund to invest fund monies as set out in Local Government Pension Scheme (Management and Investment Funds) Regulations 2009 and a duty to review the performance of its investment managers and the investments made.

7.2 All investments must comply with the Council's published investment policy and the asset allocation must be in accordance with the investment strategy adopted on 12 April 2011.

7.3 The Council is being asked to contribute a sum of up to £25,000.00.to set up the CIV if the Council is interested in joining the CIV. Before joining the CIV, there are a number of issues that will need to be address including (but not limited to) what kind of vehicle it would be, control, decision making, what interest this Council would have, its relationship with this Council, the policies under which the CIV will operate, how the Council will review the performance, the costs and risks.

8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.

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9. Head of Procurement Comments

9.1 Not applicable

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 Not applicable

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

Report for:	Corporate Committee 19th September 2013	**Item number**	

Title:	Pension Fund: Asset Allocation Advice

Report authorised by :	J. Parker 10/9/13 Director of Corporate Resources

Lead Officer:	Ian Talbot, Interim Head of Finance – Treasury & Pensions ian.talbot@haringey.gov.uk 020 8489 8621

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

1. Describe the issue under consideration

1.1 This report considers the Pension Fund's current asset allocation and recommends movements towards the agreed strategic benchmark.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the asset allocation moves set out in the Advice Table on page 6 of Appendix 1 are implemented.

4. Other options considered

4.1 None.

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5. Background information

5.1 At the time of agreeing the new investment strategy for the Pension Fund, the Committee agreed the assets would be transferred to the new fund managers in their existing allocations and that asset allocation advice would be taken from the investment advisers, Aon Hewitt to move to the agreed strategy on a gradual basis taking into consideration conditions in the market.

5.2 At the meetings on 22nd January 2013, 14th March 2013 and 27th June Aon Hewitt presented a timetable of proposed moves which would achieve the strategic asset allocation by the end of 2013. The moves agreed at those meetings were implemented in February, April and August/September respectively.

6. Comments of the Chief Financial Officer and financial implications

6.1 This report recommends the final set of timetabled moves to achieve the strategic asset allocation by the end of the calendar year. Implementing the moves on a gradual basis mitigates the risk to performance of making one large move.

7. Head of Legal Services and Legal Implications

7.1 The Council as administering authority for the Haringey Pension Fund has the power to invest fund monies as set out in Local Government Pension Scheme (Management and Investment Funds) Regulations 2009.

7.2 All investments must comply with the Council's published investment policy and the asset allocation must be in accordance with the investment strategy adopted on 12 April 2011.

8. Equalities and Community Cohesion Comments

8.1 Not applicable.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 None.

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11. Use of Appendices

11.1 Appendix 1: Aon Hewitt – Asset Allocation Process

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

13. Asset Allocation

13.1 At the meetings on 22nd January 2013, 14th March 2013 and 27th June the Committee agreed to the first three sets of asset allocation moves towards the strategic asset allocation and these were implemented in February 2013, April 2013 and August/September 2013 respectively. Aon Hewitt have prepared a report setting out their advice for the final set of asset allocation moves to the strategic benchmark in 2013 and this is attached at Appendix 1.

13.2 This shows that the Pension Fund remains overweight in its allocation to equities (76% compared to 70%). Offsetting this overweight, the property and private equity allocations are underweight, but these are long term asset classes which cannot be added to quickly. Property and private equity, along with other alternative asset classes, are currently being considered by the Working Group. Recommendations will be brought to the Committee once the review is complete.

13.3 Aon Hewitt have recommended that the planned moves take place over time for all asset classes and that the overweight position in equities is temporarily maintained. These recommendations have been discussed with Aon Hewitt and are supported by officers and the Independent Adviser.

13.4 Since the last meeting of the Committee the Pensions Working Group has met twice and considered whether to make recommendations to the Committee to adjust the asset allocation policy. In particularly they have considered whether to dispose of some or all of the Council's allocation to index linked gilts investments and purchase other assets. With the assistance of the external advisers the Group have considered transferring funds to alternative asset classes such as absolute return bonds, diversified growth funds and infrastructure. At their meeting on 9 September the Group agreed that a training / briefing session should be arranged to which all members of the Committee would be invited. When all members have had the opportunity to understand the options a report will be presented to the Committee at its next meeting on 26 November making recommendations as to the future strategy.

London Borough of Haringey
Date: 4 September 2013
Prepared for: Working Group
Prepared by: Colin Cartwright
Emily McGuire

Asset Allocation Process

Introduction

The Corporate Committee ("the Committee) of the London Borough of Haringey Pension Fund ("the Fund") has decided to move to the strategic benchmark over a period of time, taking into consideration the medium term asset allocation ("MTAA") advice from Aon Hewitt to move faster on an opportunistic basis if market conditions are favourable. The purpose of this note is to provide the Committee with advice regarding the fourth and final timetabled switch.

Establishing the Objectives

An important step in establishing any process is to set the objectives that the process is designed to achieve. It is our understanding that the key objectives of the asset allocation process are as follows;

- To move the Fund's asset allocation to the strategic benchmark by the end of 2013.
- To identify trends in underlying markets.
- To realise gains in short term outperformance from underlying regional equity markets without compromising the intention to move to the strategic benchmark by the end of 2013.
- To support the Working Group and Committee through the process.

10 Devonshire Square | London EC2M 4YP
t +44 (0) 20 7086 8000 | f +44 (0) 20 7086 1878 | aonhewitt.co.uk
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Asset Allocation The strategic asset allocation and current (31 July 2013) allocation are set out in the table below:

	Overall		LGIM		BlackRock		CBRE		Pantheon	
	Strategic %	Current %	Strategic %	Current %	Strategic %	Current %	Strategic %	Current %	Strategic %	Current %
Listed Equities	**70.0**	**75.5**	**26.3**	**25.7**	**43.7**	**49.8**				
UK	17.5	21.2	2.6	2.6	14.9	18.6				
North America	25.3	25.6	3.8	2.4	21.5	23.2				
Europe ex UK	8.6	9.7	4.3	4.6	4.3	5.1				
Asia Pacific ex Japan	4.0	3.8	2.0	1.8	2.0	1.9				
Japan	4.1	4.8	3.1	3.8	1.0	1.0				
Emerging markets	10.5	10.6	10.5	10.6						
Index-linked gilts	**15.0**	**13.5**	**3.0**	**2.6**	**12.0**	**10.9**				
Property	**10.0**	**5.8**					**10.0**	**5.8**		
Private equity	**5.0**	**4.3**							**5.0**	**4.3**
Cash	**0.0**	**0.9**								
Total	**100.0**	**100.0**	**29.3**	**28.4**	**55.7**	**60.7**	**10.0**	**5.8**	**5.0**	**4.3**

Source: Northern Trust. Figures may not sum due to rounding.

The Working Group are currently undertaking a review of the Private Equity and Property allocations. Therefore, due to the illiquid nature of Private Equity and Property and the ongoing review they are not included in the rebalancing timetable. The asset allocation process is only focused on the equity and bond allocations.

Rebalancing timetable In order to ensure that the Fund has reached its strategic benchmark by the end of 2013 we have designed a timetable that removes a quarter of each assets class's divergence from the strategic allocation each quarter. It should be noted that the actual movements will differ from the timetable amounts to reflect relative market movements over the year.

Rebalancing Timetable

	Current Under/Overweight Position	Quarter 4 2013 %	
		Switch	Under/ Overweight
UK	+3.7	-3.7	0.0
North America	+0.3	-0.3	0.0
Europe ex UK	+1.1	-1.1	0.0
Asia Pacific ex Japan	-0.2	+0.2	0.0
Japan	+0.7	-0.7	0.0
Emerging markets	+0.1	-0.1	0.0
Index-linked gilts	-1.5	+1.5	0.0

Recommendation

Our recommendation is to use the process described in the paper to move towards the strategic allocation, making movements based on Aon Hewitt's advice at each quarterly meeting. Our recommendations are set in the table on the following page. There are two key recommendations with all other switches proceeding as timetabled:

- Stay overweight equities relative to bonds
- Move regional equities in line with benchmark relative to each other

To calculate the switches the regional weightings were scaled to reflect the equity overweight. For example UK equities make up 25% of the equities, so keeping the equities at 75.5% overall the neutral weighting to UK equities would be 18.9%. The switched amounts were then calculated based on reaching this revised allocation at the next switching date.

The result of these switches is detailed in the table below.

	Strategic Allocation %	Current Allocation %	New Allocation %
Listed Equities	**70.0**	**75.5**	**75.5**
UK	17.5	21.2	18.9
North America	25.3	25.6	27.3
Europe ex UK	8.6	9.7	9.3
Asia Pacific ex Japan	4.0	3.8	4.3
Japan	4.1	4.8	4.4
Emerging markets	10.5	10.6	11.3
Index-linked gilts	**15.0**	**13.5**	**13.5**
Property	**10.0**	**5.8**	**5.8**
Private equity	**5.0**	**4.3**	**4.3**
Cash	**0.0**	**0.9**	**0.9**
Total	**100.0**	**100.0**	**100.0**

Rebalancing Timetable Adjusting for the Equity Overweight

	Current Under/Overweight Position to New Allocation	Quarter 4 2013 %	
		Switch	Under/ Overweight
UK	+2.3	-2.3	0.0
North America	-1.7	+1.7	0.0
Europe ex UK	+0.4	-0.4	0.0
Asia Pacific ex Japan	-0.6	+0.6	0.0
Japan	+0.3	-0.3	0.0
Emerging markets	-0.8	+0.8	0.0
Index-linked gilts	0.0	0.0	0.0

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Advice Table

Asset Class	Strategic Allocation (%)	Revised Allocation (%)	Current Allocation (%)	Under/ Overweight Position (%)	Adjusted Timetable Move (%)	Aon Hewitt view on asset class	Recommendation	Rationale
UK	17.5	18.9	21.2	+2.3	-2.3	Neutral	Sell 2.3%	We have no strong views on UK equity, but are negative on US equities.
North America	25.3	27.3	25.6	-1.7	+1.7	Negative	Buy 1.7%	We believe that the valuations in North America are the least attractive of all equity regions.
Europe ex UK	8.6	9.3	9.7	+0.4	-0.4	Negative	Sell 0.4% *(adjusted by 0.1% to make sure trade sums to zero)*	The macroeconomic outlook for Europe is not good, and there are lots of political and event risks.
Asia Pacific ex Japan	4.0	4.3	3.8	-0.6	+0.6	Neutral	Buy 0.6%	We currently have a neutral view on Asia Pacific equities.
Japan	4.1	4.4	4.8	+0.3	-0.3	Positive	Sell 0.3%	Despite strong performance in local currency terms we believe Japanese equities are still attractively priced.
Emerging Markets	10.5	11.3	10.6	-0.8	+0.8	Positive	Buy 0.8%	Emerging markets have continued to underperform and are now looking attractive.
Index-linked gilts	15.0	13.5	13.5	0.0	0.0	Negative	Maintain Weight	Negative real yields make index linked gilts very expensive, so we recommend maintaining the underweight.

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Report for:	Corporate Committee 19th September 2013	Item number	

Title:	Treasury Management 2013/14 Mid Year Activity and Performance Update

Report authorised by : for	Kevin Bartle KEVIN BARTLE Director of Corporate Resources

Lead Officer:	Ian Talbot, Interim Head of Finance – Treasury & Pensions Ian.talbot@haringey.gov.uk 020 8489 8621

Ward(s) affected: N/A	Report for Non Key Decision

1. Describe the issue under consideration

1.1 This report updates the Committee on the Council's treasury management activities and performance in the first half of 2013/14 in accordance with the CIPFA Treasury Management Code of Practice. It is a requirement of the Code for this to be reported on to Council once Corporate Committee has considered it.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That Members note the treasury management activity and performance during the first half of 2013/14.

4. Other options considered

4.1 None.

5. Background information

5.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement. CIPFA has defined Treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

5.2 The Code recommends that members are informed of treasury management activities at least twice a year. Formulation of treasury policy, strategy and activity is delegated to the Corporate Committee and this Committee receives reports quarterly.

5.3 However, overall responsibility for treasury management remains with the Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2013/14 on 27th February 2013.

5.4 This report is a requirement of the Code and it summarises the activity during the first half of 2013/14.

5.5 With regard to investments, Government guidance on local authority treasury management states that local authorities should consider the following factors in the order they are stated:

Security – Liquidity – Yield

The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. However, no treasury management activity is without risk and the effective identification and management of this risk are integral to the Council's treasury management activities.

6. Comments of the Chief Financial Officer and financial implications

6.1 Since interest rates remain low the treasury management strategy in the first half of 2013/14 is to continue to maximise internal borrowing and, therefore, to minimise cash balances. This policy not only reduces credit risk but also the cost of borrowing. In addition, the policy of taking short term borrowing from other local authorities instead of long term also saved interest costs.

6.2 Officers continue to monitor interest rates closely with the Council's treasury management advisers to ensure that this strategy remains in the best interests of the Council. Action will be taken to switch to longer term borrowing from the PWLB when it is appropriate.

7. Head of Legal Services and Legal Implications

7.1 The Head of Legal Services has been consulted on the content of this report. Its content and recommendation are in accordance with the Treasury Management Strategy and consistent with the legislation governing the financial affairs of the Council

8. Equalities and Community Cohesion Comments

8.1 Not applicable.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 Appendix 1: Summary of Treasury Management activity and performance
Appendix 2: Prudential Indicators

12 Local Government (Access to Information) Act 1985

12.1 Not applicable.

13. Borrowing

13.1 The Treasury Management Strategy Statement places a high emphasis on security of the Council's funds. One of the ways to do this is to minimise the funds held which need to be invested. This is where the borrowing and investment strategies interact.

13.2 Since the start of the financial year £30m of local authority debt and £9m of PWLB debt has matured and been repaid. So far, no additional borrowing has been necessary.

14. Treasury Management Activity and Performance: Security

14.1 The Council has sought to minimise its security risk by setting limits on each institution on the lending list. The Council has complied with all these limits during the financial year to date.

14.2 The economic environment remains uncertain. In the light of this uncertainty, further downgrades of banks and countries have been taking place since April 2013. Given this background, the Council has, as discussed in section 13 above, kept cash investments to a minimum and short term. Money Market Funds are being used extensively as the portfolios are spread across a range of underlying investments, which diversifies risk. They also provide instant access enabling officers to take action quickly if there are any concerns about creditworthiness. The remainder of the Council's investments are with the government guaranteed Debt Management Office. Given the short term nature of the Council's investments, the very small uplift in interest rate achievable from investing with a bank is not sufficient to justify the additional risk.

14.3 The deposits continue to be spread across the available money market funds to further minimise security risk. The table below shows the Council's deposits on 6th September 2013:

Institution	Long Term Credit Rating	Amount (£m)	% of total deposits
Debt Management Office	AAA*	26.36	56.03
BlackRock MMF	AAA	4.00	8.50
Deutsche MMF	AAA	4.00	8.50
Goldman Sachs MMF	AAA	4.10	8.71
Invesco MMF	AAA	0.89	1.89
JP Morgan MMF	AAA	1.49	3.17
RBS MMF	AAA	2.21	4.70
NatWest SIBA	A	4.00	8.50
Total		47.05	100.00

** The Debt Management Office does not have a credit rating, so the UK Government rating is used as a proxy.*

14.4 Arlingclose, the Council's treasury management advisers, have devised a way of scoring the level of credit risk the Council is taking. This measure scores credit risk on a scale of 0 to 10 on both a value weighted and a time weighted basis and the table below demonstrates how to interpret the scores:

Above target	AAA to AA+	Score 0 - 2
Target score	AA to A+	Score 3 - 5
Below target	Below A+	Score over 5

14.5 The scores for the latest quarter are shown below alongside the previous three quarters for comparison:

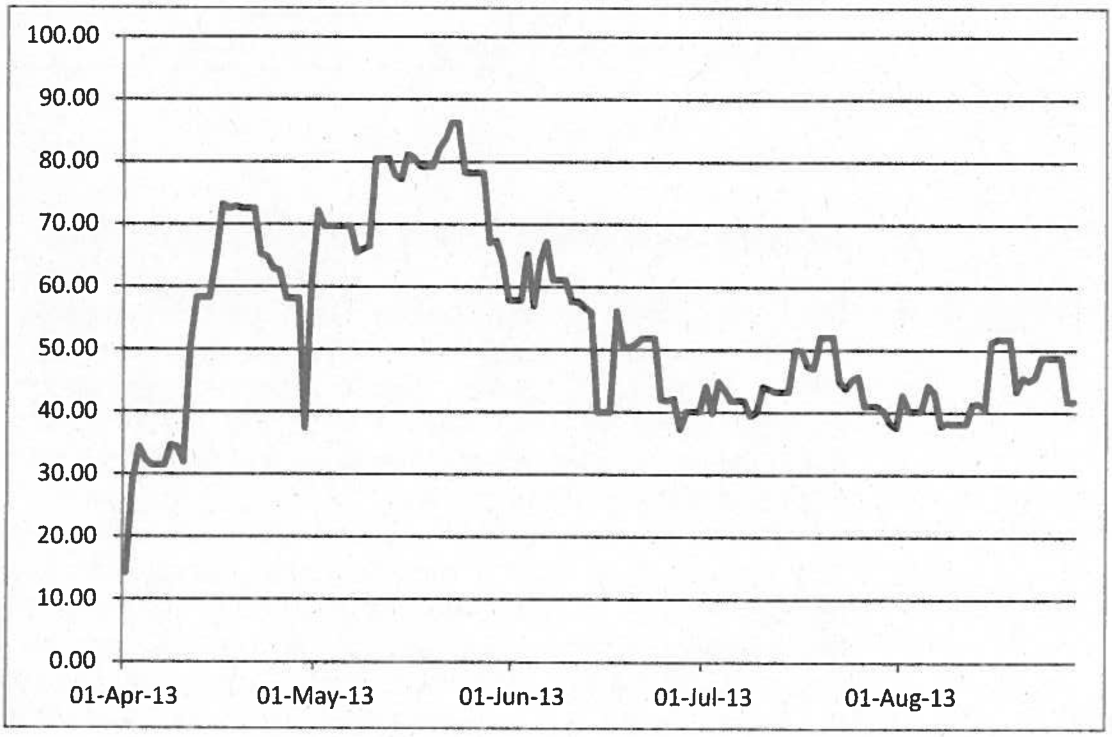
	Quarter 2 2012/13	Quarter 3 2012/13	Quarter 4 2012/13	Quarter 1 2013/14
Value weighted	1.0	2.4	2.5	3.3
Time weighted	1.0	1.9	2.9	1.9

The significant changes during the year have arisen from a change in the methodology for valuing money market funds

15. Treasury Management Activity and Performance: Liquidity

15.1 Once the Council is satisfied that security risk is being managed, the next consideration in treasury management is liquidity. The Council has a number of inflows and outflows every month and it is important that the Council's funds are managed to ensure there is sufficient liquidity when it is required. This is achieved through cashflow forecasting and monitoring.

15.2 The graph below shows the level of the Council's cash balances every day since 1st April 2013.



15.3 The graph also shows liquidity has been maintained throughout the quarter mainly due to the large inflow of funds from Government grants and local taxation at the beginning of the year. No long term investments have been entered into and the AAA rated money market funds have been used extensively, as they provide the Council with instant access and a reasonable return.

15.4 The table below shows the Council's deposits at 6th September 2013, the term of each of the deposits and calculates the weighted average maturity of the portfolio.

Institution	Term of deposit (days)	Amount (£m)
Debt Management Office	24	9.60
Debt Management Office	22	5.76
Debt Management Office	23	6.00
Debt Management Office	32	5.00
BlackRock MMF	1	4.00
Deutsche MMF	1	4.00
Goldman Sachs MMF	1	4.10
Invesco MMF	1	0.89
JP Morgan MMF	1	1.49
RBS MMF	1	2.21
NatWest SIBA	1	4.00
Weighted Average Maturity	14.36	

16. Treasury Management Activity and Performance: Yield

16.1 Only once security and liquidity have been considered and the Council is satisfied it has taken all steps to minimise these risks, should yield be a factor. Base rate has remained at 0.5% throughout the financial year to date and the Council's treasury management adviser, Arlingclose, is forecasting that it will remain at this rate for the next three years.

16.2 The interest rates which money market funds are paying have reduced in the last few months to 0.24% - 0.41%. The Debt Management Office continue to pay 0.25% on all deposits regardless of the period of investment. By the end of the first half of the financial year, it is expected that interest of £40k will have been earned on the Council's deposits at an average rate of approximately 0.32%.

16.3 The interest payable on borrowing during the first half of the year was £9.4m. The average rate payable on the borrowing portfolio is currently 5.83%.

17. Icelandic Banks Update

17.1 The distributions received from the Icelandic banks now total £27.8m out of the original £36.9m invested which is 75%. Final recovery rates of 100% for Glitnir, 98% for Landsbanki and 95% for Heritable are expected.

18. Prudential Indicators

18.1 The Council set prudential indicators for 2013/14 in February 2013. The set of indicators is made up of those which provided an indication of the likely impact of the planned capital programme and those which are limits set on treasury management activity. Appendix 2 sets out the original indicators, the current forecast for each of the capital indicators and the current position on each of the treasury management limits.

18.2 None of the limits on treasury management have been breached in the year to date. Borrowing is well within the operational and authorised limits set due to the continued policy of using internal cash balances to fund the capital programme.

19. Recommendation

19.1 That members note the Treasury Management activity undertaken during the first half of 2013/14 and the performance achieved.

Appendix 1: Summary of Treasury Management Activity and Performance

1. Treasury Portfolio

	Position at Q1 2013/14 £000	Position at Q4 2012/13 £000	Position at Q3 2012/13 £000	Position at Q2 2012/13 £000
Long Term Borrowing PWLB	196,683	206,702	208,155	205,901
Long Term Borrowing Market	125,000	125,000	125,000	125,000
Short Term Borrowing		30,000	20,000	23,000
Total Borrowing	321,683	361,702	353,155	353,901
Investments: Council	40,085	14,195	20,950	15,580
Investments: Icelandic deposits in default	12,455	12,455	12,995	13,918
Total Investments	52,540	26,650	33,945	29,498
Net Borrowing position	269,143	335,052	319,210	324,403

2. Security measure

	Quarter 1 2013/14	Quarter 4 2012/13	Quarter 3 2012/13	Quarter 2 2012/13
Credit score – Value weighted	3.3	2.5	2.4	1.0
Credit score – Time weighted	1.9	2.9	1.9	1.0

3. Liquidity measure

	Quarter 1 2013/14	Quarter 4 2012/13	Quarter 3 2012/13	Quarter 2 2012/13
Weighted average maturity: deposits (days)	14.4	4.00	8.36	4.21
Weighted average maturity: borrowing (years)	12.6	27.74	27.20	28.50

4. Yield measure

	Quarter 1 2013/14	Quarter 4 2012/13	Quarter 3 2012/13	Quarter 2 2012/13
Interest rate earned	0.32%	0.31%	0.36%	0.33%
Interest rate payable	5.83%	5.38%	5.46%	5.47%

Appendix 2: Prudential Indicators

	Prudential Indicator	2013/14 Original Indicator	2013/14 Position/Forecast at Quarter 2
CAPITAL INDICATORS			
1	Capital Expenditure	£k	£k
	General Fund	47,811	46,000
	HRA	34,202	32,000
	TOTAL	82,013	78,000
2	Ratio of financing costs to net revenue stream	%	%
	General Fund	2.62	2.62
	HRA	12.94	12.94
3	Capital Financing Requirement	£k	£k
	General Fund	251,066	250,000
	HRA	271,714	270,000
	TOTAL	522,780	520,000
4	Incremental impact of capital investment decisions	£	£
	Band D Council Tax	8.77	8.77
	Weekly Housing rents	0.13	0.13

	Prudential Indicator	2013/14 Original Indicator		2013/14 Position/Forecast at Quarter 2
TREASURY MANAGEMENT LIMITS				
5	Borrowing Limits	£k		£k
	Authorised Limit	671,293		671,293
	Operational Boundary	537,280		537,280
6	HRA Debt Cap	£k		£k
	Headroom	55,824		55,848
7	Net debt to gross debt	£k		£k
	Limit on proportion of net debt to gross debt			
8	Upper limit – fixed rate exposure	100%		98.0%
	Upper limit – variable rate exposure	40%		2.0%
9	Maturity structure of borrowing (U: upper, L: lower)	L	U	
	under 12 months	0%	55%	19%
	12 months & within 2 years	0%	40%	11%
	2 years & within 5 years	0%	40%	27%
	5 years & within 10 years	0%	35%	14%
	10 yrs & within 20 yrs	0%	35%	6%
	20 yrs & within 30 yrs	0%	35%	4%
	30 yrs & within 40 yrs	0%	35%	2%
	40 yrs & within 50 yrs	0%	50%	17%
	50 yrs & above	0%	50%	
10	Sums invested for more than 364 days	£0		£0
11	Adoption of CIPFA Treasury Management Code of Practice	√		√

<u>NB Maturity structure amended by Council on 15 July 2013</u>

Agenda Item 12

Haringey Council

Report for:	Corporate Committee 19th September 2013	Item number	12

Title:	Statement of Accounts 2012/13 and ISA 260 audit report

Report authorised by :	J. Parker 10/9/13 Director of Corporate Resources

Lead Officer:	Kevin Bartle Tel: 020 8489 5972; Email: kevin.bartle@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 2012/13 following the completion of the external audit.

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

2 Cabinet Member Introduction

2.1 Not applicable

3 Recommendations

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

3.2 That the Committee approves the Statement of Accounts 2012/13, subject to any final changes required by the conclusion of the audit, being delegated to the Chief Financial Officer in consultation with the Chair.

3.3 That the committee notes the 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.

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4 Executive Summary

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

4.2 The Statement of Accounts for 2012/13 is appended to this report for approval and the auditors (Grant Thornton) are proposing that an unqualified audit opinion be given.

4.3 The final outturn on both the General Fund and the Housing Revenue Account (HRA) in the audited statement is unchanged from that reported to Cabinet in June 2013; that is underspends of £6.078m and £7.388m respectively.

4.4 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 statements for 2012/13 is given.

5 Background information

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

5.2 This report includes the Annual Financial Report 2012/13 and the External Auditor's Annual Report (ISA 260).

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

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

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

- Executive summary
- Audit findings
- Value for Money
- Fees, non audit services and independence
- Communication of audit matters
- Action plan
- Audit opinion

Haringey Council

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

6 Statement of Accounts

6.1 The Annual Financial Report and the Statement of Accounts therein are largely determined by statutory requirements and mandatory professional standards as set out within the "Code of Practice on Financial Reporting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Reporting Standards (IFRS).

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

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

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

6.3 The Council's Provisional Outturn 2012/13 was reported to Cabinet in June 2013 and detailed an overall underspend on the General Fund revenue budget of £6.078 million and an HRA surplus for the year of £7.388 million Following the production of the annual accounts the final outturn for both the General Fund and the HRA has remained as reported.

7 Explanation of the Accounts

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

Sections of the Statements

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

- The Movement in Reserves Statement shows the money that the Council had in its reserves at the beginning of the financial year, and details the money coming in and out of those reserves resulting in the closing balance on 31 March 2013. It shows the

Haringey Council

movement in both useable and un-useable reserves including Earmarked Reserves.

- The Comprehensive Income and Expenditure (I&E) Statement shows the costs incurred and income received in respect of the services provided by the Council within the financial year. The I&E contains a number of 'accounting' entries that are required to be made by the code of practice governing the presentation of the accounts: and as a result it is very different from the standard management accounts reported to Members through the year.
- The Balance Sheet lists the financial value of the assets and liabilities of the Council as at the end of March 2013.
- Unlike the Income and Expenditure Statement the Cashflow Statement shows movement during the year based on cash transactions. As such it explains how the Council's cash position has changed over the course of the year.
- The Notes to the Accounts provide more detail behind the figures in the four main statements above. The reference on the statements directs the reader to the relevant note(s).
- The Housing Revenue Account (HRA) is a separate ring-fenced account showing the expenditure and income relating to the management and maintenance of the Council's social housing stock.
- The Pension Fund Accounts are separate from the rest of the Council's accounts and show the income (pension contributions and investment returns) and expenditure (pension payments and fund management costs) for the year together with the assets and liabilities of the Pension Fund as at 31st March 2013. The Fund is audited at the same time as the Council's main accounts but is subject to a separate audit opinion. This is reported as item 7 on the Committee's agenda.
- The Collection Fund is a separate account detailing Council Tax collections (including those collected on behalf of the Greater London Authority) and National Non-Domestic Rates (NNDR) which is collected on behalf of the Government. Any surplus or deficit on the Fund is distributed between the Council and the GLA in proportion to their share of tax income drawn from the fund.
- The Group Accounts show the financial position of the Council's 'Group'; this comprises the Council itself plus its share of any controlled Companies. The Council incorporates Homes for Haringey and Alexandra Park and Palace Charitable Trust within its Group Accounts.

Haringey Council

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

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

8.2 There are no areas of dispute between the Council and the auditors and the auditors have not identified any material items which would require changes to be made to the accounts.

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

9 **Next Steps**

9.1 Grant Thornton are required to give their opinion on the accounts by 30 September 2013 so any outstanding work on the audit needs to be completed before then.

9.2 The Chief Financial Officer 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. This letter is included as Appendix 3.

9.3 The result of this audit will be incorporated in the Annual Audit and Inspection Letter which needs to be completed and agreed with officers and the Leader of the Council by the end of January 2014. It will then be made available to all Councillors and reported to the Cabinet. The final letter will contain references to the final opinion and a summary of the Annual Governance report issues.

10 **Comments of the Chief Financial Officer and Financial Implications**

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

11 **Head of Legal Services comments**

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

11.2 The Head of Legal Services also notes that the Statement of Accounts has been produced in accordance with legislative requirements of Part 3 of the Accounts and Audit (England) Regulations 2011 and industry best practice principles, and that there are no areas of dispute between the Council and the auditors. Accordingly, the Head of Legal

Haringey Council

Services advises that there are no direct legal implications arising from the report.

12 **Policy Implication**

12.1 None

13 **Use of Appendices**

13.1 Appendix 1: Annual Financial Report incorporating the Statement of Accounts for 2012/13 and the Annual Governance Statement.

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

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

14 **Local Government Act, 2000 (Section 97)**

Director of Corporate Resources Report to Cabinet June 2013 'Financial Outturn 2012/13 and Budget for 2014/15'.

Closure of Accounts Working Papers

All the above papers are available for inspection through Neville Murton Head of Finance (Budgets, Accounting and Systems) ext. 3716.

London Borough of Haringey

Statement of Accounts 2012/13

Haringey Council
it's you we're working for

Contents

Section 1
Explanatory Foreword

Explanatory Foreword

Introduction

This document sets out the financial statements for Haringey Council, the Group Accounts (incorporating Homes for Haringey and Alexandra Park and Palace) and the Pension Fund. This explanatory forward provides a review of the financial year 2012/13; setting out the Council's spending in the year on both capital and revenue items across all services. Also set out are the major changes in this year's accounts and further details of my responsibilities, as the Council's Chief Financial Officer.

The Statement of accounts

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code). It is the purpose of this foreword to explain, in an easily understandable way the financial facts in relation to the Council.

The Council's financial performance for the year ended 31 March 2013 is set out in the Comprehensive Income & Expenditure Summary and its financial position is as set out in the Balance Sheet and Cash Flow Statement.

This Statement of Accounts explains the London Borough of Haringey's finances during the financial year 2012/13 and its financial position at the end of that year. It is prepared on a basis consistent with International Financial Reporting Standards (IFRS) and is necessarily technical in parts. It is set out in the following sections, which are briefly explained below:

Review and statutory certification

Financial review

This sets out the Director of Corporate Resources' review of the Council's financial performance and identifies the general revenue and capital expenditure during the year. The review also documents the amount of borrowing undertaken by the Council during the year, showing the net debt position for the end of the last two financial years.

The Financial Review also comments upon the change in balance sheet position as well as commenting upon the Pension and Collection Fund Accounts. The Director also comments upon the outlook and key financial challenges that face the Council.

Statement of responsibilities

This section documents both the Council's and Director of Corporate Resources' procedural and financial responsibilities in the preparation of the Statement of Accounts. As the Section 151 Officer, the Director is required to certify that the Statement of Accounts gives a true and fair view of the financial position of the Council and authorises its issue, no later than 30 September.

Approval of the statement of accounts

The Corporate Committee is charged with governance and is required to approve the Statement of Accounts, after considering the external auditor's management letter and no later than 30 September.

Independent external auditor's report

The Statement of Accounts includes a report to Members by an Independent Auditor. The Council's auditor for 2012/13 is Grant Thornton UK LLP. This report lays down the legislative requirement in relation to the individual responsibilities of both the Director of Corporate Resources and that of the External Auditor. The Auditor is required to provide an opinion as to whether the Council and Group Statements give a 'true and fair' view of the financial position of those entities and their income and expenditure for the year together with an opinion on the arrangements in place within the council for achieving value for money. The Auditor's opinion is given on the conclusion of the audit and is included in the approved Statement of Accounts that are required to be published by 30 September.

The core financial statements

Movement in reserves statement (MiRS)

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

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

Adjustments between accounting and funding basis

The crucial line in the MiRS is the one containing adjustments between the accounting basis and the funding basis. As local authorities are tax-raising bodies, they are subject to specific rules as to how tax rates are to be set in relation to the income and expenses of the Council. Sometimes, these rules will conflict with proper accounting practices; in particular, where expenditure is incurred in advance of cash flowing out of the Council, the need to raise tax is sometimes deferred until the cash flow actually takes place. The most substantial example is the treatment of post-retirement benefits. Proper accounting practice accrues the cost of these benefits as employees earn them through years of service. However, tax is raised to cover employers' contributions paid to pension funds and any direct payments made to pensioners. Where a change in proper accounting practices might have a disruptive effect on tax levels, statutory provisions can preserve the previous accounting treatment for existing transactions and sometimes extend it to future transactions. For example, the implementation of the Code's provisions on financial instruments was accompanied by regulations and statutory guidance that required the impact on tax to be determined by the contractual amounts payable rather than the expenses determined for each financial year by the Code.

Comprehensive income and expenditure statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the 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 Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services. The second category of reserves is unusable reserves which includes reserves that hold unrealised gains or losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the 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 Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or income from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery.

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

Notes to the primary statements

The notes are included to provide the reader of the accounts with additional financial information that it is not practical to provide within the core statements. These notes give further details to the numbers given in the accounts. The information contained within the notes not only supplements financial statement information, but they clarify line items that are part of the financial statements.

Supplementary financial statements

Housing revenue account – income and expenditure statement

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

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

Collection Fund

The Council is responsible for collecting Council Tax, National Non-Domestic Rates (NNDR) and Business Rate Supplement (BRS). NNDR is collected on behalf of the Government and BRS on behalf of the Greater London Authority (GLA). The Statement shows the income due for Council Tax, NNDR and BRS and its distribution. The Council Tax is distributed to its two preceptors, namely the Council and the GLA. The NNDR is paid to the Government's NNDR Pool and the BRS is paid to GLA.

The group accounts

Where a council 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.

Pension fund and net asset statement

The Pension Fund Statement shows the contribution made to the Council's final salary pension fund in 2012/13 and the benefits paid to its former employees. The Net Asset Statement sets out the position of the Fund as at 31 March 2013. The Council as trustee separately manages the Fund and its accounts are separate from the Council's accounts and these are audited independently from the Council's Statement of Accounts.

Annual Governance Statement

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

Section 1
Review and statutory certifications

Review of the financial year

The year 2012/13 saw the continuation of major reforms and spending reductions in Local Government as set out in the Spending Review of October 2010, including major reform in areas as wide-ranging as the NHS, regeneration, housing, schools and the welfare system.

The council's vision and priorities for 2012/13 were set out in the Council Plan 2012/14. The plan described the main challenges facing the Council and what we planned to do to tackle them. It set out our commitment to promoting equality, tackling disadvantage and improving the life chances of residents, especially those who are the most vulnerable.

The council's vision for 2012/13 was:

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

This overarching vision was underpinned by the five priorities:

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

In 2012/13, the Council's performance was measured against the Council's priorities and other major responsibilities; progress was reported quarterly to Members. Performance needs to be considered in the light of significant savings and national policy changes.

For example, a change to Local Housing Allowance (LHA) has hampered the council's ability to prevent homelessness, with fewer affordable properties now available to households on housing benefit and competition for accommodation from other London boroughs has further constrained supply.

The following are some key performance highlights:

- Since April 2012, 491 residents have registered on the *Jobs for Haringey* programme (both Haringey-funded and European Social Fund tri-borough projects). The *Haringey Jobs Fund* was launched in May 2012 with 43 jobs created by March 2013.
- In a joint project with the Greater London Authority, an Enterprise and Employment Centre has been established at 639 High Road, N17 to support new business, create new jobs and provide a focal point for volunteering and the community.
- Extensive plans are now in place for the regeneration of Tottenham and other key sites in the borough.
- During 2012/13, the Council's efforts to reduce homelessness continued. However, the reduction in the Local Housing Allowance (LHA) has resulted in fewer properties being affordable to households on housing benefit and competition for accommodation from other London boroughs has further constrained supply.
- The Haringey based North London Practical Support Hub which ended in January 2013, worked with over 200 households to prevent homelessness. The Hub successfully prevented homelessness in 68% of the cases it dealt with.
- The majority of Haringey's primary and secondary schools are rated good or outstanding by Ofsted. Work is under way to accelerate improvement of early years provision.
- Educational attainment across key stages has improved in 2012/13, closing the gap between Haringey and the London top quartile.
- Good progress has been made in securing permanent placements for children in care, either through adoption or special guardianship orders.
- The Council's recycling rate has increased by 6 percentage points from 2011/12, to 32%.
- Steady progress towards the national target has been made for self directed support in social care, 68% of social care clients are on self-directed support against a target of 70%.
- Good progress has also been made in reducing rates of teenage pregnancy. Haringey is now average amongst its statistical neighbours, improving from a low ranking the previous year.

Priorities for 2013/14 – 2014/15

The draft Corporate Plan for 2013/15 was considered by the council's Cabinet in July, restates the council's vision of *'One Borough, One future'*. This is supported by the outcomes and priorities below.

Outcomes	Priorities
Outstanding for all: Enabling all Haringey children to thrive	1. Work with schools, early years and post 16 providers, to deliver high quality education for all Haringey children and young people 2. Enable every child and young person to thrive and achieve their potential
Safety and wellbeing for all: A place where everyone feels safe and has a good quality of life	3. Make Haringey one of the safest boroughs in London 4. Safeguard adults and children from abuse and neglect wherever possible, and deal with it appropriately and effectively if it does occur 5. Provider a cleaner, greener environment and safer streets 6. Reduce health inequalities and improve wellbeing for all
Opportunities for all: A successful place for everyone	7. Drive economic growth in which everyone can participate 8. Deliver regeneration at priority locations across the Borough 9.Ensure that everyone has a decent place to live
A better Council: Delivering responsive, high quality services and encouraging residents who are able to help themselves to do so	10. Ensure the whole Council works in a customer focussed way 11. Get the basics right for everyone 12. Strive for excellent value for money

Delivering these priorities will not be without challenges. The council will need to rethink how it delivers services in the future. Further challenges are listed below.

Benefits reform

The introduction of the benefits cap will make rents in the private sector unaffordable for most families on benefits with three or more children. This will add to pressures to many council services.

Business Rates Retention

The business rates retention scheme introduced in April 2013 will provide a direct link between business rates growth and the amount of money councils have to spend on local people and local services. Whilst the council will be able to keep a proportion of the business rates revenue as well as growth on the revenue, there is a risk that any shortfalls will also have to be met. In Haringey there are a high number of small businesses and business start up rates are high. However the survival rate of these businesses is poor.

Public Health

The integration of public health into local government on 1 April 2013 provides an opportunity to plan and deliver services in the context of the broader social determinants of health, such as poverty, education, housing, employment, crime and pollution. The Department of Health circular of 10 January 2013 provided the following ring fenced public health grant allocations for Haringey:

- 2013/14 grant is £17.587m (baseline £16.254 plus 8.2% increase)
- 2014/15 grant is £18.189m (plus 3.4% increase)

Looking forward

The financial settlements since 2010/11 have been at a far higher level of reduction than expected and represent the biggest reductions in financial resources the Council has ever known and these reductions are continuing into 2013/14 and beyond.

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

Financial planning 2013/14 – 2015/16

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 2013/14 to 2015/16. The process was conducted in the context of the government's stated objective of a significantly accelerated reduction in the structural national deficit over the course of Parliament, with the main burden of deficit reduction borne by reduced spending.

The Council has outlined its plans for the issues faced in its strategy report "Medium Term Financial Planning 2013-14 to 2015-16" that was presented to the full Council on 27th February 2013. The MTFP showed a balanced budget for 2013/14, with £25.6m of savings to be made in 2013/14, and an overall funding gap over the MTFP period of £42.8m (£20.3m for 2014/15 and £22.5m for 2015/16). However there is a high level of uncertainty regarding the remaining years of the financial plan given the Spending Review 2013 was only announced on 26 June 2013.

The following commentary sets out the Council's performance for the financial year 2012/13 in its principal financial areas:

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

The general fund – how council tax is spent

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

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

In 2012/13 the Council planned net expenditure of £278.4 million; this figure excludes amounts which are fully supported by the Dedicated Schools Grant (£211m). The following table presents the planned expenditure and the final outturn in 2012/13 against services.

Directorate	Approved revenue budget	Outturn	Budget variance after transfers and c/fwds
	£m	£m	£m
Adults and Housing (excluding HRA)	94.6	94.6	0.0
Chief Executive	1.5	1.4	(0.1)
Corporate Resources	8.8	7.8	(1.0)
Children and Young People's Service	83.8	83.8	0.0
Place and Sustainability	57.7	57.7	0.0
Public Health	0.9	0.9	0.0
Services	**247.3**	**246.2**	**(1.1)**
Non-Service Revenue	31.1	26.1	(5.0)
Total – General Fund	**278.4**	**272.3**	**(6.1)**
Housing Revenue Account	**(7.5)**	**(7.4)**	**0.1**

There is a net General Fund underspend of £6.1m 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. The net General Fund underspend will be transferred to earmarked reserves.

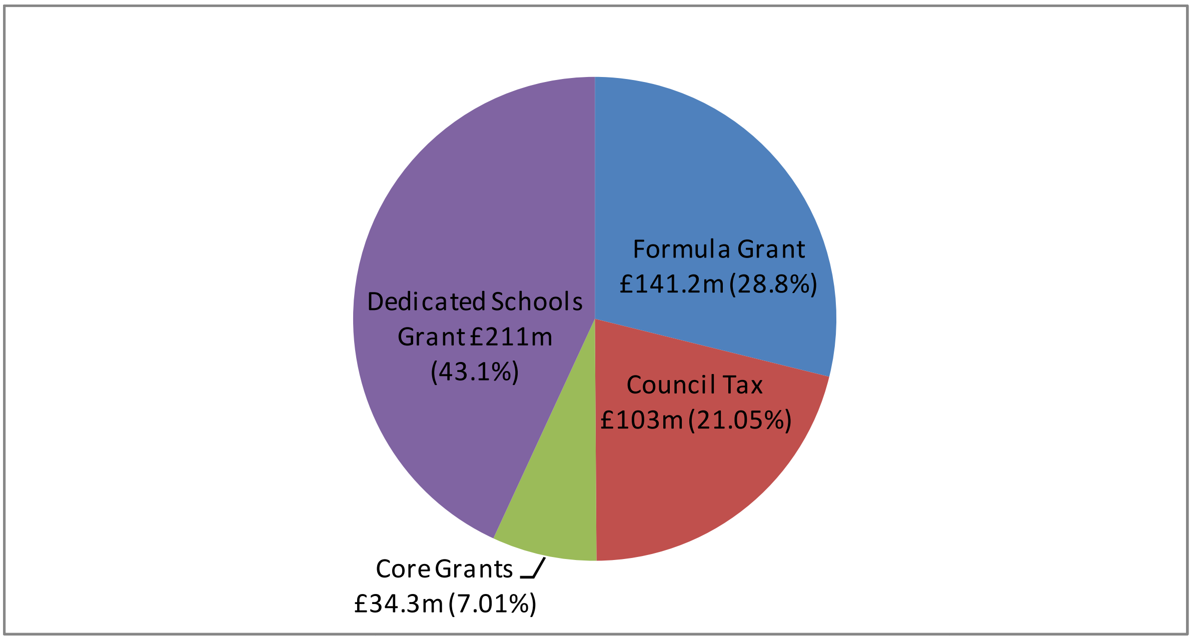
The majority of the underspend has occurred in the Non-Service Revenue budget which consists of four main elements; Treasury Management (interest earnings and debt financing costs), contingencies and provisions, the Council's contribution to Alexandra Palace and Park, and payments to levying bodies (e.g. Lee Valley, North London Waste Authority and London Pensions Fund Authority). Contingencies were not drawn upon during the year to the extent that was originally envisaged. Contingencies are established in order to provide a financial buffer against events that cannot be foreseen, and given the significant change that the Council continues to undergo, the contingency budget needs to be at an appropriate level.

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

The Council produces an analysis of the variances as part of its Financial Outturn 2012/13 report that went to the Council's Cabinet in June 2013.

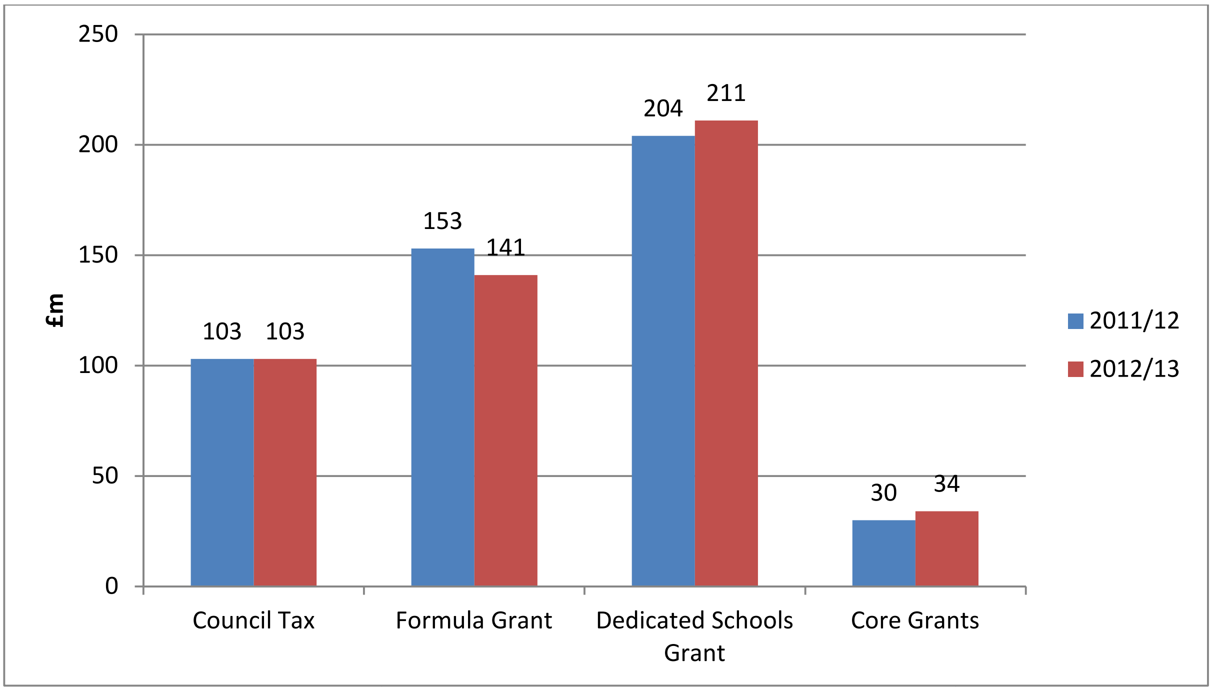
Sources of Revenue Funding 2012/13 (£489.5m) and 2011/12(£490m)

The graph below shows the revenue funding sources for the Council's spending in 2012/13 which consists of Government Grants, Business Rates (National Non-Domestic Rates) and Council Tax.



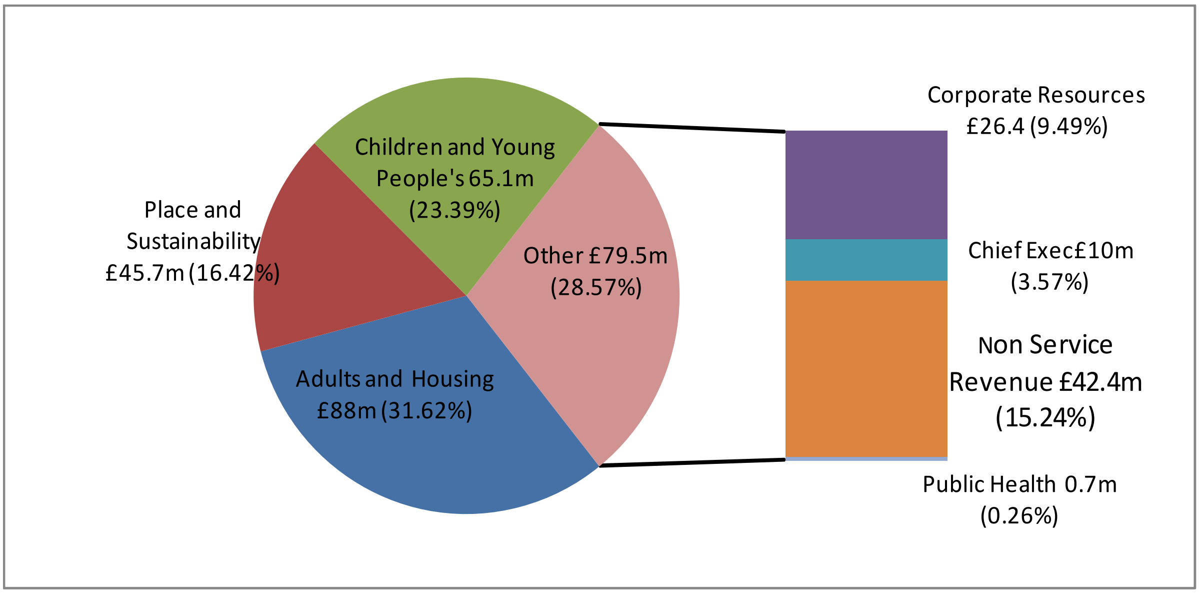
As can be seen from the above, council tax funds only 21% of the cost of services.

Sources of revenue funding – 2012/13 compared to 2011/12



How the money was spent – Total £278m (excluding schools)

The graph below shows the net spend on the various services we provide, as detailed in the table on page 12. Schools related expenditure of £211m is fully funded through the Dedicated Schools Grant and is additional to the amounts shown below.



Major influences on the council's income, expenditure and cash flow

A significant proportion of the Council's revenue funding is derived from Revenue Support Grant and National Non-Domestic Rates (NNDR) from the national pool. The national sums available in each financial year and the distribution to individual local authorities are determined by central government. However, from 2013/14 onwards Local Authorities will retain their Business Rate income and are either 'topped up' or will pay a tariff from collected Business Rates depending on central government's assessment of need. Haringey Council is a 'top up' authority and will receive grant on this basis in 2013/14.

Although the Council is able to supplement these sources of income through Council Tax, the level of annual Council Tax rises is carefully monitored and controlled by Central Government. From 2012/13 onwards the Council will be required to hold a local referendum if it wishes to raise Council Tax by a greater percentage than a target set by Central Government (2% for 2013/14).

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

The housing revenue account – how housing rents are used

The Housing Revenue Account is a statement of the income and expenditure on council housing. The Council is the landlord for 16,106 dwellings and the income and expenditure relating to these is ring-fenced, that is the Council 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 (£80.8m), charges for services (£22.3m). There was also government grant for capital expenditure of £19m for 2012/13. The total funding requirement for 2012/13 is £123.9m.

The original 2012/13 revenue budget for the HRA produced a planned revenue surplus of £7.5m, which would be available to fund capital works. The HRA outturn for the year is a surplus of £7.4m against a target of £7.5m, a variance of £0.1m.

Capital investment

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

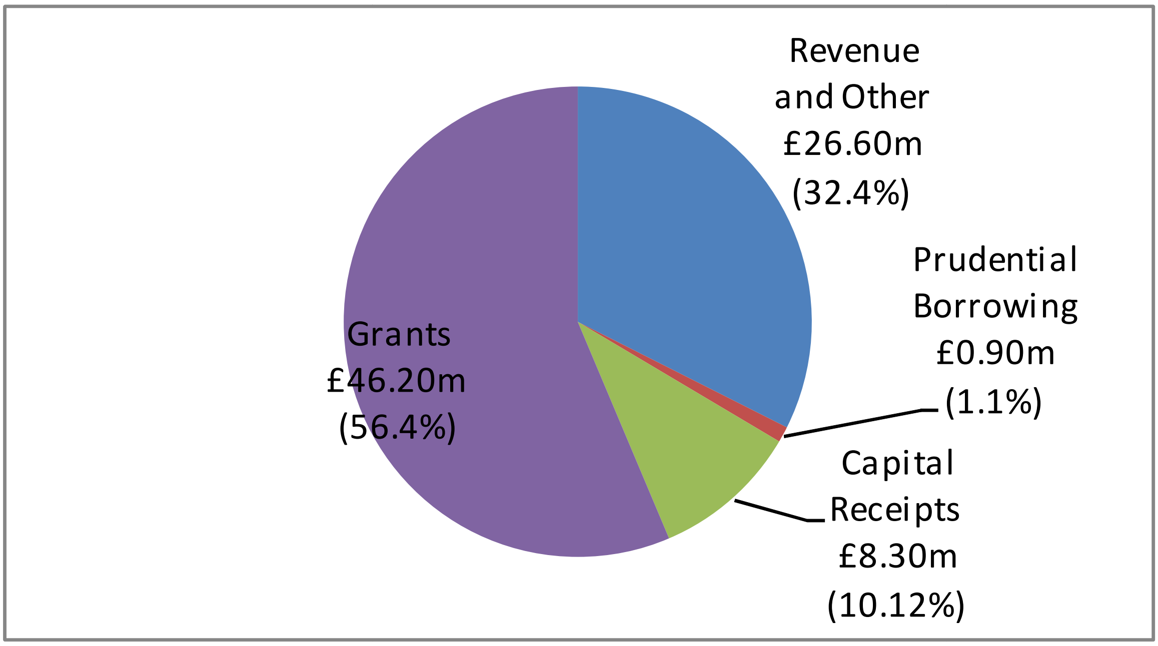
In 2012/13, the Council planned to spend £82m on its assets, as shown in the following table. The actual expenditure was £88.8m. The total long-term debt of the Council is £310.56 million and relates to capital investment which the Council has undertaken in the current and previous years.

Directorate	Approved Budget	Outturn	Outturn Variance
	£m	**£m**	**£m**
Children & Young People	17.8	19.6	1.8
Adults and Housing	3.4	3.7	0.3
Corporate Resources	5.2	3.2	-2.0
Place and Sustainability	19.7	16.3	-3.4
HRA Housing	42.7	39.2	-3.5
Total	**88.8**	**82.0**	**-6.8**

The principal reasons for the variances between the outturn and capital budgets are detailed in the Financial Outturn 2012/13 report that went to the Council's Cabinet in June 2013.

Capital Financing – Total £82.0m

The following diagram details how the capital expenditure in 2012/13 was financed.



Significance of any pensions liability or asset disclosed in the statements

The Pension Fund is part of the Local Government Pension Scheme and funds the pensions and receives contributions from members of the scheme and employer bodies. In 2012/13, the Fund made payments to pensioners of £40.0 million and received contributions of £40.7million (£8.8 million from members and £31.9 million from the employers).

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

The Council's share of the Fund has been valued at £727.2million, most of which is invested in the stock market. In 2012/13 these assets increased in value by £88.6million. 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.

Changes to the accounts

For 2012/13 there have been limited changes to the accounts, following the implementation of International Financial Reporting Standards (IFRS) in 2010/11.

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

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

The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

Statement of the Chief Financial Officer

I certify that the financial statements set out in sections 3 & 4 have been prepared in accordance with the accounting policies set out in note 1 and give a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2013.

Julie Parker, CPFA

Director of Corporate Resources / Chief Financial Officer

September 2013

Independent auditor's report to the Members of London Borough of Haringey

Opinion on the financial statements

We have audited the financial statements of London Borough of Haringey for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement 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 2012/13.

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 Authority and the Authority'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 Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements 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 financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Haringey as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income 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 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority 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 Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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 November 2012, as to whether the Authority 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 Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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 Authority 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 November 2012, 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 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul Dossett

Partner
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House

Melton Street

London NW1 2EP

19 September 2013

Section 2
Annual Governance Statement
2012/13

Annual governance statement 2012/13

Scope of responsibility

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

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.

The council 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 the council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

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

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.

The governance framework has been in place at Haringey for the year ended 31st March 2013 and up to the date of the approval of the annual report and accounts.

The governance framework

The key elements of the systems and processes that comprise the council's governance arrangements are consistent with the six core principles of the council's Code of Corporate Governance:

Code of Corporate Governance Principle	What processes the council has in place to meet the Corporate Governance Principle	How the council gets assurance that the Corporate Governance processes work in practice
Core Principle 1 **Focusing on the purpose of the council, on outcomes for the community and creating and**	The Council Plan 2012-14 sets out the vision and priorities for the council. The plan identifies five key priorities which formed the major programmes of work for the period 2012/13: • Work with local businesses to create jobs • Deliver regeneration to key areas of the borough	The Council Plan received endorsement from Cabinet in June 2012 and was agreed by Council on 16 July 2012. The Council Plan for 2012–2014 is published on the council's website. The quarterly performance report provides an update on the progress that has been made during 2012/13 against the key indicators and activity identified in the

Code of Corporate Governance Principle	What processes the council has in place to meet the Corporate Governance Principle	How the council gets assurance that the Corporate Governance processes work in practice
implementing a vision for the area	• Tackle housing challenges • Improve school standards and outcomes for young people • Deliver responsive, high quality services to residents. The Medium Term Financial Plan (MTFP) sets out the council's spending plans for 2012-13 and 2014-15, linked to its vision and priorities, within reduced resources and takes into account residents' views from area forums and budget consultations. In 2012/13 the council completed a number of cross-cutting service reviews to improve efficiency and reduce costs, including reviewing the finance, procurement and administration functions. This resulted in the ratio of frontline staff to be increased compared to 'back office' staff. The council has seven area forums, each led by a local ward councillor with the agreed terms of reference contained within the council's constitution. Area forums develop and encourage partnerships with local residents' associations, voluntary and community bodies and other stakeholder groups to raise and address issues of local interest. During 2012/13, preparations were carried out for the transfer of the local public health function to the council to take effect from 1 April 2013. Haringey's Health and Wellbeing Strategy has been developed by the shadow Health and Wellbeing Board, informed by the Joint Strategic Needs Assessment and in consultation with residents and partners, to improve the health and wellbeing of children and adults in our borough and to reduce health inequalities between the east and west. In January 2013, the council reinstated a Children's Trust. The terms of reference are being finalised. Haringey's Community Safety Partnership produces the Community Safety Strategy and action plan, monitors the use of relevant budgets, and ensures compliance with legislation. The Community Safety Strategy 2011-14 is currently being revised, based on updated information from the Community Safety Strategic Assessment.	Council Plan. The performance reports are received by Cabinet quarterly, with agendas, reports and minutes made available on the council's website. Area Forum and Committee agendas and minutes are available on the council's website. Each forum has developed an area plan which is published on the council's website. During 2012/13 a scrutiny panel project examined area forums. Recommendations were made for further work to explore alternative models with the intention of identifying future improvements. Programme management arrangements were used to ensure the transfer of the public health function followed the necessary NHS and council requirements for the transfer of functions, staff and contracts. Actions and measures to achieve the Health and Wellbeing Strategy's priorities are monitored and reviewed on a six-monthly basis by the shadow Health and Wellbeing board and will be revised annually. Actions: ➢ Finalise the council priorities and create a new Corporate Plan for 2013-15. ➢ Ensure the Health and Wellbeing Board is fully operational in April 2013. ➢ Finalise the terms of reference for the Children's Trust ➢ Finalise the Community Safety Strategy

Code of Corporate Governance Principle	What processes the council has in place to meet the Corporate Governance Principle	How the council gets assurance that the Corporate Governance processes work in practice
Core Principle 2 **Members and officers working together to achieve a common purpose with clearly defined functions and roles**	The council's constitution sets out the policy and decision making framework of the council and is held in hard copy and on the council's intranet and external website. The roles and responsibilities of the council, the Cabinet, committees, councillors including cabinet members, and officers are clearly documented within the constitution. The constitution 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 council's constitution contains the Financial and Contract Procedure Rules, which specify the governance framework for all its operational functions. 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. 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 in accordance with relevant legislation. The council's Scheme of Delegation is contained within the constitution and is reviewed and communicated on a regular basis to all appropriate officers and members. The council's website has an 'Our Standards' page which sets out the expectations and standards required of both officers and members. The council has an agreed Pay Policy in place which is reviewed and approved by the Corporate Committee prior to Full Council. The council has approved its commitment to paying employees the London Living Wage and is working to require contractors to implement the same policy.	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 to officers has been fully reviewed to take into account the restructure as a result of Re-Thinking Haringey. Regular internal and external audit reviews check compliance with financial and contract procedure rules across the council and the outcomes of these were reported to the Corporate Committee quarterly during 2012/13. All of the key financial systems received a 'substantial' or higher assurance rating in 2012/13. An independent review of the 2011/12 closure of accounts process was presented to Corporate Committee in March 2013. Actions: ➢ Ensure the recommendations of the closure of accounts independent review are fully implemented.
Core Principle 3 **Promoting values for the council and demonstrating**	Haringey Council has well established codes of conduct for officers and members, which are regularly reviewed and subject to approval by members. The Head of Legal Services is the Monitoring Officer and is responsible for ensuring that	The council requires all members to formally acknowledge receipt of their code of conduct on an annual basis. No exceptions were noted in 2012/13. Members are provided with regular briefings on the code of conduct as part of

Code of Corporate Governance Principle	What processes the council has in place to meet the Corporate Governance Principle	How the council gets assurance that the Corporate Governance processes work in practice
the values of good governance through upholding high standards of conduct and behaviour	the council acts lawfully and in accordance with the constitution: Directors have the primary responsibility for ensuring that decisions in their directorates are compliant with the Scheme of Delegation to officers. Standards of conduct and behaviour expected of members are addressed in the members' Code of Conduct set out in the constitution. A Standards Committee is in place. Arrangements are in place to govern the conduct between members and officers, as set out in the Protocol on Member/Officer Relations. 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 induction training, including on the code of conduct, as part of their induction processes. The council 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.	the established member induction and training programme. Regular articles are included in corporate and staff newsletters outlining expected standards of behaviour in specific areas and these continued in 2012/13. This included how to report concerns and details of the council's whistle-blowing policy. Copies of staff newsletters are published on the council's intranet. The council's complaints policy is publicised on the council's external website and at various public places across the borough.
Core Principle 4 **Taking informed and transparent decisions which are subject to effective scrutiny and risk management**	The council has processes in place to ensure that decision takers follow due process. The council's financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. 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. The council undertakes equality impact assessments of all major policies and strategies and all proposals for major changes in structures and service delivery models, to ensure that they do not disproportionately have a negative impact on any of Haringey's communities. Services follow Equality Impact Assessment guidance which was updated in 2012/13.	The council's internal and external auditors produce annual audit reports and the Annual Audit Letter, which were both reported to the Corporate Committee. Issues were identified with the closure of accounts, however no other significant issues were identified in the external audit letter. Regular internal and external audit reviews check compliance with financial and contract procedure rules across the council and the outcomes of these were reported to the Corporate Committee quarterly during 2012/13. The counter-fraud team's work achieved 35 successful prosecutions for benefit fraud and recovered 36 Council properties where fraudulent tenancy issues were proven in 2012/13. Full compliance is achieved with CIPFA's statement on the role of the Chief Financial Officer. The use of the whistle-blowing processes and fraud reporting procedures are reported on a quarterly basis to Corporate Committee

Code of Corporate Governance Principle	What processes the council has in place to meet the Corporate Governance Principle	How the council gets assurance that the Corporate Governance processes work in practice
	The council has processes in place to ensure that decision takers follow due process, that decisions are taken having regard to all relevant considerations and that decisions are properly documented. The council's scrutiny function was reviewed during 2011 and new governance arrangements were put in place from April 2012. The Overview and Scrutiny Committee (OSC) is in place to review or scrutinise decisions or actions, in accordance with the protocol in place which sets out how the committee should operate. Scrutiny panels report through the OSC which makes recommendations to Cabinet, based on evidence gathering, consultation and research. The functions of an audit committee, as recommended in guidance by CIPFA and the Institute of Public Finance, are contained within the remit of the council's Corporate Committee. Haringey Council 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 has a free-phone telephone number and email reporting facilities on its external website. Fraud and corruption policies and procedures are contained in the Employee Handbook, and are on the council's intranet and website. The council has a dedicated counter-fraud resource which undertakes reactive and pro-active fraud reviews based on an assessment of the risks included in the corporate fraud risk register, Audit Commission and CIPFA guidance and emerging risks across the public and private sectors. The council has reviewed governance arrangements for the implementation of the new Localism Act 2011 and Health and Social Care Act 2012. Haringey has a corporate Risk Management Policy and Strategy which is reviewed 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	and the reports are published on the council's website. A list of the equality impact assessments undertaken during 2012/13 is available on the website. No successful challenges were made to the equality impact assessments. The proposed areas to be scrutinised are agreed by the panels and the OSC at the beginning of the municipal year. Cabinet members attend the relevant scrutiny panels to answer questions. The reports are published on the council's website. By taking a detailed look at the council's decisions and policies, Overview and Scrutiny works to promote open decision making and democratic accountability in Haringey by holding the Cabinet to account, developing and reviewing policy in an inclusive cross-party manner that involves local communities and other interested parties, reviewing the performance of the council and scrutinising local services not provided by the council, such as health services. The reports and decisions of the committee are published on the council's website. • The council's programmes and projects identify and review risks in line with the council's project management framework. • The corporate risk register is reviewed on a quarterly basis by the Directors Group and annually by Corporate Committee. A copy of the risk register and the report to Corporate Committee is published on the council's website. The council's corporate risk management and emergency planning steering group met on a quarterly basis during 2012/13, chaired by a member of the Chief Executive's Director's Group. The group 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. The corporate Emergency Planning and Business Continuity Team provide guidance and support to services and carry out regular audits of the business continuity service plans. No significant business

Code of Corporate Governance Principle	What processes the council has in place to meet the Corporate Governance Principle	How the council gets assurance that the Corporate Governance processes work in practice
	business planning and project management processes. The council has a corporate risk register and all departments and business units have risk registers in place. Haringey's business continuity planning is based on risk assessment and business impact analysis. Each service within a directorate produces a business continuity plan which is updated twice a year. Service continuity plans are incorporated into the council-wide Business Continuity Plan.	continuity incidents were reported in 2012/13.
Core Principle 5 **Developing the capacity and capability of Members and Officers to be effective**	The council provides a programme of training for members, and all members have access to the council's corporate training and development programme. All permanent staff within the council receive an annual performance review and appraisal, which is linked to the council's management standards and corporate competency framework, and results in individual work targets and development plans. Senior managers' performance targets include mandatory requirements for people and budget management.	Members who sit on the Corporate and Regulatory Committees were provided with training in 2012/13 specific to their responsibilities for these committees. Training sessions included planning, licensing, audit, finance, pensions and treasury. During 2012/13, the council provided a programme of learning events for managers and staff based on the council's vision and values, aims and objectives, and key service delivery requirements, as well as a series of senior manager seminars.
Core Principle 6 **Engaging with local people and other stakeholders to ensure robust public accountability**	Haringey Council's Consultation Charter sets out how the council ensures that its consultation is effective and what can be expected from its consultation. This, together with consultation principles, is published on the website. The council's publishes a residents magazine, Haringey People, six times per year containing information on council activities. As part of its budget consultation process, the council informed, consulted and engaged residents and businesses from November 2012 to January 2013. The consultation was undertaken using both an online and paper questionnaire which included factual information about the council's budget and its services. Local Area Committees have been operating during 2012/13. These have specific responsibilities and consultative powers and are a vital part of local democratic engagement. Standing partnership bodies exist for the shadow Health and Wellbeing Board, Children's Trust and the Community Safety	No significant governance or control issues were identified by APP's independently appointed internal auditors during 2012/13. The results of the budget consultation were published on the council's website. Hard copies of Haringey People are delivered to all residential addresses and the magazine is also available via the council's intranet and external website. Once a year it includes a summarised annual report and set of financial statements. 10 public meetings were held where residents were able to ask questions and make comments on the council's budget to the Cabinet Member, effectively influencing the budget process. The results of the budget consultation were used to inform the Medium Term Financial Plan (MTFP). A summary of the budget consultation findings was given to all councillors to inform the council budget setting with the consideration of the MTFP by the council. The complete results of the budget consultation will be published on the council's website.

Code of Corporate Governance Principle	What processes the council has in place to meet the Corporate Governance Principle	How the council gets assurance that the Corporate Governance processes work in practice
	Board. Public consultation was carried out on a proposal to close the John Loughborough School. The Education Commission, Outstanding for All, reported during the year on the results of its engagement. The council has continued to work with Alexandra Palace and Park (APP) to ensure that corporate governance arrangements and internal controls were adequate and this was continued during 2011/12. The council has a wholly-owned company, Homes for Haringey Limited (HfH) and is a trustee of APP under the terms of the current operating requirements. The council provides advice and services to HfH and APP, which have their own board, constitution, memorandum and articles. The accounts of HfH and APP are incorporated into the group accounts of the London Borough of Haringey. The assessment of governance and controls by the relevant officers included an assessment of the governance and controls of HfH and APP.	The MTFP was scrutinised by the four scrutiny panels and recommendations made by the OSC to Cabinet. The council produces a Scrutiny Annual Report which is available on its website.

Significant governance issues

During 2012/13, the council's closure of accounts process was identified as a significant governance issue. Although the accounts were signed off within the statutory deadline, and were unqualified by the external auditor, there were a high level of quality issues associated with the draft accounts submitted for audit in June 2012. The following actions have been undertaken:

- An independent review of the process was commissioned by the Chief Executive, which was presented to Corporate Committee in March 2013
- The team responsible for accounts closure has been restructured, and staff have been transferred to bolster resources and capabilities
- CIPFA have been commissioned to provide ongoing technical advice and support
- A robust project methodology has been established, with a project plan, risk register and issues log
- A governance framework has been approved that sets out roles, responsibilities and escalation procedures. External challenge is a key part of this framework, and a closure review board has been set up that includes external audit and senior expertise from another local authority
- Risk and issues are being managed more proactively at Corporate Finance Management Team, and the Assistant Director (Finance) has increased management oversight of the process through weekly update meetings.

In addition, the council identified some key areas where work would be undertaken in 2012/13 to ensure governance arrangements were in place and effective. An action plan was drawn up and progress on this is set out below.

Issue	Action	Progress Update
Implementation of the Localism Act 2011	Ensure that the requirements of the legislation are appropriately reviewed and implemented during 2012/13, with appropriate monitoring mechanisms in place to ensure that risks and relevant regulations are appropriately managed and addressed and relevant officers and members receive adequate training to enable them to carry out their responsibilities.	Completed and operating effectively. All requirements to ensure the council was compliant with the Act were put in place effectively in 2012/13.
Implementation of the Social Care Act 2012	Ensure that the requirements of the legislation are appropriately reviewed and implemented during 2012/13, with appropriate monitoring mechanisms in place to ensure that risks and relevant regulations are appropriately managed and addressed to enable the effective transfer of the public health function fully to the local authority.	Completed and operating effectively. The public health function was successfully transferred to the council on 1 April 2013. The Health and Wellbeing Board was formally established and is operational.
Evaluation of the Governance Review	Ensure that the recommendations of the Review Group are implemented following Full Council approval, with appropriate review mechanisms in place to ensure that the council's governance processes meet its objectives.	The recommendations were implemented following full Council approval and have since been reviewed by the member working group and reported to this year's full Council in May 2013 with subsequent minor changes.
Regeneration Programme following the riots	Ensure that the Regeneration Programme following the 2011 riots has appropriate governance structures, reporting and authorisation processes, and financial and resource monitoring processes in place in order to deliver the agreed outcomes and objectives.	Governance structures have been agreed, including sign off procedures to include Director's Group, a dedicated Programme Management Board and a Strategic Forum and with Cabinet/ member sign off as appropriate.
Children and Young People's Service	Formalise and implement the statutory responsibilities for the Children's Trust with the Health and Wellbeing Board.	Completed and operating effectively.
Shared Services arrangements	Agree the form of governance and ensure that there are effective operational arrangements in place between preferred partners.	Governance was established for a shared service programme with Waltham Forest. That programme has since paused while the Council considers broader transformational change.

The council has identified the following significant governance issues during 2012/13. It is proposed over the coming year to take steps to address the governance issues in these areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

Issue	Action	Responsibility	Due date
Council's closure of accounts processes	Ensure the recommendations of the independent review into the 2011/12 closure of accounts processes are fully implemented.	Assistant Director of Finance	June 2013

Issue	Action	Responsibility	Due date
Community Safety Strategy	Finalise the Community Safety Strategy 2011-14, based on updated information from the Community Safety Strategic Assessment.	Director of Place and Sustainability	The finalised Community Safety Strategy will be formally agreed by the Community Safety Partnership on 13 June 2013. It is scheduled to be considered by Overview and Scrutiny on 17 June, by Cabinet 9 July, and adopted by Full Council 15 July 2013.
Tottenham Regeneration Programme	Ensure that the Tottenham Regeneration Programme has appropriate governance structures, reporting and authorisation processes, and financial and resource monitoring processes in place in order to deliver the agreed outcomes and objectives.	Director of Place and Sustainability	The Programme Management Office will be launched on 3 June 2013. All associated programme management controls will be in place by 30 June 2013, including risk registers, issue logs, project summary meetings, budget forecasting and monitoring.

Review of effectiveness

Haringey Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the statements of assurance and annual governance self-assessments by each director and assistant 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.

The Director of Corporate Resources (the council's statutory s151 Officer), the Head of Legal Services, and the Head of Audit and Risk Management have also reviewed the work done by the council relating to governance issues in 2012/13. Their comments on the key governance issues are as follows:

- Director of Corporate Resources: There was a significant governance issue during 2012/13 relating to the closure of the 2011/12 accounts. Although the accounts were signed off within the statutory deadlines and were unqualified there were a high level of quality issues relating to the draft accounts. Actions are being taken to prevent this occurring in the closure of the 2012/13 accounts.
- Head of Legal Services: Significant changes were made to corporate governance arrangements as a result of the Localism Act 2011. A local Code of Conduct for members, reformed Standards Committee and local arrangements for dealing with complaints for members were adopted by the council in 2012/13. New procedures also had to be adopted by the council arising from other provisions of the Localism Act, including those relating to the community right to bid, community right to challenge, assets of community value and the registration of neighbourhood forums. All these were put in place effectively in 2012/13 and no external challenge to the new processes were made in 2012/13.
- Head of Audit and Risk Management: Although the closure of accounts processes highlighted some governance failings, this did not impact on the operating of the council's key financial systems which all received 'substantial' assurance ratings from internal audit in 2012/13. A higher proportion of

schools received 'limited' or 'nil' assurance ratings from internal audit in 2012/13, partly as a result of recommendations relating to governance issues. Internal Audit and Corporate Finance have started a programme of training aimed at school governors, head teachers, and school finance staff to assist in improving their performance. No other significant governance issues were raised by internal audit during 2012/13.

The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2012/13, 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. All of the council's key financial systems received a 'substantial' assurance rating or higher in 2012/13. Five of the 48 completed system reviews and 13 of the 19 schools audits completed received a 'limited' assurance rating (including one school with 'nil' assurance), with the remaining reviews completed receiving 'substantial' or higher assurance ratings. The follow-up programme concluded that all but one high priority recommendation had been implemented, with one in the process of being implemented and with appropriate interim controls in place to manage the risk.

Directors have completed a statement of assurance covering 2012/13 which is informed by work carried out by departmental managers, internal audit, external assessments and risk management processes. The statements are used to provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. One issue within the Children and Young People's Service was identified which fell outside routine audit and inspection processes, namely the failure to record decisions to seek or over-ride parental consent when sharing information, leading to a Judicial Review judgment against the council. Adjustment to the electronic social care recording database will be implemented as a result. New guidance has been issued to staff to ensure that practice is now compliant with the judgement. The Director of Corporate Resources identified the closure of accounts process as their main governance issue in 2012/13.

The Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the role of the Chief Financial Officer (CFO) and the role of the Head of Internal Audit (HoA) in public service organisations have both been incorporated into the council's overall governance arrangements. During 2012/13, the council has been able to confirm that CFO and HoA fulfilled all the requirements set out within the CIPFA statements, and assurance on this was obtained via internal and external audit reviews. No gaps in compliance were identified for either role.

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

The evidence provided with regards to the production of the Annual Governance Statement has been considered by the Chief Executive and Directors at the Directors Group meetings held on 16 April and 28 May 2013 and by the council's Corporate Committee on 27 June 2013, who concluded that the council has satisfactory governance systems in place and satisfactory plans to address the identified issues to ensure improvement. The Chief Executive and Directors' Group is committed to implementing the action plan, strengthening and improving controls and keeping the effectiveness of the council's corporate governance arrangements under review during the year.

Signed by:

Councillor Claire Kober	Nick Walkley
Leader of the council	Chief Executive

Date: September 2013

Section 3
Core Financial Statements and Explanatory Notes 2012/13

Movement in reserves statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Additional detail on these reserves is given in note 24 and note 25. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the council'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.

	Usable Reserves								
	General Fund Balance	Earmarked General Fund	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as At 1 April 2011	**10,617**	**49,477**	**7,958**	**4,729**	**21,613**	**0**	**94,394**	**404,650**	**499,044**
Movement in reserves during the year									
Surplus or (deficit) on the provision of services	(25,478)		215,528				**190,050**		**190,050**
Other Comprehensive Income and Expenditure	0			0			**0**	(106,941)	**(106,941)**
Total Comprehensive Income and Expenditure	**(25,478)**	**0**	**215,528**	**0**	**0**	**0**	**190,050**	**(106,941)**	**83,109**
Adjustments between accounting basis & funding basis under regulations (Note 7)	47,252		(211,872)	(3,989)	(8,023)	625	**(176,007)**	176,007	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**21,774**	**0**	**3,656**	**(3,989)**	**(8,023)**	**625**	**14,043**	**69,066**	**83,109**
Transfers to or from earmarked reserves	(17,046)	17,046	0				**0**		**0**
Increase/Decrease in Year	**4,728**	**17,046**	**3,656**	**(3,989)**	**(8,023)**	**625**	**14,043**	**69,066**	**83,109**
Balance as at 31 March 2012 carried forward	**15,345**	**66,523**	**11,614**	**740**	**13,590**	**625**	**108,437**	**473,716**	**582,153**

	Usable Reserves								
	• General Fund Balance	• Earmarked General Fund	• HRA Balance	➢ Capital Receipts Reserve	➢ Capital Grants Unapplied	➢ Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2012 brought forward	**15,345**	**66,523**	**11,614**	**740**	**13,590**	**625**	**108,437**	**473,716**	**582,153**
Movement in reserves during the year									
Surplus or (deficit) on provision of services	(91,604)		53,246				**(38,358)**		**(38,358)**
Other Comprehensive Income and Expenditure	0			0			**0**	(94,403)	**(94,403)**
Total Comprehensive Income and Expenditure	**(91,604)**	**0**	**53,246**	**0**	**0**	**0**	**(38,358)**	**(94,403)**	**(132,761)**
Adjustments between accounting basis & funding basis under regulations	99,598		(45,858)	11,749	(2,380)	(540)	**62,569**	(62,569)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**7,994**	**0**	**7,388**	**11,749**	**(2,380)**	**(540)**	**24,211**	**(156,972)**	**(132,761)**
Transfers to or from earmarked reserves	(7,994)	7,994	0				**0**		**0**
Increase/Decrease in Year	**0**	**7,994**	**7,388**	**11,749**	**(2,380)**	**(540)**	**24,211**	**(156,972)**	**(132,761)**
Balance Sheet As At 31 March 2013	**15,345**	**74,517**	**19,002**	**12,489**	**11,210**	**85**	**132,648**	**316,744**	**449,392**

- = Usable Reserves that are held for Revenue Purposes.
- ➢ = Usable Reserves that are held for Capital Purposes.

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.

2012/13				Note	2011/12		
£000 Gross Expend	£000 Income	£000 Net Expend			£000 Gross Expend	£000 Income	£000 Net Expend
41,842	(39,170)	2,672	Central services to the public		43,100	(40,922)	2,178
17,740	(6,822)	10,918	Cultural and related services		62,077	(24,111)	37,966
31,583	(10,091)	21,492	Environment and regulatory services		0	0	0
22,144	(5,354)	16,790	Planning Services		0	0	0
410,181	(265,826	144,355	Education and Children's services		367,769	(272,958)	94,811
35,845	(19,022)	16,823	Highways and transport services		35,696	(19,186)	16,510
66,432	(106,638)	(40,206)	Local authority housing - HRA		105,517	(112,402)	(6,885)
319,294	(304,881)	14,413	Other housing services		314,844	(301,452)	13,392
106,366	(18,138)	88,228	Adult Social Care		104,034	(16,387)	87,647
91,547	(65,127)	26,420	Corporate and democratic core		84,933	(67,156)	17,777
(5,458)	0	(5,458)	Non distributed costs		806	(680)	126
1,137,516	**(841,069)**	**296,447**	**Surplus/Deficit on Continuing Operations**		**1,118,776**	**(855,254)**	**263,522**
		38,515	Other Operating Expenditure	09			49,741
		29,085	Financing and Investment Income and Expenditure	10			49,594
		0	HRA Self financing settlement*				60,474
		(325,689)	Taxation and Non-Specific Grant Income: Other	11			(319,057)
		0	HRA self financing debt settlement*				(294,324)
		38,358	**(Surplus) or Deficit on Provision of Services**				**(190,050)**
		47,042	Surplus or deficit on revaluation of non current assets	12			41,199
		47,361	Actuarial gains / losses on pension assets / liabilities				65,741
		94,403	**Other Comprehensive Income and Expenditure**				**106,940**
		132,761	**Total Comprehensive Income and Expenditure**				**(83,110)**

* In 2011/12 the government abolished Housing Subsidy and council housing became self-financing through rental income. Part of this process was the repayment of debt associated with the previous subsidy system, which resulted in a net £233,850,000 credit in the income and expenditure account in 2011/12. This was a one-off transaction, and should be borne in mind when looking at comparator figures in the I&E, MiRS and associated notes.

The service descriptions set out above comply with the code for 2012/13. Comparative 2011/12 data has not been re-stated above to match 2012/13 descriptions.

Balance sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that the council 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 is unusable reserves, and 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".

	Notes	31st March 2013 £000	31st March 2012 £000
Property, Plant & Equipment	12	1,304,304	1,436,697
Heritage Assets	13	6,061	6,061
Investment Property	14	54,141	50,774
Intangible Assets	15	542`	1,086
Assets held for sale	21	0	5,603
Long Term Debtors	19	2,529	2,334
Long Term Assets		**1,367,577**	**1,502,555**
Short Term Investments	16	16,081	15,105
CRC Scheme allowances		55	
Inventories	17	36	44
Short Term Debtors	19	67,573	63,825
Cash and Cash Equivalents	20	9,616	17,152
Assets held for sale	21	3,143	0
Current Assets		**96,504**	**96,126**
Bank Overdraft	20	0	15,762
Short Term Borrowing	16	60,127	78,515
Other Short Term Liabilities	16	3,308	2,793
Short Term Creditors	22	73,572	66,410
Provisions	23	4,114	8,434
Current Liabilities		**141,121**	**171,914**
Provisions	23	6,854	2,804
Long Term Borrowing	16	310,558	325,130
Other Long Term Liabilities	16/48	549,682	502,644
Capital Grants received in advance	38	6,474	14,036
Long Term Liabilities		**873,568**	**844,614**
Net Assets		**449,392**	**582,153**
Usable reserves	MiRS	132,648	108,437
Unusable Reserves	25	316,744	473,716
Total Reserves		**449,392**	**582,153**

Cash flow statement

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

2012/13 £000		Notes	2011/12 £000
(38,358)	**Net surplus or (deficit) on the provision of services**		190,050
147,973	Adjustment to surplus or deficit on the provision of services for noncash movements	**26**	113,243
(69,066)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**26**	(5,134)
40,549	**Net cash flows from operating activities**		**298,159**
(12,254)	**Net Cash flows from Investing Activities**	**27**	**(70,916)**
(20,069)	**Net Cash flows from Financing Activities**	**28**	**(245,146)**
8,226	**Net increase or decrease in cash and cash equivalents**		**(17,903)**
1,390	Cash and cash equivalents at the beginning of the reporting period		**19,293**
9,616	**Cash and cash equivalents at the end of the reporting period**		**1,390**

Notes to the Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council 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 2012/13 and the Service Reporting Code of Practice (SERCOP) 2012/13 supported by International Financial Reporting Standards (IFRS) and Statutory guidance issued under section 12 of the 2003 Act.

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

1.2 Accruals of Income and Expenditure

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

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

Income and expenditure is accounted for in the year the activity it relates to takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid.

Exceptions include:

- Rents for council houses - these are due in full on the date the weekly debit is raised. No receipt in advance is recorded for any part of the debit raised in the last week of March that relates to a period after 31 March.
- Payroll Costs – expenses earned in March but not paid until April or later are not accrued for and are recognised in new financial year's accounts. These exceptions are applied consistently to ensure that 12 months costs are charged each year and there is no material impact on the reported account

1.3 Cash and Cash Equivalents

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

1.4 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 Council's financial performance.

1.5 Jointly Controlled Operations

The Council has entered into an agreement with the London Borough of Waltham Forest to deliver services via a shared service agreement. Currently only a small number of 'enforcement' services are being undertaken under this agreement. Each Council accounts directly for it part of assets liabilities income expenditure and cash flows held within or arising from the structure.

1.6 Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to demand for the year plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

1.7 Accounting for NNDR

As the Council acts as an agent in the collection of NNDR income it does not include the financial position with regard to the rate payers and only reports the net cash position with Central Government in its Balance Sheet. The Council maintains records of NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records, however for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool. The cost of collection allowance received by Haringey Council is the billing council's income and is included in the Comprehensive Income and Expenditure Statement.

1.8 Agency Income and Expenditure

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

Haringey Council has acted as an agent on behalf of:

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

1.9 Community Infrastructure Levy

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

1.10 Overheads and Support Services

The costs of overheads and support services are allocated within the Net Cost of Service section of the Comprehensive Income and Expenditure Statement in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- corporate and democratic core – costs relating to the Council's status as a multifunctional, democratic organisation, and
- non distributed costs – the cost of discretionary benefits awarded to employees retiring early

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

1.11 Charges to Revenue for Non-Current Assets

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

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

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

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

1.12 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 Council's financial position or financial performance. Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Where changes to prior period are required, these will be set out in a separate note disclosing the impact and where material with comparative information.

1.13 Events after the Balance Sheet Date

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

a) Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

b) Those that are indicative of conditions that arose after the reporting period – the SoA are not adjusted to reflect such events but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.14 Employee Benefits

Benefits Payable during Employment

The Council recognises the cost of benefits received by current employees. These short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages, salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Payments for Accumulated Compensated Absences are accounted and an accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees, but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year being the period in which the employee takes the benefit.

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

Termination Benefits

Termination benefits are usually payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or where applicable to the non distributed cost line in the Comprehensive Income and Expenditure Statement when the Council 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 Council 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.

Post Employment Benefits

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. 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.

i. The Local Government Pension Scheme

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

Under International Accounting Standard (IAS19) the Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Haringey pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 2.8% (based on the Boxx Sterling Corporates AA over 15 Years Index).

The assets of Haringey pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

The change in the net pension's liability is analysed into seven components:

a) 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;

b) 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;

c) 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;

d) Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Comprehensive Income and Expenditure Statement;

e) Gains or losses on settlements and curtailments – the result of actions to relieve the Council 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;

f) 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; and

g) 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.

Components (a-f) are charged to the comprehensive Income and expenditure Statement in year, but to avoid changes in pensions liabilities from having a disproportionate impact on Council Tax, statutory provisions exist that restrict the amount charged against the General Fund to the amount payable to the Council to the Pension Fund (g). The difference between these two values is adjusted for in the Movement in Reserves Statement. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year not the amount calculated according to the relevant accounting standards.

In the 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.

ii. Teachers' Pension Scheme

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

Discretionary Benefits

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

1.15 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the 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 Council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the 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 Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the 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.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. 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 Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

The Council has also made a number of loans to third party organisations at less than market rates (soft loans) where the loans are regarded as material (based on the criteria noted above). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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

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.

Available for Sale Assets

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

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

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – independent appraisal of company; and
- Valuations.
- Fair Value – a price agreed between both parties.

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

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

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

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

Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March 2013. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.16 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the 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-ring fenced 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.

1.17 Non- Current Assets

Expenditure on the acquisition, creation or enhancement of non-current assets is capitalised on an accruals basis, provided that it will yield benefits to the Council for more than one financial year. These include intangible assets, property, plant and equipment, heritage assets and investment properties. It would not typically include assets held for sale as they would normally be expected to be disposed of within twelve months.

The costs of these assets may include initial costs of acquisition and construction and subsequent costs to enhance or replace part of the asset. All other expenditure arising from day to day servicing of assets is recognised in the Comprehensive Income and Expenditure Statement as the costs are incurred.

a) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. The Council has a capitalisation threshold of £10,000. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

b) 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. 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 of £10,000 or above) the Capital Receipts Reserve.

c) Heritage assets

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

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

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's policy on impairment.

The Council's heritage assets include the following major categories:

Museum and art collections

The Council holds collections of exhibits which are considered to be significant in recording the social and history of the borough and its residents. These exhibits are held for the purpose of promoting knowledge, understanding and appreciation of the Council's history and are primarily held in the Bruce Castle Museum. The collections have been collected through donation, bequests and purchases since 1906 when the museum was opened to the public for the first time as the Tottenham Museum

The scope of the collections covers social and working histories fine and decorative arts archaeology photographic and film collections (this is not an exhaustive listing). The trustees of the Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Civic regalia

The Council has over the years amassed a number of items of historic or heritable value to the borough. Many of these predate to when the borough was made up of a number of constituencies. Additionally the Council has been gifted regalia from local governing bodies from across the world.

Historic street furniture

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

d) Property, Plant and Equipment

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

Recognition

Assets are initially measured at the direct cost of bringing the asset into working condition for its intended use and subsequently reviewed using professional independent valuations. The valuations are based on professional guidance issued by the Royal Institution of Chartered Surveyors (RICS),and are based upon the RICS professional valuation professional standards (issued March 2012); CIPFA guidance and the IFRS Code.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a capitalisation threshold of £10,000 and allows the capitalisation of staffing costs that are directly associated with delivering of the capital schemes. The Council does not recognise Voluntary-aided or Foundation schools on its balance sheet.

The Council has no de minimis for recognising capital expenditure charged to specific resources available for existing capital purposes (borrowing, proceeds from the sales of assets, expenditure, and receipt of specified grants)

This expenditure is written out to the Income and Expenditure Account. If the amount of expenditure on an individual asset is above £100,000, details of the works are provided to the valuer with a request to revalue the asset. As the majority of non-dwelling assets are valued at Depreciated Historic cost (DHC), assets where there is spend between £1 and £100,000 are deemed to have been enhanced to this value and are re-valued as part of the rolling programme.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings at fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets at 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.

Subsequent changes in value

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the 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 as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the 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

Depreciation of assets to reflect usage

Depreciation is charged to the Comprehensive Income and Expenditure Statement to reflect the usage of the asset over its economic life. It is provided for on all Property, Plant and Equipment; with the exception of:

- land or other assets without a determinable useful life
- assets under construction (as they are not been used yet)

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

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer.
- vehicles, plant, furniture and equipment – a range based on the useful economic life of the asset.
- Infrastructure – a range based on the useful economic life of the asset.
- In the case of council housing the depreciation charge by the major repairs allowance (MRA) annually.

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

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

Componentisation of valuations

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

- Structure
- Roof
- Heating & associated systems
- Electrical
- Lift
- Externals

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

Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount. This recognition and de-recognition takes place regardless of whether the replaced part had been depreciated separately. The de-minimis level for this recognition and de-recognition is £50,000 (based on the capital expenditure of the new component). Component accounting is to be applied from 1 April 2012.

There are a number of circumstances where componentisation will not apply; these are:

- Vehicles and Equipment will be considered immaterial and not subject to componentisation.
- Infrastructure assets are excluded pending the status of the Code of Practice on Transport Infrastructure Assets.
- Investment properties are not depreciated, but must be considered for componentisation where enhancement expenditure is incurred.
- Housing Revenue Account assets (dwellings)

Componentisation of housing revenue account (HRA) assets (dwellings) will be subject to a separate exercise within the five year transition period allowed by DCLG. The Council expects to use the major repairs allowance (MRA) as a proxy for depreciation until this transition period comes to an end, and demonstrate that this use will not represent a material difference to the fully componentised methodology within the transition timeframe.

Impairment

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

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement.

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

1.18 Non current assets held for sale

These assets are actively marketed for sale and where the Council expects that sale will go through in the next twelve months. They are identified separately as the value in the Balance Sheet will be recovered principally through a sale transaction rather than future continued use; it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at this amount. 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 losses previously recognised in the costs of the provision of services. Depreciation is not charged on assets held for sale.

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

Disposals and non-current assets held for sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. This cost is subsequently transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts 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 Council’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.

Treatment of school assets

Land and buildings of voluntary aided, academies 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. The Chartered Institute of Public Finance and Accountancy (CIPFA) are currently reviewing the accounting treatment of those schools specifically in relation to whether they should be fully disclosed within the balance sheet of councils’; pending conclusion of this review the council continues with the previous practice of not including them on its balance sheet.

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 Expenditure Funded from Capital under Statute") and written off each year to the comprehensive income and expenditure statement within Education and Children's services.

Individual schools' balances at 31st March 2013 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

1.19 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.

1.20 Charges to revenue for non current assets

The comprehensive income and expenditure statement is charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation and Amortisation of assets used by the Service
- Revaluation and impairment losses on assets used by the Service
- Profit or loss on disposal of assets

The Council is not required to raise council tax to cover these costs. However it is required to set aside an annual contribution from revenue towards its overall borrowing requirement. These costs are therefore replaced by the Minimum Revenue Provision by way of an adjusting entry in the Movement is Reserves Statements.

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

1.21 Revenue expenditure funded from capital under statute (REFCUS)

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

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

1.22 Interests in companies and other entities

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

The Council 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.

1.23 Jointly controlled operations and jointly controlled assets

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

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

1.24 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. Finance leases have been reviewed taking into account the materiality level of both annual rentals and capital values and inclusion in the accounts are based on these levels.

The council as lessee

i. Finance Leases

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

Lease payments are apportioned between:

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

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

ii. Operating Leases

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

The council as lessor

i. Finance Leases

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

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

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

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

ii. Operating Leases

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

1.25 PFI schemes

The Council has a number of schools subject to PFI contracts. The PFI buildings for maintained schools are shown on the Council's balance sheet. The buildings for the voluntary aided, controlled foundation and academy schools are derecognised as the control of the right to use the buildings has passed to the school trustees and foundation bodies. The PFI liabilities in respects of all PFI schools, regardless of the school's status, remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator. The council continues to receive government support in the form of grant which is used to meet current and future liabilities in respect of the PFI scheme(s). Note 42 gives further details.

Private Finance Initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

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

a) Fair value of the services received during the year

   debited to the relevant service in the Comprehensive Income and Expenditure Statement

b) Finance cost

An interest charge of 5.13% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

c) Contingent rent

Increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

d) Payment towards liability

Applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

e) Lifecycle replacement costs

Proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.26 Provisions, Contingent Liabilities and Contingent Assets

a) Provisions

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

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

When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

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

b) Contingent Liabilities

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

Material contingent liabilities are not recognised in the Balance Sheet but disclosed as a note in the accounts (Note 48). The disclosures set out both the scale of the potential costs and the likelihood of these being realised.

c) Contingent Assets

A contingent asset arises where a past event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Material contingent assets are not recognised in the Balance Sheet, but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential (Note 49).

1.27 Reserves

The Council maintains a range of reserves, reflecting both the extent to which its overall assets exceed its liabilities and any restrictions either statutory or voluntary which are placed upon the usage of these balances. The Council has discretion to set aside specific amounts as reserves where they wish to earmark available funds for future policy purposes, to cover contingencies or manage cash flow. These are summarised in note 8.

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.

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

1.28 VAT

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

1.29 Carbon Reduction Commitment Allowances

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

2. Prior Period Adjustments

A detailed reconciliation has been undertaken between the Council's fixed asset register and the associated balances in the Council's financial ledger/ Statement of Accounts. This highlighted imbalances affecting the cost or valuation, accumulated depreciation and accumulated impairment, that make up the net book value of non-current assets (it should be noted that the net book value of non-current assets were not affected). In addition there was an imbalance on the revaluation reserve.

The imbalances have occurred before the earliest prior period presented i.e. prior to 2011/12, and therefore the opening balances of the earliest period presented i.e. 1 April 2011 of the affected non-current assets and unusable reserves have been restated.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a Balance Sheet at the beginning of the earliest comparative period when an authority makes a retrospective adjustment to the Balance Sheet. However, because the affected line items on the face of the Balance Sheet i.e. net book values of non-current assets and unusable reserves have not changed a restated additional Balance Sheet at the beginning of the earliest comparative period i.e. 1 April 2011, has not been presented.

The restatement did not affect the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement.

	1 April 2011 as Originally Stated £'000	1 April 2011 as Restated £'000	Change £'000		31 March 2012 as Originally Stated £'000	31 March 2012 as Restated £'000	Change £'000
Property Plant and Equipment							
Council Dwellings:							
Cost or Valuation	775,864	775,864	0		792,568	792,568	0
Accumulated Depreciation and Impairment	0	0	0		0	0	0
Net Book Value	775,864	775,864	0		792,568	792,568	0
Other Land & Buildings:							
Cost or Valuation	555,258	545,684	(9,574)		455,144	478,681	23,537
Accumulated Depreciation and Impairment	3,080	(24,336)	(27,416)		(13,388)	(36,925)	(23,537)
Net Book Value	558,338	521,348	(36,990)		441,756	441,756	0
Vehicles, Plant, & Equipment:							
Cost or Valuation	39,186	26,782	(12,404)		48,052	33,983	(14,069)
Accumulated Depreciation and Impairment	(25,786)	(11,841)	13,945		(29,810)	(15,741)	14,069
Net Book Value	13,400	14,941	1,541		18,242	18,242	0
Infrastructure:							
Cost or Valuation	177,185	177,184	(1)		185,121	185,120	(1)
) Accumulated Depreciation and Impairment	(44,742)	(44,743)	(1)		(49,796)	(49,795)	1
Net Book Value	132,443	132,441	-2		135,325	135,325	0
Community Assets:							
Cost or Valuation	8,239	8,239	0		12,509	12,509	0
Accumulated Depreciation and Impairment	0	0	0		0	0	0
Net Book Value	8,239	8,239	0		12,509	12,509	0
Surplus Assets:							
Cost or Valuation	1,376	6,655	5,279		3,963	3,336	(627)
Accumulated Depreciation and Impairment	5,275		(5,275)		(627)		627
Net Book Value	6,651	6,655	4		3,336	3,336	0
Assets under Constructions:							
Cost or Valuation	26,329	26,329	0		32,961	32,961	0
Accumulated Depreciation and Impairment	0	0	0		0	0	0
Net Book Value	26,329	26,329	0		32,961	32,961	0
Heritage Assets							
Cost or Valuation	4,056	4,056	0		6,061	6,061	0
Investment Property							
Net Book Value	52,706	52,706	0		50,774	50,774	0

Intangible Assets							
Gross Carrying Amounts	3,715	3,715	0		3,850	3,850	0
Accumulated Amortisation	(2,478)	(2,478)	0		(2,941)	(2,794)	177
Net Book Value	1,237	1,237	0		909	1,086	(177)
Assets Held for Sale							
Net Book Value	540	540	0		5,603	5,603	0
Capital Adjustment Account	(504,460)	(504,460)	0		(719,562)	(754,041)	(34,479)
Revaluation Reserve	(287,102)	(287,102)	0		(211,732)	(177,253)	34,479

3. Critical judgements in applying accounting policies

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

The critical judgements made in the statement of accounts are:

- The council has £27m deposited with Icelandic Banks. The predictions concerning recovery for amounts from two of the banks, Landsbanki and Glitnir, are based on legal advice that the Council's deposits have priority status.
- The Council has chosen to use the Major Repairs Allowance (MRA) as a proxy for depreciation in 2012/13. We have chosen to do so on the basis that the MRA is the most robust calculation of the underlying need to invest in our housing stock available to us. The Council is allowed to adopt this approach, for a maximum of five years from 2011, in accordance with guidance from by the Department for Communities and Local Government (DCLG) provided that it can demonstrate that the effect is not materially different from the approach specified in the Accounting Code of Practice of using a fully componentised depreciation calculation. The MRA is based on research undertaken on behalf of DCLG into the costs of renewal of the various elements of the thirteen "archetypes" – as such the calculation is based on an implicit componentisation approach. The Council has firstly assessed whether the MRA figure is appropriate for our housing stock, it has then estimated what depreciation might be based on a fully componentised model and compared this calculation to the MRA. This calculation suggests that a componentised depreciation figure of between £17m and £20m results. As a consequence the Council has concluded that a MRA figure of £19.4m does not differ materially from the estimated calculation and is therefore justified in continuing to adopt this approach.
- The council has determined that for all lease and lease type arrangements where the annual payment at lease inception is £50,000 or less, it would be immaterial in the accounts to distinguish between finance and operating leases. Thus any such arrangement will be treated as an operating lease and expensed as incurred.
- The bases of other critical judgements relating to PFI unitary charge allocation, provisions, accruals and bad debt provisions, are set out in the associated notes to the accounts.
- By 31 March 2013, thirteen Academies had been created from schools which were formerly maintained by Haringey Council. While the Council retains a responsibility for ensuring that the children attending these academies continue to receive a good quality education, it is no longer responsible for the operation of the academy. The academies are funded directly by the Education Funding Agency using grant allocations that are recouped from Haringey Council's Dedicated Schools Grant.
- All buildings that were formerly held by the Council have been leased over to the new Academies on long term leases for peppercorn rent; as such they have been removed from the Council's Non-Current Assets. The costs of this are shown as a loss on disposal in the Consolidated Income and Expenditure Statement. The transfer of assets to the Academy is recognised on the date that the Academy is formally created, not the date the school receives approval to become an academy.

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

The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Fund Liability

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 actuary are shown in notes 46 and 47.

Property, Plant and Equipment

In 2012/13 the Council instructed qualified external valuers Wilkes, Head & Eve to carry out valuations on its Property portfolio. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. From 2013/14 the Council will carry out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years, with one fifth of all assets being reviewed each year. It is possible that property values could fluctuate considerably within this five year timeframe. Valuations are based on assumptions about asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and made by qualified Valuers, but are still based on estimates.

A 1% fluctuation in property values would amount to £13m of the Non- Current Assets value on the Balance Sheet.

Impairment of debtors

At 31 March 2013 the Council had a debtors balance of £68.5m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £65.67m has been set aside in the accounts. This impairment allowance (debt provision) is based on patterns of collection in the Council. Should economic factors mean the impairment allowance is insufficient then any excess debt that proves uncollectable will result in a charge to the Comprehensive Income and Expenditure Statement. This cost may ultimately fall to the General Fund, HRA Balance or the Collection Fund depending on the nature of the debt. Should an additional 5% of debts prove to be uncollectible (over and above the amount set aside) there would be a cost of £1.01m to the Council.

5. Material items of income and expense

Housing Stock Transfer

A decision was made by Cabinet, on the 12th February 2013, to dispose of the Waltham Cross Estate to the preferred bidder, B3 Living. The decision followed an options appraisal that showed this was the optimal way of attracting the investment required to bring the estate up to the Decent Homes Standard. B3 Living has given an undertaking to carry out a range of capital works on the estate to bring the units up to a Decent Homes Standard. The transfer was completed on the 25th March 2013. A total of 73 units were transferred in exchange for a capital receipt of £2.96m plus the right to a share of the proceeds of future Right To Buy sales on the estate.

Academy Schools

During the course of 2012/13 nine primary schools, one secondary school and the Haringey Sixth Form Centre converted to academy status. As a result of these conversions and the two that took place in 2011/12, the Department for Education reduced the value of Haringey Council's Dedicated Schools Grant by £19m. The income and expenditure of academies are not reflected in the Council's Income and Expenditure account. The value of school assets transferred can be found within note 12

6. Post balance sheet events

Business Rates

New arrangements for the retention of business rates come into effect on the 1 April 2013. As a result the Council will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid to central government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the Council, but would have been transferred to Government.

The Councils estimated share of this non-adjusting liability is £1m.

Schools

A further secondary school has converted to academy status with effect from 1 May 2013; a corresponding adjustment will be made to the council's Dedicated Schools Grant allocation to reflect the transfer of responsibility from the council to the Education Funding Agency.

The council has taken a decision to close the John Loughborough School with effect from the end of August 2013; this decision was referred to the schools adjudicator, who has now upheld the decision to close .

Heritable Bank plc

Included in the accounts is the sum of £2m due for repayment by Heritable Bank plc in two further tranches in 2013 and 2014. However, it is understood that Heritable's residential mortgage book, which constituted the largest asset remaining in the Administration, was sold to a third party on 15 May 2013. This is thought likely to impact on the amount and profile of future recoveries and, when the Administrators provide a more detailed update, adjustments to the carrying amount may be necessary.

7. Adjustments between accounting basis and funding basis under regulation

This note on the following pages details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following notes detail the adjustments for the financial years 2012/13 and 2011/12.

2012/13	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments 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	18,464	19,549				(38,013)
Amortisation of Intangible Assets	730					(730)
Revaluation losses on Property Plant and Equipment	81,917	(20,804)				(61,113)
Movements in the Fair Value of Investment Properties	(1,999)	0				1,999
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(27,320)	(20,096)			964	46,452
Unapplied Capital Grants used in financing					(3,344)	3,344
Revenue expenditure funded from capital under statute (REFCUS)	9,833	1,379				(11,212)
Prior year costs re-classed as REFCUS)	5,289	851				(6,140)
Carrying amount of non current assets sold	44,370	6,990				(51,360)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for the Financing of Capital Investment	(23,332)					23,332
Capital expenditure charged against the General Fund and HRA balances	(2,706)	(175)				2,881
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			(8,306)			8,306
Proceeds From Sale of Non Current Assets	(9,413)	(12,669)	22,082			
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	187	245	(432)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	1,624		(1,624)			
Transfer to deferred capital receipts reserve upon receipt of cash			29			(29)

2012/13	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		(19,549)		19,549		
Excess Depreciation over Notional MRA		0		0		
Use of the Major Repairs Reserve to finance new capital expenditure				(20,089)		20,089
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts 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.	134	(1,660)				1,526
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	32,123	575				(32,698)
Employer's pensions contributions and direct payments to pensioners payable in the year	(29,041)	(467)				29,508
Adjustments 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	(845)					845
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Adjustments in relation to Short-term compensated absences	(417)	(27)				444
Total Adjustments	**99,598**	**(45,858)**	**11,749**	**(540)**	**(2,380)**	**(62,569)**

2011/12	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	21,799	18,137				(39,936)
Amortisation of Intangible Assets	463					(463)
Revaluation losses on Property Plant and Equipment	16,951	22,183				(39,134)
Movements in the Fair Value of Investment Properties	(1,263)					1,263
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(33,289)	0			0	33,289
Unapplied Capital Grants used in financing					(8,023)	8,023
Revenue expenditure funded from capital under statute	8,608	2,008				(10,616)
Carrying amount of non current assets sold	44,209	1,882				(46,091)
Housing Self Financing Payment / Receipt		(235,499)	0			235,499
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for the Financing of Capital Investment	(14,357)	0				14,357
Capital expenditure charged against the General Fund and HRA balances	(918)	0				918
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			(8,375)			8,375
Proceeds From Sale of Non Current Assets	(1,327)	(3,829)	5,156			
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	35	0	(35)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	735		(735)			
Transfer to deferred capital receipts reserve upon receipt of cash	96		0			0

2011/12	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		(13,622)		13,622		
Use of the Major Repairs Reserve to finance new capital expenditure				(12,997)		12,997
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	135	(3,133)				2,998
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	37,953	180				(38,133)
Employer's pensions contributions and direct payments to pensioners payable in the year	(33,599)	(179)				33,778
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,934					(1,934)
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Adjustments in relation to Short-term compensated absences	(913)	0	0	0	0	913
Total Adjustments	**47,252**	**(211,872)**	**(3,989)**	**625**	**(8,023)**	**(176,007)**

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 2012/13.

	Balance as At 1 April 2011	Transfers In	Transfers Out	Balance as at 31 March 2012	Transfers In	Transfers Out	Balance as at 31 March 2013
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Schools reserve	2,598	2,474	0	5,072	1,858	0	6,930
Services reserve	4,785	6,367	(2,734)	8,418	7,376	(5,309)	10,485
Insurance reserve	8,927	0	(701)	8,226	2,781	(2,588)	8,419
PFI reserve	7,181	1,437	(703)	7,915	1,431	0	9,346
Infrastructure reserve	2,384	28	0	2,412	1,084	(1,338)	2,158
Transformation reserve	1,800	4,581	0	6,381	5,500	(3,866)	8,015
Financing reserve	8,541	6,380	(83)	14,838	2,300	(1,853)	15,285
Debt repayment	13,261	0	0	13,261	0	(4,882)	8,379
Community infrastructure reserve	0	0	0	0	3,000	0	3,000
Urban renewal reserve	0	0	0	0	2,500	0	2,500
Total Earmarked Reserves	**49,477**	**21,267**	**(4,221)**	**66,523**	**27,830**	**(19,836)**	**74,517**

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

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

These requirements have been fully taken account of in Haringey's scheme for financing schools, and applied since April 2008. There was no claw-back of balances in 2012/13.

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

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

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

The transformation reserve – this reserve is specifically earmarked for the costs associated with the Council's restructuring and savings programme. Specifically, 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.

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

Urban Renewal Reserve - It is beneficial for the council to support local businesses so they can share in the benefits of growth, this could include supporting town centres and business investment districts, and maintaining retail business; this reserve will be used to support this activity.

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

9. Other operating expenditure

The following table provides an analysis of the "Other Operating Expenditure" line in the comprehensive income and expenditure statement:

	2012/13 £000	2011/12 £000
Payments to the Government Housing Capital Receipts Pool	1,624	736
Gains/losses on the disposal of non current assets	29,632	41,072
Levies	7,259	7,933
Total	**38,515**	**49,741**

10.Financing and investment income and expenditure

The following table provides an analysis of the "Financing and Investment Income and Expenditure" line in the comprehensive income and expenditure statement:

	2012/13 £000	2011/12 £000
Interest payable and similar charges	23,710	103,521
Pensions interest cost and expected return on pensions assets	15,862	11,707
Interest receivable and similar income	(1,114)	(2,315)
Income and expenditure in relation to investment properties and changes in their fair value	(7,742)	(1,263)
Other investment income	(1,631)	(1,582)
Total	**29,085**	**110,068**

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:

	2012/13 £000	2011/12 £000
Council Tax Income	**102,633**	**100,566**
Non Domestic Rates	**141,049**	**117,043**
Non-ring fenced government grants	**34,591**	**66,510**
Capital Grants	**47,416**	**34,938**
Total	**325,689**	**319,057**

In 2011/12 the council also received £294,324 capital grant from the government in respect of the HRA self financing debt settlement which is shown separately on the face of the 2011/12 comprehensive income and expenditure statement.

12.Property, plant and equipment

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

2012/13	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as At 1 April 2012	792,568	478,681	185,120	33,983	12,509	32,961	3,336	**1,539,158**
Additions (Note 40)	40,151	19,622	5,819	2,462	1,731	298	142	**70,225**
Revaluation increases/decreases to Revaluation Reserve	(1,594)	(84,107)		0	0	0	0	**(85,701)**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	20,914	(80,347)	0	0	0	0	0	**(59,433)**
Derecognition - Disposals	(6,788)	(42,732)	0	0	0	0	(68)	**(49,588)**
Derecognition - Other	0	0	0	0	0	(6,140)	0	**(6,140)**
Reclassifications & Transfers	1,481	15,158	449	195	850	(26,871)	7,517	**(1,221)**
Reclassified to Held for Sale	(164)	(2,980)	0	0	0	0	0	(3,144)
Balance as at 31 March 2013	**846,568**	**303,295**	**191,388**	**36,640**	**15,090**	**248**	**10,927**	**1,404,156**
Depreciation and Impairment								
Balance as At 1 April 2012	0	36,926	49,795	15,740	0	0	0	**102,461**
Depreciation Charge	19,405	7,455	5,371	5,672	0	0	0	**37,903**
Depreciation written out on Revaluation Reserve	(126)	(38,533)		0	0	0	0	**(38,659)**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	110	0	0	0	0	0	0	**110**
Derecognition - Disposals	(109)	(1,828)	0	0	0	0	0	**(1,937)**
Reclassifications & Transfers	0	(26)	0	0	0	0	0	**(26)**
Balance as at 31 March 2013	**19,280**	**3,994**	**55,166**	**21,412**	**0**	**0**	**0**	**99,852**

Net Book Value								
As at 31 March 2013	**827,288**	**299,301**	**136,222**	**15,228**	**15,090**	**248**	**10,927**	**1,304,304**
As at 31 March 2012	**792,568**	**441,755**	**135,325**	**18,243**	**12,509**	**32,961**	**3,336**	**1,436,697**

2011/12	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation Balance as At 1 April 2011*	**775,864**	**545,684**	**177,184**	**26,782**	**8,239**	**26,329**	**6,655**	**1,566,737**
Additions (Note 40)	33,459	16,321	7,743	7,881	4,244	13,198	40	**82,886**
Other	0	36,173	0	(1,665)	0	0	473	**34,981**
Revaluation increases/decreases to Revaluation Reserve	5,268	(67,093)	0	0	0	0	0	**(61,825)**
Revaluation decreases to Surplus/Deficit on the Provision of Services	(22,280)	(14,612)	0	0	0	0	(1,759)	**(38,651)**
Derecognition - Disposals	(724)	(43,069)	0	0	0	0	(2)	**(43,795)**
Reclassifications & Transfers	1,205	5,277	193	985	26	(6,566)	2,589	**3,709**
Reclassified to Held for Sale	(224)						(4,659)	**(4,883)**
At 31 March 2011	**792,568**	**478,681**	**185,120**	**33,983**	**12,509**	**32,961**	**3,336**	**1,539,159**
Depreciation and Impairment Balance as At 1 April 2011*	0	24,336	44,743	11,841	0	0	0	**80,920**
Depreciation Charge	17,958	12,757	5,054	4,024	0	0	0	**39,793**
Depreciation written out on Revaluation Reserve	(17,958)	(586)	0	0	0	0	0	**(18,544)**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	(143)	0	0	0	0	0	**(143)**
Impairment reversals to Surplus/Deficit on the Provision of Services	0	500	0	0	0	0	0	**500**
Derecognition - Disposals	0	(1,586)	0	0	0	0	0	**(1,586)**
Reclassifications & Transfers	0	2,446	0	0	0	0	(472)	**1,974**
Other adjustments	0	(798)	(2)	(124)	0	0	472	**(452)**
At 31 March 2011	**0**	**36,926**	**49,795**	**15,741**	**0**	**0**	**0**	**102,462**

Net Book Value								
At 31 March 2011	**792,568**	**441,755**	**135,325**	**18,242**	**12,509**	**32,961**	**3,336**	**1,436,697**
Balance as at 31 March 2011	**775,864**	**521,348**	**132,441**	**14,941**	**8,239**	**26,329**	**6,655**	**1,521,264**

* Balances restated as per Note 2, Prior Period Adjustments

In 2012/13 the Council instructed external valuers Wilkes, Head & Eve (an independent partnership of Chartered Surveyors and Town Planners) to carry out full valuations (as at the 1st April 2013) on the Council's property portfolio. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. From 2013/14 the Council will carry out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years.

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 the Department of Communities and Local Government.

The value of assets that have been disposed of in year as a result of schools achieving Academy Status amounts to £32.083m.

Capital commitments

Description	2012/13	2011/12	Total Change		Explanation
	£'000	£'000	£'000	%	
Place & Sustainability	3,417	464	2,953	636%	£3.3m of 12/13 commitments relate to Transport for London 2nd Funding Agreement (Roads – Tottenham Gyratory works) signed June 2012.
Housing Services	6,482	3,555	2,927	82%	£4.7m of 12/13 commitments relate to the Decent Homes programme. Variance as a result of delays in awarding contracts due to Procurement procedures.
Adult Social Services	0	140	(140)	(100%)	£0.14m Community Care projects in 11/12.
Children and Young People's Services	7,859	10,103	(2,244)	(22%)	Reduction in commitments as a result of conclusion of Building Schools for the Future programme and major projects at Broadwater Inclusive Learning Campus and Rhodes Avenue School nearing completion
Total Expenditure	**17,758**	**14,262**	**3,496**		

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £18m. Similar commitments at 31 March 2012 were £14m. The major commitments are:

Tottenham Gyratory works– £3.3m

Decent Homes Programme – £4.7m

Welbourne Primary School Expansion – £2.5m

13.Heritage assets

Cost or Valuation	Civic Regalia	Bruce Castle	Total Assets
	£000	£000	£000
Balance as At 1 April 2011*	219	3,837	4,056
Additions	0	0	0
Disposals	0	0	0
Revaluations	198	1,808	2,006
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	(1)	0	(1)
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	0	0	0
Balance as at 31 March 2012	**416**	**5,645**	**6,061**
Cost or Valuation			
Balance as At 1 April 2012	416	5,645	6,061
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	0	0	0
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	0	0	0
Balance as at 31 March 2013	**416**	**5,645**	**6,061**

* Balances restated as per Note 2, Prior Period Adjustments

Civic regalia

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

Bruce castle museum

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

- Art – fine art collections of prints, drawings, watercolours, oil paintings, sculpture and ceramics – with the earliest paintings dating from c.1675 and other paintings and ceramics very much of a contemporary nature;
- Archive – the official archive covering all aspects of local administration under the London Borough of Haringey and its predecessor authorities (Hornsey, Wood Green and Tottenham); the Manorial Court rolls and rare manuscripts dating as early as the 13th century; books and rare books covering the

history of the local area; ephemera collections including local newspapers, directories and maps;

- Photographs, film & audio - local photographs – approximately 31,000 photographs - mainly of local interest which includes rare and early photography of George Shadbolt of the 1850s and an unusual collection of photography from the two World Wars; a recently-digitised collection of 16mm film showing the local area during the 1950s, 60s and 70s; an oral history collection that has been actively collected on tape and digital files since the early 1970s.
- Social History – there are approximately 4,000 objects of local interest ranging from domestic artefacts to sporting memorabilia for Spurs; the Postal History collection has c. 30,000 items, covering topics and including items that are of national importance; the costume and textiles collection comprises of approximately 1,000 items of local interest, including a comprehensive Victorian women's collection and smaller collections of applied art and samplers; there is also a small collection of archaeology dating from prehistory and the Roman periods.
- Geology – this is a small but unusual collection of field samples including many from the local area and fossils found on Tottenham Marshes.

Historic street furniture

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

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

14.Investment properties

Investment properties are those assets held by the council solely for rental income and/or capital appreciation purposes:

	31/03/13 £000	31/03/12 £000
Rental income from investment property*	(5,821)	(5,829)

Changes in the value of investment properties are set out in the table below.

	31/03/13 £000	31/03/12 £000
Balance at start of the year**	50,774	52,706
Additions - Construction	474	40
Disposals	(78)	(603)
Net gains/losses from fair value adjustments	1,999	1,263
Transfers -to/from Property, Plant and Equipment	972	(2,632)
Balance at end of the year	**54,141**	**50,774**

* The Authority has 649 operation leases within the investment property portfolio.

** Balances restated as per Note 2, Prior Period Adjustments

15.Intangible assets

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

	2012/13 £000	2011/12 £000
Balance at start of year*:		
Gross carrying amounts	3,850	3,715
Accumulated amortisation	(2,764)	(2,478)
Net carrying amount at start of year	**1,086**	**1,237**
Additions:		
Purchases	80	135
Sub total	**1,166**	**1,372**
Assets reclassified as held for sale	134	0
Other disposals	(28)	0
Amortisation for the period	(730)	(463)
Other changes	0	177
Net carrying amount at end of year	**542**	**1,086**
Comprising:		
Gross carrying amounts	4,036	3,850
Accumulated amortisation	(3,494)	(2,764)
	542	**1,086**

* Balances restated as per Note 2, Prior Period Adjustments

16.Financial instruments

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

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

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

Financial liabilities

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

The council's loan portfolio at year end consisted of PWLB, market debt and temporary borrowing. Under the 2011 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to in the comprehensive income and expenditure statement.

Other types of financial liabilities the Council had were a PFI scheme, finance leases and trade payables (creditors). Further detail of these is disclosed in the relevant notes to the accounts.

Financial assets

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

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

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

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

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

The council does not have any investments required to be measured at fair value through the comprehensive income and expenditure statement.

Transaction costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the comprehensive income and expenditure statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the comprehensive income and expenditure statement in the financial year in which they are incurred. The council has adopted this latter approach in 2012/13.

Financial instruments – balances

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

	Long Term		Short Term	
	31/03/13 £000	31/03/12 £000	31/03/13 £000	31/03/12 £000
Investments				
Loans and receivables	0	0	16,081	15,105
Total investments	**0**	**0**	**16,081**	**15,105**
Debtors				
Loans and receivables	2,529	2,334	0	0
Financial assets carried at contract amounts	0	0	24,940	7,700
Total Debtors	**2,529**	**2,334**	**24,940**	**7,700**
Borrowings				
Financial liabilities at amortised cost	310,558	325,130	60,127	78,515
Financial liabilities at fair value through profit and loss	0	0	0	0
Total borrowings	**310,558**	**325,130**	**60,127**	**78,515**
Other Long Term Liabilities				
PFI and finance lease liabilities	55,752	59,265	3,308	2,793
Total other long term liabilities	**366,310**	**384,395**	**63,435**	**81,308**
Creditors				
Financial liabilities carried at contract amount	0	0	53,262	45,916
Total creditors	**0**	**0**	**53,262**	**45,916**

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 2013/14.

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2012 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 2013.

Description of loan	2012/13 £000	2011/12 £000
Bernie grant arts centre	340	340
Haringey credit union	250	0
Total	590	340

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:

	2012/13				2011/12			
	Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets Available-for-sale assets £000	Total £000	Liabilities measured at amortised cost £000	Financial Assets: Loans & receivables £000	Financial Assets: Available-for-sale assets £000	Total £000
Interest expense	(19,991)	0	0	**(19,991)**	(43,074)	0	0	**(43,074)**
Losses on derecognition	0	0	0	**0**	(60,474)	0	0	**(60,474)**
Total expense in Surplus or Deficit on the Provision of Services	**(19,991)**	**0**	**0**	**(19,991)**	**(103,548)**	**0**	**0**	**(103,548)**
Interest income	0	664	34	**698**	0	1,340	124	**1,464**
Interest income accrued on impaired financial assets	28	185	0	**213**	27	866	0	**893**
Total income in Surplus or Deficit on the Provision of Services	**28**	**849**	**34**	**911**	**27**	**2,206**	**124**	**2,357**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	34	0	**34**	0	(15)	0	**(15)**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**34**	**0**	**34**	**0**	**(15)**	**0**	**(15)**
Net gain/(loss) for the year	**(19,963)**	**883**	**34**	**(19,046)**	**(103,521)**	**2,191**	**124**	**(101,206)**

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 2012 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 2012 and 31 March 2013 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 2012		31st March 2013	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities				
PWLB Maturity	205,544	234,764	195,653	227,159
PWLB Variable EIP	7,746	7,746	6,797	6,754
PWLB Fixed EIP	9,686	10,069	7,770	8,086
Market Loans	130,461	174,346	130,420	189,356
Temporary Borrowing	50,207	50,207	30,045	30,045
PFI Liability	38,957	38,957	36,884	36,884
Finance Lease liabilities	23,716	23,716	22,176	22,176
Trade Creditors	60,603	60,603	53,262	53,262
Cash & Cash Equivalents	15,762	15,762	9,135	9,135
Financial liabilities	**542,682**	**616,170**	**492,142**	**582,857**
Financial assets				
Trade Debtors	61,426	61,426	27,469	27,496
Short Term Investments	15,105	15,355	16,081	16,816
Cash & cash equivalents	17,152	17,152	18,751	18,751
Financial assets	**93,683**	**93,933**	**62,301**	**63,036**

17.Inventories

	2012/13 £000	2011/12 £000
Catering stocks	36	44
Total	**36**	**44**

18.Construction contracts

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

19.Debtors

The following table provides an analysis of money owed to the council by other bodies as at 31 March 2013 and which at that date was yet to be received. The council has considered the collectability of the debt and has impaired the debt for the amounts it may not recover.

	Long Term Debtors		Short Term Debtors	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Central Government Bodies	0		12,480	15,233
Other Local Authorities	0	0	6,420	5,110
NHS Bodies	0	0	4,295	1,739
Public corporations and trading funds	1,971	1,971	15,991	3,059
Other entities and individuals	558	363	19,316	38,684
Finance lease debtors-	0	0	9,071	0
Total	**2,529**	**2,334**	**67,573**	**63,825**

Long term debtors

Long-term debts are those falling due after a period of at least one year.

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.

Bad debt provisions

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

20.Cash and cash equivalents

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

	2012/13 £000	2011/12 £000
Cash and Bank balances	11,656	11,682
Short Term Investments	7,095	5,470
Bank Overdraft	(9,135)	(15,762)
Total	**9,616**	**1,390**

21.Assets held for sale

'Assets held for sale' are assets which satisfy strict criteria including being immediately available for sale, a high probability the sale will take place in the next year and being actively marketed. Other surplus assets that don't meet these criteria are held within property, plant and equipment

	Current		Non Current	
	31/03/13 £000's	31/03/12 £000's	31/03/13 £000's	31/03/12 £000's
Balance outstanding at start of year*	**0**	**0**	**5,603**	540
Additions	0	0	0	0
Transferred from Non-Current Assets during year	0	0	3,143	6,103
Revaluation Gains losses taken to Surplus or deficit on the provision of services	0	0	(2,000)	(500)
Revaluation gains losses other	0	0		0
Impairment losses	0	0	0	0
Assets declassified as held for sale:	0	0	0	0
Assets sold Cost	0	0	(3,603)	(540)
Other Disposals				
Transfers between non current and current	3,143	0	(3,143)	0
Balance outstanding at year-end	**3,143**	**0**	**0**	**5,603**

* Balances restated as per Note 2, Prior Period Adjustments

22.Creditors

The following table provides an analysis of money owed by the council as at 31 March 2013.

	2012/13 £000	2011/12 £000
Government Departments	9,919	7,083
Other Authorities	2,752	2,999
Other public sector	4,834	666
NHS	2,185	703
Pension funds	2,574	1,397
Sundry creditors	39,326	40,761
Accumulated Absences	4,658	5,102
Receipts in advance	7,324	7,699
Total Short Term Creditors	**73,572**	**66,410**

23.Provisions

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

	Balance as At 1 April 2012 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Unwinding of discounting £000	Balance as at 31 March 2013 £000
Insurance Claims	7,176	5	0	0	(7)	7,174
Redundancy	1,240	1,214	(1,240)	0	0	1,214
Property	713	55	0	0	0	768
Carbon Reduction Commitment	493	513	(405)	(87)	0	514
	0	0	0	0	0	0
Other	1,616	1,135	(1,427)	(26)	0	1,298
Total	**11,238**	**2,922**	**(3,072)**	**(113)**	**(7)**	**10,968**

Current Provisions	8,434	(1,128)	(3,072)	(113)	(7)	4,114
Long Term Provisions	2,804	4,050	0	0	0	6,854
	11,238	**2,922**	**(3,072)**	**(113)**	**(7)**	**10,968**

	Balance as At 1 April 2011 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Unwinding of discounting £000	Balance as at 31 March 2012 £000
Insurance Claims	6,759	336	0	0	81	7,176
Redundancy	13,807	0	(11,025)	(1,542)	0	1,240
Property	0	713	0	0	0	713
Carbon Reduction Commitment	0	493	0	0	0	493
	0	0	0	0	0	0
Other	2,994	1,185	(2,563)	0	0	1,616
Total	**23,560**	**2,727**	**(13,588)**	**(1,542)**	**81**	**11,238**

Current Provisions	21,174	2,309	(13,588)	(1,542)	81	8,434
Long Term Provisions	2,386	418	0	0	0	2,804
	23,560	**2,727**	**(13,588)**	**(1,542)**	**81**	**11,238**

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

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

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

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

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

24.Usable reserves (held for capital purposes)

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

Movements in the council's usable reserves are detailed in the movement in reserves statement and Earmarked Reserves are detailed in note 8.

Capital receipts reserve

These are receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

	31/03/2013 £000	31/03/2012 £000
Balance 1 April	**740**	**4,729**
Capital Receipts in year	21,650	5,026
Deferred Receipts realised	29	96
	22,419	**9,851**
Less:		
Capital Receipts Pooled	(1,624)	(735)
Capital Receipts used for financing	(8,306)	(8,376)
Balance 31 March	**12,489**	**740**

The Major Repairs Reserve

This reserve details the Major Repairs Allowance (MRA) received by the Council. The MRA is based on national average unit costs for each of the property types and represents the estimated long-term average amount of capital spending required to maintain a local council's stock in its current condition. The MRA received in the year totalled £19.6m all of which was used to finance capital spend in the Housing Investment Programme in 2012/13

	31/03/2013 £000	31/03/2012 £000
Balance on 1 April	**625**	**0**
Depreciation on Dwellings	19,549	17,958
Transfer to/from HRA Balance	0	(5,536)
HRA Capital Expenditure	(20,089)	(11,797)
Balance on 31 March	**85**	**625**

Capital grants unapplied

	31/03/2013 £000	31/03/2012 £000
Balance on 1 April	**13,590**	**21,613**
Unapplied Capital Grants received in year	964	0
Unapplied Capital Grants transferred to CAA in year	(3,344)	(8,023)
Balance on 31 March	**11,210**	**13,590**

25.Unusable reserves

	31/03/2013 £000	31/03/2012 £000
Capital Adjustment Account	711,001	719,562
Financial Instruments Adjustment Account	(4,166)	(5,692)
Revaluation Reserve	111,087	211,732
Available for Sale Financial Instruments Reserve	0	0
Pensions Reserve	(493,931)	(443,379)
Deferred Capital Receipts Reserve	214	242
Collection Fund Adjustment Account	(2,803)	(3,647)
Unequal Pay Back Pay Account	0	0
Accumulating Compensated Absences Adjustment Account	(4,658)	(5,102)
Total Unusable Reserves	**316,744**	**473,716**

Revaluation reserve

The revaluation reserve contains the gains made by the council 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.

	2012/13 £000	2011/12 £000
Balance at 1 April	**211,732**	**287,102**
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(47,042)	(41,199)
Difference between fair value depreciation and historical cost depreciation	(2,423)	(5,764)
Adjustment between CAA and RR	(34,480)	
Revaluation balances on assets scrapped or disposed of	(16,700)	(28,407)
Balance at 31 March	**111,087**	**211,732**

Accumulated absences reserve

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. 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.

	31/03/2013 £000	31/03/2012 £000
Balance at 1 April	**(5,102)**	**(6,015)**
Settlement or cancellation of accrual made at the end of the preceding year	5,102	6,015
Amounts accrued at the end of the current year	(4,658)	(5,102)
Balance at 31 March	**(4,658)**	**(5,102)**

Financial instruments adjustments account

The financial instruments adjustment account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to financial instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the comprehensive income and expenditure statement in accordance with proper accounting practices under the Code of Practice, but which statutory provisions allow or require to be deferred over future years.

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

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

In the case of overhanging premiums or discounts, or those relating to loan extinguishments, statutory provisions exist to override the provisions of the Code of Practice. The charges are reversed out in the statement of movements on balances and premiums and discounts are amortised to Revenue over a period of years. Where premiums and discounts are not overhanging or are linked to transactions meeting criteria of a loan modification the statutory provisions relating to the general fund do not apply.

Premiums amortised under statutory provisions can be charged to the general fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts must be credited to the general fund over 10 years or the life of the original loan, whichever is the shorter period. In the case of the housing revenue account premiums and discounts are applied over a maximum 10 year period in all circumstances in accordance with statutory requirements.

The transactions reflected in the FIAA in 2012/13 are as follows:

	2012/13 £000	2011/12 £000
Balance at 1 April	**(5,692)**	**(8,690)**
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	1,526	2,998
Balance at 31 March	**(4,166)**	**(5,692)**

Pension fund reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council 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 council 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 council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2013 £000	31/03/2012 £000
Balance at 1 April	**(443,379)**	**(373,284)**
Actuarial gains or losses on pensions assets and liabilities	(47,361)	(65,741)
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	(3,191)	(4,354)
Balance at 31 March	**(493,931)**	**(443,379)**

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.

	31/03/2013 £000	31/03/2012 £000
Balance at 1 April	**(3,647)**	**(1,714)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	844	(1,933)
Balance at 31 March	**(2,803)**	**(3,647)**

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 council 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 council.

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.

	31/03/13		31/03/12	
	£000	£000	£000	£000
Balance at 1 April		**719,562**		**504,460**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(38,743)		(39,937)	
Revaluation losses on Property, Plant and Equipment	(61,113)		(39,597)	
Revenue expenditure funded from capital under statute	(17,352)		(10,616)	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(51,360)	(168,568)	(46,091)	(136,241)
Adjusting amounts written out of the Revaluation Reserve		16,700		42,500
Net written out amount of the cost of non current assets consumed in the year		**(151,868)**		**(93,741)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	8,306		8,023	
Use of the Major Repairs Reserve to finance new capital expenditure	20,089		12,997	
Application of grants to capital financing from the Capital Grants Unapplied Account	3,344		2,497	
Adjustment between CAA and RR	36,904		233,850	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	46,452		34,938	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	23,332		14,357	
Capital expenditure charged against the General Fund and HRA balances	2,881	**141,308**	918	**307,580**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**1,999**		**1,263**
Balance at 31 March		**711,001**		**719,562**

26.Cash flow statement – adjustment for non-cash transactions

	2012/13 £000	2011/12 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	38,013	39,936
Impairment & downward valuations	61,104	39,134
Amortisation	730	463
(Increase)/Decrease in Inventories	8	45
(Increase)/Decrease in Debtors	(16,264)	8,050
Increase/(Decrease) in Creditors	6,017	(6,604)
Movement in pension liability	3,190	(4,355)
Carrying amount of non-current assets sold	51,332	46,091
Movement in provisions	(298)	(8,254)
Movement in value of investment properties	(1,999)	(1,263)
2011/12 assets held for sale reclassified as REFCUS	6,140	0
Total	**147,973**	**113,243**

	2012/13	2011/12
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of PP&E, investment property and intangible assets	(21,650)	(5,134)
Capital grants included in "Taxation & non-specific grant income"	(47,416)	0
	(69,066)	**(5,134)**

27.Cash flow statement – investing activities

	2012/13 £000	2011/12 £000
Purchase of PP&E, investment property and intangible assets	(70,779)	(85,062)
Purchase of Short Term Investments (not considered to be cash equivalents)	(722,065)	(264,025)
Proceeds from the sale of PP&E, investment property and intangible assets	21,679	5,134
Proceeds from Short Term Investments (not considered to be cash equivalents)	721,895	273,037
Capital Grants and Contributions Received	37,240	0
Other Receipts from Investing Activities	(224)	0
Net Cash flows from Investing Activities	**(12,254)**	**(70,916)**

28.Cash flow statement – financing activities

	2012/13 £000	2011/12 £000
Cash Receipts from Short and Long Term Borrowing	63,000	55,000
Other Receipts from Financing Activities	14,510	0
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(2,793)	(3,098)
Repayment of Short and Long Term Borrowing	(94,786)	(297,048)
Net Cash flows from Financing Activities	**(20,069)**	**(245,146)**

29.Amounts reported for resource allocation decisions

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

2012/13

Income and Expenditure	Net Budget £000's	Expenditure £000's	Income £000's	Net Expenditure £000's	Variance to budget (before transfers & c/fwds) £000's	Transfers to/(from) reserves £000's	Net Outturn £000's	Variance to budget (after transfers & c/fwds) £000's
General Fund								
Adults & Housing	96,027	146,692	(51,858)	94,834	(1,192)	1,171	96,005	(21)
Place & Sustainability	58,594	121,299	(65,502)	55,796	(2,798)	1,844	57,640	(954)
Public Health	916	2,597	(1,688)	909	(7)	0	909	(7)
Corporate Resources	9,364	354,320	(346,258)	8,062	(1,302)	300	8,362	(1,002)
Children and Young People	79,127	117,017	(39,278)	77,739	(1,388)	1,388	79,127	(0)
Chief Executive Services	360	17,893	(18,236)	(343)	(703)	600	257	(103)
Total Services	**244,387**	**759,817**	**(522,819)**	**236,998**	**(7,389)**	**5,303**	**242,301**	**(2,086)**
Non service revenue	**34,063**	**63,774**	**(12,877)**	**50,897**	**16,834**	**(14,422)**	**36,476**	**2,413**
External Funding	**(278,450)**	**0**	**(278,650)**	**(278,650)**	**(200)**	**0**	**(278,650)**	**(200)**
Total on General Fund	**0**	**823,591**	**(814,346)**	**9,245**	**9,245**	**(9,119)**	**126**	**126**
Housing Revenue Account	(7,514)	100,939	(108,326)	(7,388)	126	(126)	(7,514)	0
Transfer surplus to HRA reserve	0	0	0	0	0	7,388	7,388	7,388
Individual Schools	0	211,473	(213,330)	(1,857)	(1,857)	1,857	0	0
Total Council	**(7,514)**	**1,136,003**	**(1,136,003)**	**(0)**	**7,514**	**0**	**(0)**	**7,514**

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

	£000
(Surplus)/Deficit on Provision of Services	38,358
Depreciation, amortisation and impairment	(78,221)
Payments to the housing capital receipts pool	(1,624)
Gains/Losses on disposal of non-current assets	(29,450)
Pension Fund adjustments	(3,190)
Transfer to Reserves	7,993
Capital Financing	54,517
Other accounting adjustments	11,615
Total Net Expenditure	**0**

Expenditure	**Employees**	**Premises**	**Transport**	**Supplies & Services**	**3rd Party Payments**	**Transfer Payments**	**Support Services**	**Capital Costs**	**Capital Financing**	**Other**	**Gross Expenditure**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
General Fund											
Adults & Housing	29,749	19,437	781	9,231	80,944	46	6,574	169	0	(239)	146,692
Place & Sustainability	35,581	14,171	3,273	9,321	41,382	0	9,419	8,040	186	(74)	121,299
Public Health	451	3	1	104	1,846	1	192	0	0	0	2,597
Corporate Resources	25,224	182	55	13,170	616	304,096	9,138	1,923	0	(83)	354,320
Children and Young People	40,612	1,261	695	11,347	47,500	1,572	8,333	5,723	0	(26)	117,017
Chief Executive Services	9,394	78	16	4,455	524	0	3,421	0	0	5	17,893
Services	**141,011**	**35,132**	**4,821**	**47,627**	**172,812**	**305,714**	**37,077**	**15,855**	**186**	**(417)**	**759,817**
Non service revenue	9,095	(2,782)	0	1,826	8,558	0	12,262	5,526	32,036	(2,747)	63,774
Total on General Fund	**9,095**	**(2,782)**	**0**	**1,826**	**8,558**	**0**	**12,262**	**5,526**	**32,036**	**(2,747)**	**63,774**
Housing Revenue Account	2,922	11,297	66	3,386	42,922	1,841	3,472	19,723	14,903	407	100,939
Individual Schools	161,614	13,794	856	21,661	12,048	50	0	717	0	734	211,473
Total Council	**314,642**	**57,440**	**5,743**	**74,503**	**236,340**	**307,605**	**52,811**	**41,821**	**47,124**	**(2,023)**	**1,136,003**

Income	Govt Grants £000's	Other Grants & Contbtns £000's	Customer & Client Receipts £000's	Interest £000's	Recharges £000's	Gross Income £000's
General Fund						
Adults & Housing	(381)	(8,647)	(40,258)	0	(2,572)	(51,858)
Place & Sustainability	(5,216)	(918)	(41,686)	0	(17,683)	(65,502)
Public Health	(375)	(1,308)	(4)	0	0	(1,688)
Corporate Resources	(304,616)	(5,063)	(2,752)	0	(33,826)	(346,258)
Children and Young People	(24,748)	(4,288)	(4,201)	(0)	(6,040)	(39,278)
Chief Executive Services	(369)	74	(2,196)	0	(15,745)	(18,236)
Total Services	**(335,706)**	**(20,150)**	**(91,097)**	**(0)**	**(75,866)**	**(522,819)**
Non service revenue	(5,682)	0	(396)	(952)	(5,847)	(12,877)
Total on General Fund	**(5,682)**	**0**	**(396)**	**(952)**	**(5,847)**	**(12,877)**
Housing Revenue Account	(1,915)	0	(106,028)	(13)	(370)	(108,326)
Individual Schools	(192,674)	(882)	(10,514)	0	(9,260)	(213,330)
External Funding	(175,639)	0	(103,010)	0	0	(278,650)
Total Council	**(711,617)**	**(21,032)**	**(311,046)**	**(965)**	**(91,343)**	**(1,136,003)**

2011/12

Income and Expenditure	Net Budget £'000	Expenditure £'000	Income £'000	Net Expenditure £'000	Transfers to/(from) reserves £'000	Net Outturn £'000	Variance to budget £'000
General Fund							
Adults & Housing	98,966	147,010	(53,488)	93,522	3,415	96,937	(2,029)
Place & Sustainability	54,491	120,535	(66,405)	54,130	155	54,285	(206)
Public Health	932	4,027	(3,071)	956	0	956	24
Corporate Resources	11,850	347,418	(338,121)	9,297	2,510	11,807	(43)
Children and Young People	87,758	126,789	(39,728)	87,061	632	87,693	(65)
Chief Executive Services	969	20,085	(19,365)	720	30	750	(219)
Total Services	**254,966**	**765,864**	**(520,178)**	**245,686**	**6,742**	**252,428**	**(2,538)**
Non Service Revenue	**31,203**	**282,948**	**(254,052)**	**28,896**		**28,896**	**(2,307)**
Total Net Cost of Services	**286,169**	**1,048,812**	**(774,230)**	**274,582**	**6,742**	**281,324**	**(4,845)**
External Funding	(286,169)	-	(286,052)	(286,052)	0	(286,052)	117
Total General Fund	**0**	**1,048,812**	**(1,060,282)**	**(11,470)**	**6,742**	**(4,728)**	**(4,728)**
Housing Revenue Account	(291)	169,335	(172,991)	**(3,656)**	0	(3,656)	(3,365)
Individual Schools	0	218,741	(221,215)	(2,474)	2,474	0	0
Total Council	**(291)**	**1,436,888**	**(1,454,488)**	**(17,600)**	**9,216**	**(8,384)**	**(8,093)**

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

	£'000
(Surplus)/Deficit on Provision of Services	(190,050)
Depreciation, amortisation and impairment	(79,070)
Payments to the housing capital receipts pool	(735)
Gains/Losses on disposal of non-current assets	(46,091)
Pension Fund adjustments	(4,355)
Transfer to Reserves	17,046
Capital Financing	258,172
Other accounting adjustments	36,699
Total Net Expenditure	**(8,384)**

Expenditure	Employees £'000	Premises £'000	Transport £'000	Supplies & Services £'000	3rd Party Payments £'000	Transfer Payments £'000	Support Services £'000	Capital Costs £'000	Capital Financing £'000	Transfers to Reserves £'000	Gross Expenditure £'000
General Fund											
Adults & Housing	35,367	21,634	1,010	7,396	72,880	53	8,287	383		3,415	150,425
Place & Sustainability	38,551	14,795	2,813	7,172	38,733	0	10,743	7,220	508	155	120,690
Public Health	822	194	11	264	2,467	6	85	76	102	0	4,027
Corporate Resources	25,961	467	65	10,761	1,142	298,781	8,932	1,309	0	2,510	349,928
Children and Young People	44,394	1,240	668	6,845	51,844	1,579	10,037	10,182	0	632	127,421
Chief Executive Services	10,793	84	14	4,856	545	0	3,793	0	0	30	20,115
Total Services	**155,888**	**38,414**	**4,581**	**37,294**	**167,611**	**300,419**	**41,877**	**19,170**	**610**	**6,742**	**772,606**
Non service revenue	2,875	0	0	737	10,087	0	10,959	(10,989)	261,449	7,830	282,948
Total	**158,763**	**38,414**	**4,581**	**38,031**	**177,698**	**300,419**	**52,836**	**8,181**	**262,059**	**14,572**	**1,055,554**
Housing Revenue Account	2,909	12,263	84	1,552	41,663	1,899	3,555	0	105,410	0	169,335
Individual Schools	170,544	13,266	856	22,929	10,044	26	0	1,076	0	2,474	221,215
Total Council	**332,216**	**63,943**	**5,521**	**62,512**	**229,405**	**302,344**	**56,391**	**9,257**	**367,469**	**17,046**	**1,446,104**

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

30.Acquired and discontinued operations

The council has made no acquisitions nor has it discontinued any operations in 2012/13.

31.Trading operations

	2012/13			2011/12		
	Expenditure £000	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**
Industrial Estates	3,444	(4,812)	**(1,368)**	3,528	(4,888)	**(1,360)**
Markets	155	(167)	**(12)**	159	(153)	**6**
Catering	4,000	(4,176)	**(176)**	4,450	(4,582)	**(132)**
Off Street Parking	541	(404)	**137**	635	(470)	**165**
Pest Control	243	(317)	**(74)**	309	(342)	**(33)**
Building Control	483	(497)	**(14)**	574	(617)	**(43)**
Total	**8,866**	**(10,373)**	**(1,507)**	**9,655**	**(11,052)**	**(1,397)**

A number of operations that the Council undertakes are classified as trading operations. This is where the client can choose who provides the service and is not obliged to use the council run undertaking. The Council's trading operations provide services both to external clients and other parts of the council. The various trading accounts are described below:

Industrial Estates: Council owned/rented business premises are let to small and medium size enterprises.

Street Trading: The Council issues street trading licences for which income is received. These cover designated sites, footway displays as well as occasional sites.

School Catering: The provision of school meals by the Council is a non-statutory service available to all schools in the Borough through a Service Level Agreement (SLA).

Off Street Parking[1]: The Council operates one multi-storey and a number of surface car parks across Haringey. Income is derived from both Pay and Display users and season ticket holders.

Pest Control[1]: Pest Control advises and provides chargeable services on an individual or block treatment basis depending on the severity of the infestation.

Building Control[1]: The Building Control team provides a number of services, which include assisting residents and businesses by helping developers, architects and builders to meet Building Regulation standards. Certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities.

[1 *] The Place and Sustainability Service has carried out a thorough review to ensure that our operating activities reflect the Code relating to trading accounts. It was determined that these activities met the requirements of Trading Accounts and therefore have been included in this year’s accounts and as a result have included 2011 /12 for comparative purposes.

Agency services

There is a Service Level Agreement in place between London Borough of Haringey and London Borough of Enfield for Haringey Council to provide the provision of hearing impaired services to clients of Enfield Council to enable Enfield Schools and Children’s Services to meet its statutory requirements in terms of the education & support of deaf and hearing impaired children, through the provision of a specialist service from the Hearing Impaired Team within Children and Young People Services within Haringey Council

	2012/13 £000	2011/12 £000
Expenditure incurred in providing hearing impaired service	233	235
Management fee payable by the Enfield council	-223	-217
Net deficit arising on the agency arrangement	**10**	**18**

32.Road charging schemes under the transport act 2000

The council does not operate road charging schemes under the transport act 2000.

33.Pooled budgets

The Council 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 council for both. The following are statements of the income and expenditure for all pooled budgets for the period 1 April 2012 to 31 March 2013.The overspends within the S31 Pool have been split between the partners and the council share of deficits have been absorbed within the overall council finances.

These pooled budgets are included within the adult social care line in the income and expenditure account.

2012/13 statement of income and expenditure of the Learning Disabilities Partnership

Funding provided to the pooled budget:	**2012/13 £000**	**2011/12 £000**
Haringey Council	5,093	6,637
The Trust	2,024	2,005
Other contributions	248	189
	7,365	**8,831**
Expenditure met from the pooled budget:		
Management and assessment	1,649	1,911
Day opportunities	3,658	3,618
LBH residential homes	1,618	2,843
Supported living	440	474
	7,365	**8,846**
Net deficit arising on the pooled budget during the year	**0**	**(15)**
Council share of 100% of the net deficit arising on the pooled budget	**0**	**(15)**

2012/13 statement of income and expenditure of the Physical Disabilities Partnership

Funding provided to the pooled budget:	**2012/13 £000**	**2011/12 £000**
Haringey Council	111	189
The Trust	120	116
	231	**305**
Expenditure met from the pooled budget:		
Integrated equipment store	259	305
	259	**305**
Net deficit arising on the pooled budget during the year	**(28)**	**0**
Council share of 100% of the net deficit arising on the pooled budget	**(28)**	**0**

34.Members allowances

The total of members' allowances paid in 2012/13 was £1.247m compared to £1.265m in 2011/12. This represents a decrease of 1.4%. These figures are included in the central services line of the income and expenditure account.

	2012/13 £000	2011/12 £000
Members allowances	1,247	1,265
Total	**1,247**	**1,265**

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 2012/13 is detailed below.

Salary range £	Staff numbers					
	Officers	Teachers	2012/13 Total	Officers	Teachers	2011/12 Total
50 - 54,999	71	110	181	102	124	226
55 - 59,999	51	64	115	50	79	129
60 - 64,999	31	31	62	36	29	65
65 - 69,999	12	19	31	19	32	51
70 - 74,999	14	17	31	14	15	29
75 - 79,999	11	8	19	14	9	23
80 - 84,999	2	6	8	6	7	13
85 - 89,999	6	5	11	4	9	13
90 - 94,999	2	8	10	5	5	10
95 - 99,999	6	0	6	5	1	6
100 - 104,999	1	1	2	2	1	3
105 - 109,999	0	0	0	1	2	3
110 - 114,999	2	2	4	1	1	2
115 - 119,999	0	0	0	0	2	2
120 - 124,999	0	1	1	0	0	0
125 - 129,999	0	0	0	1	1	2
130 - 134,999	1	0	1	1	0	1
135 - 139,999	0	0	0	0	0	0
140 - 144,999	1	0	1	0	0	0
145 - 149,999	0	0	0	0	0	0
Total	**211**	**272**	**483**	**261**	**317**	**578**

The main factor in the reduction in teacher numbers is the transfer of School staff to Academies.

The following table sets out the remuneration disclosures for senior officers whose salary is more than £50,000 but less than £150,000 in 2012/13.

	Post	2012/13 Salary (inc fees & allowances) £	2012/13 Pension contributions £	2012/13 Total including pension contributions £	2011/12 Salary (inc fees & allowances) £	2011/12 Pension contributions £	2011/12 Total including pension contributions £
	Director of Place & Sustainability Services	136,538	30,697	167,235	101,302	22,775	124,077
*	Director of Corporate Resources	84,064	18,952	103,016	139,633	31,473	171,106
	Director of Adult & Housing Services	136,238	30,697	166,935	136,280	30,697	166,977
	Director of Children & Young People's Services	140,042	31,505	171,547	53,294	11,987	65,281
	Assistant Chief Executive - People & Organisational Development	112,134	25,155	137,289	106,411	23,866	130,277
	Head of Legal Services	98,671	22,031	120,702	95,446	21,337	116,783
	Lead Finance Officer	106,531	23,824	130,355	104,984	23,518	128,502
*	A period of unpaid leave which accounts for the decrease in salary						

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

Post	Post Holder	2012/13 Salary (inc fees & allowances) £	2012/13 Pension contributions £	2012/13 Total including pension contributions £	2011/12 Salary (inc fees & allowances) £	2011/12 Pension contributions £	2011/12 Total including pension contributions £
Director of Children & Young People's Services (Until 31 December 2011)	Mr P A Lewis	0	0	0	150,000	34,350	184,350
Chief Executive (Until 30 Sept 2012)[1]	Mr K Crompton	210,245	231,373	441,618	197,060	44,597	241,657
Chief Executive (Commenced 10 Dec 2012)[2]	Mr N Walkley	58,272	13,235	71,507	0	0	0

[1] Includes payments relating to loss of office.
[2] Total annualised salary is £189,440.

Pay Multiple Ratio

The table below shows the ratio between the highest paid officer in the Council and the median salary of all other officers, i.e. the highest paid officer is paid 6.7 times more, in 2012/13, than the median salary of all other officers.

-	2012/13	2011/12
Highest Paid Director's Total (£)	189,440	200,000
Staff Remuneration Median Total (£)	28,371	28,032
Pay Multiple Ratio	**6.7**	**7.1**

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
					[(b) + (c)]			
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
							£	£
£0 – £20,000	190	115	190	63	380	178	3,463,956	1,251,086
£20,001 – £40,000	32	26	153	26	185	52	5,110,632	1,464,488
£40,001 – £60,000	12	4	32	16	44	20	2,079,477	947,857
£60,001 – £80,000	0	1	4	3	4	4	284,950	304,682
£80,001 – £100,000	0	2	1	2	1	4	86,241	371,675
£100,000 or more	0	0	0	2	0	2	0	427,123
Total	**234**	**148**	**380**	**112**	**614**	**260**	**11,025,256**	**4,766,911**

36.External audit costs

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

	2012/13 £000	**2011/12 £000**
Fees payable with regard to external audit services carried out by the appointed auditor for the year *	281	418
Fees payable in respect of statutory inspections	0	42
Fees payable for the certification of grant claims and returns for the year	87	139
Fees payable in respect of other services provided during the year	51	17
Total	**419**	**616**

*Within the fees payable for external audit services a payment of £32k is included which relates to work carried out relating to the previous financial year.

There were no other fees payable in respect of any other services provided by the appointed auditor over and above those described above (2011/12 £0).

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 are accounted for separately.

Details of the deployment of DSG receivable for 2012/13 are as follows:

	Central Expenditure £	Individual Schools Budget £	Total £
Final DSG for 2012-13 before Academy recoupment			211,000,635
Less Academy figure recouped for 2012-13			(19,008,863)
Total DSG after Academy recoupment for 2012-13			191,991,772
Brought Forward from 2011-12			1,626,854
Carry forward to 2013-14 agreed in advance			(1,184,854)
Agreed initial budgeted distribution in 2012-13	**20,258,849**	**172,174,923**	**192,433,772**
In year adjustments	0	0	0
Final budgeted distribution for 2012-13	20,258,849	172,174,923	192,433,772
Less Actual central expenditure	(20,353,159)		(20,353,159)
Less Actual ISB deployed to schools		172,174,923	(172,174,923)
Plus Local authority contribution for 2012-13	0	0	0
Carry forward to 2013-14 agreed in advance	(94,310)	0	1,090,544

38.Grant income

Credited to Taxation and Non-Specific Grant Income	2012/13 £000	2011/12 £000
Revenue Support Grant	2,734	36,178
National Non Domestic Rates	141,049	117,043
Early Intervention Grant	16,455	15,843
Learning Disability and Health Reform Grant	3,656	3,552
Personal Social Services Grant	2,831	2,970
Homelessness	925	925
Council Tax Freeze Grant	2,575	2,562
New Homes Bonus	1,861	956
Council Tax Administration	3,347	3,523
Local Flood Grant	206	0
HRA Self Financing	0	294,324
Capital Grants	47,416	34,938
Total	**223,055**	**512,814**

Credited to Services	2012/13 £000	2011/12 £000
Housing benefit	266,962	261,429
Dedicated schools grant	192,434	203,345
Council tax benefit	36,071	37,007
Other Grants	39,775	58,111
Donations		
Total	**535,242**	**559,892**

The council 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:

	2012/13 £000	2011/12 £000
Opening balance	**14,036**	**23,110**
Add: new capital grants received in advance (condition of use not met)	851	0
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(8,413)	(9,074)
Total	**6,474**	**14,036**

	2012/13 £000	2011/12 £000
Current		
Building Schools for the future (BSF)	0	3,535
Education Funding Agency - LA capital Maintenance/Basic Needs/ Devolved Formula Capital	1,008	5,748
English Heritage - Recreation grounds	173	0
English Heritage - Myddleton Rd Scheme and Green Lanes shop fronts	164	0
Other	315	843
Total	**1,660**	**10,126**
Long Term		
S106	4,814	3,910
Total	**4,814**	**3,910**
Total Grants in advance	**6,474**	**14,036**

39.Related parties

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

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

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

The council has two significant partnerships within the Health sector, with NHS Haringey (formerly Haringey Teaching Primary Care Trust) and the Barnet, Enfield and Haringey Mental Health Trust. The specific details of both these partnerships are shown in note 32. All other transactions between this council and health organisations are included within the adult's and children's social care lines in the comprehensive income and expenditure account.

Officers

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

The **pension fund's** accounts are set out in Section **5** of these statements. The pension fund operates a separate bank account and makes investments separately from the Council. The council owed the Pension Fund £ 2.574 million as at 31/3/13, mainly in relation to employer and employee contributions. The council charged the Fund £564kfor administering the fund in 2012/13.

Companies – the council 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 council with responsibility for the management of the council's housing stock.

Levies

The table below details the amounts paid to levying bodies:

	2012/13 £'000	2011/12 £'000
London Pensions Fund Authority	294	297
North London Waste Authority	6,212	6,800
Lee Valley Regional Park	250	257
Environment Agency	170	170
Financial Reporting Council	2	2
ALG Grants Committee	331	407
Total	**7,259**	**7,933**

Investments – related businesses and companies

The Council has interests in 4 companies. These companies operate as independent entities and following review of the nature of the Council's relationships with these entities, it has been determined that the results of two of these companies should not be reported alongside the Council's in a Group Account.

This judgement has been based on assessments of:

the materiality of the in year transactions and year end balances of the companies;

the degree of control or influence the Council exerted or could have exerted over their activities;

the level of risk that interest in these companies exposes the Council to;

whether exclusion of these balances would mean the reader of the account would not get a proper impression of the Council's activities from its accounts.

Summary information about each organisation has been included below.

The London Grid for Learning Trust (LGfL)

The Trust was incorporated on 25 April 2001 as a company limited by guarantee, comprising all 33 London Councils. The LGfL Trust is a consortium of the London local authorities and 2.500 schools working together to provide extensive and cost effective ICT services. Haringey Council holds 3% of the voting rights. Summary financial information for the company is shown below.

	31 March 2013 £'000	31 March 2012 £'000
Net assets / liabilities	309	(1,649)
Net Profit (loss) for the year	(2,683)	(1,958)

The 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. Summary financial information for the company is shown below.

	31 March 2013 £'000	31 March 2012 £'000
Net assets / liabilities	13,000	13,740
Net Profit (loss) for the year	(67)	(60)

Homes for Haringey Ltd

Homes for Haringey is a council controlled company. The company was created on 1st April 2006 and manages the housing stock and carries out the day to day repairs on properties, for which fees totalling £40.8m (£41.2m in 2011/12) were paid to the company. The Council has 5 Councillors on the Board of Homes for Haringey. The company forms part of the London Borough of Haringey Group and the accounts are shown in section 4 of these accounts.

Alexandra Park and Palace Charitable Trust

The Alexandra Park and Palace Charitable Trust is a council controlled company. The Council is a Trustee of the Trust. The Council delegates the entire function of the trustee to the Alexandra Park and Palace Board. The Council elects individual members to sit on the Board to act as charity trustees. The trust is a going concern due to the corporate Trustee the London Borough of Haringey. The group charitable trust accounts have been included within the Council's group accounts.

The Council has also identified a number of partnership arrangements where the Council through its officers, members or interests can exert influence; these are set out below.

North London Waste Authority (NLWA)

The Council is a member of the North London Waste Authority. The Waste Authority is made up of 14 councillors, two from each of the seven north London boroughs. It is these 14 councillors that ultimately make decisions relating to the disposal of north London's waste. No Authority has overall control in the decision making process. The Waste Authority does not have a scheme of paying councillor allowances and expenses The Council has a statutory duty to contribute towards the cost of certain organisations. These costs are treated as local expenditure and included within Other Operating Expenditure in the Comprehensive Income and Expenditure Account. The NLWA received £6.213m in 2012/13.

Adults Service

Health and Wellbeing Board

This is a statutory requirement from 1 April 2013 (Health and Social Care Act 2012). The Council hosts this Board. The lead within the Council is Public Health, specifically the Director of Public Health. The Health and Wellbeing Board is chaired by the Cabinet Member for Health and Social Care, and also includes partners from NHS.

Joint Strategic Needs Assessment Steering Group

Production of a JSNA is a statutory function (set out in the Local Government and Public Involvement in Health Act 2007 and retained in the Health and Social Care Act 2012). The Council hosts this Steering Group. The lead within the Council is Public Health, specifically the Director of Public Health.

Safeguarding Adults Board

The Safeguarding Adults Board gives direction, support, guidance and quality assurance to safeguarding adults' policies, procedures and practice in Haringey. It is a Multi-Agency Board established to promote, inform and support safeguarding adults work. The Board is chaired by the Director of Adult and Housing Services.

Adults Partnership Boards

There are three Adult Partnership Boards:

Adult Mental Health – chaired by Deputy Director Adult and Community Services

Older People – co chaired by Deputy Director Adult and Community Services and an Older Person

Carers – co chaired by Deputy Director Adult and Community Services and a Carer.

Learning Disabilities Partnership Board

This is a non-statutory board, and is chaired by a service user in Learning Disabilities. The Executive membership comprises of London Borough of Haringey Adults Social Care, Whittington Health NHS Trust and Barnet, Enfield and Haringey Mental Health Trust. The partners are established under Section 75 of the National Health Service Act 2006 and there is a pooled fund for the Learning Disability Partnership for which the London Borough of Haringey is the lead.

Children and Young Peoples Service

Local Safeguarding Children's Board (LSCB)

The LSCB is a statutory organisation which became a legal requirement for all local authorities in April 2006. In making LSCBs statutory bodies, awareness of the importance of child protection is placed high on everyone's agenda. LSCB includes senior representatives from: Children and Young People's Service, Adult & Housing Services with partners from the NHS / MHT, police, probation, and a wide range of agencies from the private and voluntary sectors. The independent Chair of the LSCB is Mr Graham Badman. In 2012/13, financial contributions were received from Tottenham Hotspur Football Club, Probation, Police and the Children and Family Court Advisory and Support Service. The net spend amounted to £185,000.

Sector Led Improvement Board

The purpose of the Board is to raise standards in Children's services. Membership includes officers from Children's services, Public Health, Cllrs. Kober, Waters and Goldberg, NHS representatives, and the London Borough of Lambeth. £75,000 was received from London Councils as a contribution to the work of the Board.

Haringey Families First Strategic Steering Group –

The Steering Group delivers the Governments 'Troubled Families' initiative in Haringey and is chaired by Libby Blake, Director of Children's Services, Membership comprises officers from Children's Services, Housing, Policy Intelligence and Partnerships, Public health, Corporate Finance and Place and Sustainability. Partnership members include Police, Job Centre Plus, the NHS / PCT / MHT, College of Haringey, Enfield and North East London and Probation. This initiative is grant funded and partnership members do not make any financial contributions.

North London Adoption Consortium (NLAC)

NLAC is a partnership of five local authority adoption agencies (Haringey, Barnet, Camden, Enfield and Islington) and the voluntary Agency Norwood as well as the post adoption centre. The aim of the NLAC is to work collaboratively to provide the very best possible service for children waiting to be adopted and for those wanting to adopt. Working in partnerships means that the Council is able to offer a greater range of choice for children and adopters. By sharing information the aim is to find new families for children in an efficient and timely manner. The Council has made payments amounting to £19,600 to the NLAC.

Children's Trust

The Haringey Children's Trust fulfils a statutory requirement, supporting both the Children Act 2004 (Section 10) and the subsequent amendments made in the Apprenticeships, Skills and Learning Act 2009, with a remit to ensure effective cooperation between partnership agencies to improve outcomes for children and young people in Haringey. The Trust will function through two distinct groups:

A Commissioning Board is made up of agencies with a significant budget for children and young people. It will look specifically at the planning and delivery of commissioning arrangements across the partnership. Membership of the Commissioning Group includes elected members, officers from Children's services and Public Health, Clinical Commissioning groups, Police, Schools, 16+ providers and the LSCB. The group also works to identify and monitor joint commissioning activities.

A Partnership Group. The Partnership group includes a wider range of stakeholders and focuses on consultation, partnership and information.. Membership of the Partnership Group includes elected members, officers from Children's services and YOS, Community Health services, voluntary and independent sector representatives, early years providers, hospitals, job centre plus and Probation Services.

54,000 Programme Board –

The board is the primary vehicle for driving forward co-ordinated transformational change to Children's Services and is chaired by Libby Blake, Director of Children's Services, who is also the Senior Responsible Owner of the programme. Membership comprises officers from Children's services, HR, Finance, Public Health and Strategy & Policy. Partner Agencies involved are the local Safeguarding Children's Board, Whittington Hospital and North Middlesex Hospital, the Metropolitan Police and voluntary organisations' representative. The board is strategically linked to the Children's Trust, which oversees implementation and sets the partnership strategic direction for services to children, young people and families in the borough. No financial contribution is made by partnership agencies.

Youth Offending Service Partnership Board (YOSB)

YOSPB is structured to deal with all aspects of youth crime, including the prevention of youth crime. It complies with guidance from the Youth Justice Board for England & Wales (YJB) regarding the role and purpose of a management board to oversee the operations of the Youth Offending Service. Membership comprises of officers from Children's services, Community safety, Public health and Councillor Joe Goldberg. Partner Agencies involved are the Probation service, the Magistrates Courts, Police, Crown prosecution service and the local mental Health Trust. No financial contribution is made by partnership agencies.

The Drug and Alcohol Partnership Board

The Drug and alcohol Partnership board is the strategic partnership board charged with overall responsibility for delivering the national drug and alcohol strategy at the local level. It is made up of senior managers from the NHS, Probation, Haringey Council and the Police. The NHS and Council both had significant influence and the Council contributed £1,308,000 in 2012/13 from transferred NHS resources.

Voluntary Organisations.

Alongside these individually significant relationships the Council works with a wide range of charitable and voluntary bodies who work in areas which are complementary to the Council's objectives. The contributions can be either a direct financial payment or non-financial contribution to support the running of the body.

The total direct financial contributions to such organisations for 2012 /13 amounted to £2.138m (£2.506m in 2011 /12). The largest payment in 2012/13 was a grant of £690,000 to Haringey Citizens Advice Bureaux. Details of total payments made to voluntary organisations (by type) can be found below.

Grants to voluntary organisations by type of organisation	2012 /13 £000	2011 /12 £000
Disabilities	129	169
Women & Children	178	271
Older People	66	86
Community Centres	533	661
Generic	79	99
Advice	808	808
New Initiative Development	2	15
Infrastructure	343	397
Total	**2,138**	**2,506**

40.Capital expenditure and capital financing

The council's capital expenditure must be financed each year. The financing of the 2012/13 expenditure is set out in the following table.

	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement	**571,652**	**791,433**
Property, Plant and Equipment	70,225	82,886
Investment Properties	474	40
Intangible Assets	80	135
Heritage Assets	0	0
Other	0	0
Revenue Expenditure Funded from Capital under Statute	11,212	10,616
Sub Total	**81,991**	**93,677**
Sources of finance		
Capital receipts	(8,306)	(8,375)
Government grants and other contributions	(49,796)	(278,011)
Major Repairs Allowance	(20,089)	(11,797)
Sums set aside from revenue:		
General	(2,706)	(918)
HRA	(175)	0
HRA non dwelling charges	(407)	
[MRP/loans fund principal]	(23,332)	(14,357)
Sub Total	**(104,811)**	**(313,458)**
Closing Capital Finance Requirement	**548,832**	**571,652**

Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	(10,827)	24,089
Increase in underlying need to borrowing (unsupported by government financial assistance)	(12,001)	(248,207)
Assets acquired under finance leases:	0	4,338
Increase/(decrease) in Capital Financing Requirement	**(22,828)**	**(219,780)**

41.Leases

Finance leases - leases where the council is the lessee

The council holds a number of assets under finance leases.

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

	Land and buildings £000	Investment Property	Vehicles, plant & equipment £000	TOTAL £000
Cost or Valuation				
Opening Balance	2,219	3,797	4,338	**10,354**
Additions	280	585	0	**865**
Revaluations	0	652	0	**652**
Disposals	(46)	0	0	**(46)**
Total	**2,453**	**5,034**	**4,338**	**11,825**
Depreciation				
Opening Balance	254	0	0	**254**
Disposals	0	0	0	**0**
Provided for year	100	0	868	**968**
Total	**354**	**0**	**868**	**1,222**
Net Book Value				
Balance as at 31 March 2013	**2,099**	**5,034**	**3,470**	**10,603**
Balance as at 31 March 2012	**1,965**	**3,797**	**4,338**	**10,100**

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

	Within 1 year £000	1 to 5 years £000	After 5 years £000	Total £000
31/03/13				
Finance leases payments	2,596	10,941	32,953	**46,490**
Less: finance charges	(1,051)	(3,154)	(20,491)	**(24,696)**
Net present value	**1,545**	**7,787**	**12,462**	**21,794**
31/03/12				
Finance leases payments	2,466	11,068	35,423	**48,957**
Less: finance charges	(1,131)	(3,416)	(20,526)	**(25,073)**
Net present value	**1,335**	**7,652**	**14,897**	**23,884**

Included in the Balance Sheet as:		
	31/03/13 £000	**31/03/12 £000**
Current liabilities	1,546	1,334
Long term liabilities	20,250	22,550
Total	**21,796**	**23,884**

Operating leases - leases where the council is lessee

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

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

	2012/13		2011/12	
	Land and buildings £000	Vehicles, plant and equipment £000	Land and buildings £000	Vehicles, plant and equipment £000
Minimum lease rentals payable:				
No later than 1 year	741	7	741	27
Later than 1 year and no later than 5 years	3,152	11	3,301	25
Later than 5 years	4,284	0	4,875	0
Total	**8,177**	**18**	**8,917**	**52**

42.Private finance initiative and similar contracts

In 2000 the council entered into a PFI contract that encompassed major building work and ongoing facilities management for its eight secondary schools. In February 2007 the agreement was suspended and all of the assets were brought back onto the council's balance sheet. The remaining contract and liability that the council has with the contractor is for the repayment of the outstanding liability of debt. 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 (£4.232m) a contribution to the PFI lifecycle reserve was made of £1.437m, bringing the reserve up to £9.346m. The PFI reserve is one of the Council's usable reserves (see note 8). 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.

Future payments to be made

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

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total at 31/03 2013 £000	Total at 31/03 2012 £000
Payable in 2013/14	153	2,179	1,892	**4,224**	4,224
Payable within two to five years	614	9,894	6,390	**16,898**	16,898
Payable within six to ten years	767	15,503	4,852	**21,122**	21,122
Payable within eleven to fifteen years	384	9,308	870	**10,562**	14,786
Payable within sixteen to twenty years	0	0	0	**0**	0
Payable after twenty years	0	0	0	**0**	0
Total	**1,918**	**36,884**	**14,004**	**52,806**	**57,030**

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

43.Impairment losses

The council is required to disclose, by class of assets, the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the provision of services and to other comprehensive income and expenditure. These disclosures are consolidated in Notes 12 and 14.

44.Capitalisation of borrowing costs

The council does not capitalise any borrowing costs.

45.Termination benefits

The Council terminated the contracts of a number of employees in 2012/13 incurring liabilities of £4.8m in redundancy costs and payments to the pension fund. The council has also provided for a further £1.214m based on information about employees who were due to leave the council after the 31st March 2013.

46.Pension schemes accounted for as defined contribution schemes

Teachers

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

In 2012/13 the Council paid £7,901,485 (2011/12 £9,144,847) to Teachers’ Pensions in respect of teachers’ pension costs which represent 14.10% of teachers' pensionable pay. The Council is responsible for all pension payments relating to added years it has awarded, together with the related increases, amounting to £21,551 in 2012/13 (2011/12 £37,741) equivalent to 0.04% of pensionable pay

47.Defined benefit pension schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

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

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

Transactions relating to retirement benefits- CIES Charges:

The Council recognises the cost of retirement benefits in the Cost of Services on Continuing Operations when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against council tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the CIES and the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement during the year:

	2012/13 £000	2011/12 £000
Net cost of services:		
Current service cost	20,476	22,159
Past service cost/(gain)	630	457
Gains and losses on settlements or curtailments	(4,270)	3,810
Net operating expenditure:		
Interest cost	51,285	54,022
Expected return on scheme assets	(35,423)	(42,315)
Net charge to the CIES	**32,698**	**38,133**
Adjustments between accounting basis & funding basis under regulations:		
Reversal of net charges made for retirement benefits in accordance with IAS 19	**(32,698)**	**(38,133)**
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contributions payable to scheme	**29,508**	**33,778**
Net charge to the General Fund Summary	**(3,190)**	**(4,355)**

The service cost figures include an allowance for administration expenses of 0.5% of payroll.

In addition to the recognised gains and losses included in the CIES, actuarial losses of £47,361k (£65,741k loss in 2011/12) were included in other comprehensive income and expenditure in the CIES. The cumulative amount of actuarial gains and losses recognised in other comprehensive income and expenditure is a loss of £113,102k.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2012/13 £000	2011/12 £000
Balance as at 1 April	1,081,944	966,044
Current service cost	20,476	22,159
Interest cost	51,285	54,022
Contributions by members	6,958	7,657
Actuarial losses/(gains)	109,923	46,184
Past service costs/(gains)	630	457
Losses/(gains) on curtailments	1,284	5,478
Liabilities extinguished on settlements	(13,688)	0
Liabilities assumed in a business combination	0	18,196
Estimated unfunded benefits paid	(4,186)	(4,315)
Estimated benefits paid	(33,517)	(33,938)
Balance as at 31 March	**1,221,109**	**1,081,944**

Reconciliation of present value of the scheme assets:

	2012/13 £000	2011/12 £000
Balance as at 1 April	638,565	592,761
Expected return on assets	35,423	42,315
Contributions by members	6,958	7,657
Contributions by employer	25,322	29,463
Contributions in respect of unfunded benefits	4,186	4,315
Actuarial gains/(losses)	62,562	(19,557)
Liabilities assumed in a business combination	0	19,864
Assets distributed on settlements	0	0
Unfunded benefits paid	(4,186)	(4,315)
Benefits paid	(33,517)	(33,938)
Balance as at 31 March	**735,313**	**638,565**

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 31 March 2012 for the year to 31 March 2013, or date of joining the fund if later)

The actual return on scheme assets in the year was £98,113k (£20,788 in 2011/12).

Scheme history

Analysis of scheme assets and liabilities

	31/03/2013 £000	31/03/2012 £000
Fair Value of Assets in pension scheme	735,313	638,565
Present Value of Defined Benefit Obligation	(1,229,243)	(1,081,944)
Surplus/(deficit) in the Scheme	**(493,930)**	**(443,379)**

Amount recognised in other comprehensive income and expenditure:

	31/03/2013 £000	31/03/2012 £000
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	47,361	65,741

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £493,930k has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.

Analysis of projected amount to be charged to the CIES for the year to 31 March 2014

	31/03/2014 £000	31/03/2014 %
Projected current cost	24,037	23.70
Interest on obligation	54,795	54.00
Expected return on assets	(32,643)	(32.20)
	46,189	

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £23,230k.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	31/03/2013	31/03/2012	31/03/2011	31/03/2010	31/03/2009
	%	%	%	%	%
Experience gains and (losses) on Assets	8.60	(3.06)	(3.12)	21.06	(35.09)
Experience gains and (losses) on liabilities	0.08	(1.39)	0.33	0.00	0.06

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Council's Fund liabilities have been assessed by an independent firm of actuaries, estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2013.

	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.50%	6.20%
Bonds	4.50%	3.50%
Property	4.50%	4.40%
Cash	4.50%	3.50%
Mortality assumptions:		
Longevity at 65 current pensioners:		
Men	21.90	21.90
Women	24.70	24.70
Longevity at 65 for future pensioners:		
Men	23.30	23.30
Women	26.10	26.10
Inflation/Pension Increase Rate	2.80%	2.50%
Salary Increase Rate	5.10%	4.80%
Expected Return on Assets	4.50%	5.60%
Discount Rate	4.50%	4.80%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2009	50.00%	50.00%
Service post April 2009	75.00%	75.00%

Major categories of plan assets as percentage of total plan assets

The Pension Fund's assets consist of the following categories, by proportion of the total assets held:

-	31/03/13 %	31/03/12 %	31/03/11 %
Equity investments	75.0	72.0	75.0
Bonds	18.0	20.0	18.0
Property	6.0	7.0	7.0
Cash	1.0	1.0	.0
Total	**100.0**	**100.0**	**100.0**

48.Contingent liabilities

LAML

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 £177,000. The orderly wind down of the company has been ongoing during 2012/13 and is expected to be finalised in the near future 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 legal and other costs incurred as part of the liquidation process to wind down the company. There is a risk of further case being taken by RMP against the individual members of LAML for the loss of profit and associated costs. The Council is currently considering its response.

Employment Tribunal Appeals

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. The Council currently has outstanding legal claims in relation to these actions. These include two judicial review cases, one employment tribunal case and one as yet unserved High Court case. 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 where judgment was given against the Council. The Council pursued an appeal to the Supreme Court which was rejected and the Council is liable for compensation and appropriate costs which will be determined when the case goes back to the original court. This case has now been consolidated with the other judicial review claim which is due to be heard at the first available date from October 2013. The related employment tribunal claim has been stayed pending the outcome of the judicial review cases. A further employment tribunal claim for unfair dismissal was dismissed in December 2012 and the Council is waiting to see whether this will be subject to an appeal to the Employment Appeal Tribunal. No provision has been made in the Council's accounts for compensation or damages arising from any successful claim.

Firoka (Alexandra Palace) Ltd and Firoka (Kings Cross) Ltd

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 license 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 or the Trust accounts for the claim.

Single Status

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

Land Charges

A High Court proceeding has been actioned against the Council in relation to the refunding of local land charges payments due to an understanding by the claimants that these should be free of charge. Negotiations are ongoing with the LGA and its external solicitors who are acting on behalf of a number of Local Authorities. Whilst no agreed figures in respect of alleged losses has been produced, based on the best available data there may be a potential liability in the region of £300,000. The Council continues to cross check alleged losses against council records. Further claims may be made and the Council has not made any provision in the accounts for this.

Municipal Mutual Insurance

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

Third Party Employer Pension Fund Contribution

Three Pension Fund employers have negotiated a cap on their employer contribution rate payable to the Fund with Haringey Council. With any additional cost over and above the cap will fall on the Council. The employer contribution is determined independently by the Pension Funds Actuary Consultant Hymans Robertson. Any increase in the employer contribution by 3% or more will have to be borne by the Council. However, due to the uncertainty in estimating a number of variables (such as future movement in the stock market; gilt valuations as well as future actuarial assumptions) it is not possible to accurately reflect the potential employers future contribution liability. However, an estimate increase of 3% in employer contributions would result in a potential financial liability of £123,000

Broadwater Farm Inclusive Learning Campus

A company was contracted to carry out school works, namely the demolition of the existing Broadwater Farm Primary School and William C Harvey and the construction, in three consecutive phases, of a two storey learning campus, associated external play areas and vehicle parking at Broadwater Farm School, Adams Road, Broadwater Farm, Haringey.

During the course of the Works, a number of disputes have arisen between the parties on extension of time claims and other compensation events. The most recent review of these costs were estimated in the region of £1.2m. This liability is not reflected in the Council's accounts due to the high degree of uncertainty as to the potential scale of these costs.

Lordship recreation ground contractual claims

As at 31st March the Council had received contractor claims for loss and expense in relation to the capital project to regenerate Lordship recreation ground of just under £0.7m. These claims are being scrutinised as part of the process of settling the final account for the project. There is uncertainty in relation to the validity of the claims and any liability is therefore contingent on the outcome of further advice received or action to be considered by the Council.

Barnet Enfield and Haringey Mental Trust (BEHMHT)

The Council contributed towards a crisis team managed by BEHMH Trust. The Council gave notice of cessation of funding in 2010. However, the Trust continued to provide the service, claiming that they had no formal communication regard ending the Service by the Council. The Council has accrued for funding for the period concerned to the cessation of the contract and has estimated a contingent liability of approximately £231,000 for the disputed period up to the June 2012.

Provision of Residential Care Costs

In 2011, the Adult Services directorate received a number of letters from other local authorities in respect of people they had been funding to live in residential care homes in Haringey and for whom they wished to transfer funding responsibility to Haringey. On the basis these residents had been re-detained under a relevant section of the Mental Health Act 1983 (as amended 2007) and their last known address was in Haringey. The

Council has requested further information with the Authorities concerned. However, with the one exception, Haringey has not received responses from the other Local Authorities since April 2012. The Council has taken the view that a challenge through the Courts will probably not materialise. There does however, remain a slight risk that the other local authorities will resurrect the claim against the Council and this would include backdating of any funding responsibility. At this stage it is estimated that the potential financial liability is approximately £570,000.

Potential Legal costs regarding dilapidation disputes

This has arisen as a result of two separate lease disputes between the Council (acting as a tenant) and two former landlords. The disputes relate to the level of dilapidations involved at the end of the lease contract, that is, the value of the repairs required at the end of a tenancy arrangement where the lessee (the Council) is required to make good wear and tear over and above normal usage expected during the lease period.

The landlords have refused the Council's offer of settlement and have indicated that they are only willing to consider an over and above value of the Council's settlement offer. The Council have decided to challenge their claims in court if the landlords take the Council to court. Whilst these potential court actions are at an early stage, the potential estimated of defending are likely to be in the region of £200,000.

49.Contingent assets

The Council has undertaken a construction project to expand a local primary school. The construction was undertaken in 3 phases under a traditional construction contract, for a fully designed scheme. Under its existing framework contract, the Council procured professional consultancy resources to undertake the full design and cost consultancy services related to the scheme. During Phases 1 and 2 various issues arose on the project which the Council considers may be the subject of a legitimate claim against the parties involved on the contract. The Council has employed claim consultants to assist with assembling the details and background to the case. Their interim report suggests a potential claim value of £1.5m

50.Nature and extent of risks arising from financial instruments

Nature and extent of risks arising from Financial Instruments

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

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 maintains 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's main market risk exposure is interest rate risk. This is the possibility that the value of interest paid or received in respect of an instrument will fluctuate because of changes in interest rates. In addition, there is also an element of exchange rate risk exposure, due to the way in which distributions from the Icelandic bank winding up boards have been paid.

Credit Risk

The Council manages credit risk by restricting the counterparties with whom investments are placed to those having sufficiently high credit worthiness as set out in the Treasury Management Strategy. A minimum long term credit rating of A- or equivalent was set for 2012/13; however the Council also considers other market intelligence such as credit default swap prices, share prices, potential support from parent institutions and other corporate news when determining credit worthiness. Institutions are suspended from the lending list as soon as any concerns are brought to light. 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.

The types of counterparties the Council invested with during 2012/13 included the Debt Management Office, AAA-rated money market funds and UK Banks and Building Societies. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2012/13, approved by Full Council on 28th February 2012. The 2012/13 Treasury Management Strategy can be found on the Council's website www.haringey.gov.uk.

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2013, 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 2013?**		**Maturity period from 31st March 2013**		
	YES		YES		On Call	1 day to 1 month	Total
	Short Term	Long Term	Short Term	Long Term	£'000	£'000	£'000
Money Market Funds	N/A	AAAm	N/A	AAAm	7,095	0	7,095
Debt Management Account Deposit Facility	N/A	N/A	N/A	N/A	0	7,100	7,100
Total					7,095	7,100	**14,195**

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

	Nominal value of original deposits £'000	**Distributions to LBH bank account by 31/03/2013 £'000**	**Distributions to escrow on 31/03/2013 £'000**	**Outstanding Deposits £'000**
Heritable Bank	19,800	15,373	0	4,427
Landsbanki Islands	15,157	7,451	111	7,595
Glitnir	2,000	1,678	386	0
Total	**36,957**	**24,502**	**497**	**12,022**

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

The table shows the distributions received directly into the Council's bank account up to 31st March 2013. In addition to these distributions, an element of the distribution due remained in escrow on 31st March 2013 – the nominal value of these are shown in the table above and under short term investments on the balance sheet.

The amount of the Icelandic related investments that will not be repaid to the Council under current predictions is £2.32m. However, accounting regulations require the Council to account for the fact that these funds have not and will not be available for the Council's use until dates in the future. The impairment required in the accounts has been reviewed and a reduction in the value of the impairment in relation to these deposits of £185k for 2012/13 has been calculated and included in the income and expenditure account. The Council capitalised £11.1m of the impairment in 2009/10 on receipt of a capitalisation direction for this amount.

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

	31-Mar-12 £'000	31-Mar-13 £'000
Public Works Loans Board	222,976	210,221
Market debt	130,461	130,420
Local Authorities	50,207	30,045
Total	**403,644**	**370,686**
Less than 1 year	78,515	60,127
Between 1 and 2 years	24,543	13,094
Between 2 and 5 years	36,514	36,685
Between 5 and 10 years	40,231	39,913
Between 10 and 20 years	21,828	18,881
Between 20 and 30 years	12,103	12,103
Between 30 and 40 years	10,500	16,301
Between 40 and 50 years	103,239	97,414
More than 50 years	76,172	76,167
Total	**403,645**	**370,685**

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

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 2013, 98% of the debt portfolio was held in fixed rate instruments, and 2% in variable rate instruments.

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

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

	£'000	£'000
Increase in interest earned on variable rate investments	(417)	(223)
Increase in interest payable on variable rate borrowings	656	524
Impact on Income and Expenditure Account	239	302

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

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

Foreign Exchange Risk: The Council currently has approximately £0.5m in Icelandic krona remaining in escrow in Iceland. The Council is currently working with the LGA, legal advisers and other affected authorities to research ways of converting the Icelandic krona into sterling. The Council is therefore exposed to the risk of adverse movements in the sterling/Icelandic krona exchange rate. The exchange rate gain in 2012/13 was £36k, following an exchange rate loss in 2011/12 of £15k.

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

51.Trust funds

The council acts as trustee for a 32 trust 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 as documented below:

Trust Fund Accounts	**2011/12**	**2012/13**
	£	**£**
Income From Investments	(298)	(378)
Expenditure for Authorised Purposes	0	0
(Surplus)/Deficit	**(298)**	**(378)**
Balances:		
Fund Balance Brought Forward 1st April	(153,047)	(153,345)
(Surplus)/Deficit	(298)	(378)
Fund Balance Carried Forward	**(153,345)**	**(153,723)**
Represented by:		
Investments	(23,563)	(23,563)
Cash in Hand	(129,782)	(130,160)
Total	**(153,345)**	**(153,723)**

52.Accounting standards issued not adopted

Accounting Standards issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 will introduce a number of new requirements for Councils to comply with updated reporting standards that have been adopted. The relevant changes relate to the following standards all of which will be amended for Accounts produced for financial periods starting after 1st April 2013.

• IAS19 – Employee Benefits

• IAS1 – Presentation of Financial Statements

• IFRS 7 - Financial Instruments

The changes will be adopted retrospectively meaning the 2012/13 information included within these accounts will be restated in the 2013/14 accounts to reflect the new reporting requirements. This note sets out what the changes would have been if the new standards had already been in force.

The only material impact on the reported Council position is in relation to Employee Benefits. This change impacts on the way that pension and termination costs are reflected in the Council's Accounts.

The new IAS19 requirements will change the way in which the interest costs on the net pension liability are shown. At present the Financing and Investment Income line of the Surplus or Deficit on Provision of Service (SDPS) is credited with an expected return on assets based on an actuarial assessment of the likely long term returns the Pension Fund will achieve on the Council's assets. This is based on achieving different returns for different classes of assets (shares, bonds, property etc).

Following adoption of the new standard this will be replaced by a calculation of interest income on assets held. This presumes that the long term return on assets will instead be based solely on corporate bond yields at the time the Accounts are prepared.

As the basis of the calculation will change, the amount charged to the financing and investment line will also change. Any difference between the actual return on assets and the expected return on assets is recorded in the Other Comprehensive Income and Expenditure line of the CIES. The bottom line of the CIES would be unchanged and there would be no impact on the balance sheet.

Other changes to IAS19 relate to the point at which the Council recognises termination costs. Under the new standard recognition now takes place when the Council cannot withdraw an offer. This largely matches current recognition practices so there will be no material change.

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.

	2012/13 £000	2011/12 £000
Income		
Dwelling rents	79,907	74,310
Non-dwelling rents	966	2,381
Charges for services and facilities	22,321	21,293
Housing Revenue Account Subsidy Receivable	0	12,729
Contributions towards expenditure	3,444	1689
Total Income	**106,638**	**112,402**
Expenditure		
Repairs & Maintenance	23,024	21,734
Supervision & Management:	40,703	38,896
Rents, Rates, Taxes and other charges	1,250	1,774
Depreciation and impairments of non-current assets	(825)	41,971
Debt Management Costs	44	307
Increase in bad debt provision	2,236	835
Total Expenditure	**66,432**	**105,517**
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	**(40,206)**	**(6,885)**
HRA Services Share of Corporate & Democratic Core	749	805
Net Expenditure of HRA Services	**(39,457)**	**(6,080)**
Gains(Cr)/loss on sale of HRA Fixed Assets	(5,434)	(1,947)
Interest Payable and Similar Charges	13,179	88,173
HRA Interest and Investment Income	(1,689)	(114)
Pensions interest cost and expected return on pensions assets	251	62
Capital Grants and Contributions	(20,096)	(295,622)
Surplus or (Deficit for Year) on HRA Services	**(53,246)**	**(215,528)**

Movement on the housing revenue account statement

	2012/13 £000	2011/12 £000
Balance on the HRA at the end of the previous year	**11,614**	**7,958**
Surplus or (Deficit) on the HRA Income and Expenditure Statement	53,246	215,528
Adjustments between accounting basis and funding basis under stature	(45,858)	(211,872)
Net Increase or (Decrease) before transfers to or from reserves	7,388	3,656
Increase or (decrease) on the HRA for the year	**7,388**	**3,656**
Balance on the HRA at the end of the current year	**19,002**	**11,614**

	2012/13 £000	2011/12 £000
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	(1,660)	(3,133)
Revaluation and Impairment of PPE	(1,255)	40,320
Capital Grants Reversed	(20,096)	0
HRA Self Financing	0	(235,499)
Gain or loss on sale of HRA non current assets	(5,434)	(1,946)
HRA Share of Contributions to or from the Pension Reserve	108	0
Transfers to/(from) Major Repairs Reserve	(19,549)	(17,958)
REFCUS	2,230	6,344
Short term absences	(27)	
Capital expenditure funded by the HRA	(175)	0
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**(45,858)**	**(211,872)**

53.Number and types of dwellings in the housing stock

Type of dwelling	31 March 2013	31 March 2012
Low rise flats	1,706	1,790
Medium rise flats	6,395	6,446
High rise flats	2,650	2,655
Houses	5,219	5,229
Demountables	10	16
Hostels	125	125
Shared Ownership	1	1
Total	**16,106**	**16,262**

54.Balance sheet valuation of HRA assets

	31 March 2013 £'000	31 March 2012 £'000
Operational assets:		
Dwellings	827,288	792,568
Other land and buildings	5,559	4,030
Non Operational assets	0	21,047
Total	**832,847**	**817,645**

55.Vacant possession

Vacant Possession Value	1 April 2013 £'000	1 April 2012 £'000
HRA dwellings and hostels	3,253,869	3,170,627

The difference between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than market rents.

56.Major repairs reserve

	2012/13 £'000	2011/12 £'000
Balance at 1 April 2012	**(625)**	**0**
Transferred to Reserve	(19,549)	(13,622)
Transfer from Reserve to HRA	0	0
Applied to finance capital expenditure on Council Dwellings	20,089	12,997
Repayment of loan principal from Major Repairs Reserve	0	0
Balance at 31 March 2013	**(85)**	**(625)**

57.Capital expenditure and financing

	2012/13 £000	2011/12 £000
Expenditure		
Land, Houses and other property	40,673	35,239
Financing		
Borrowing	0	19,000
Capital Receipts Reserve	297	1,223
Revenue Contribution	191	2,019
Grants-Revenue	20,096	0
Major Repairs Reserve	20,089	12,997
Balance at 31 March 2013	**40,673**	**35,239**

58.Capital receipts

	2012/13 £000	2011/12 £000
Houses	8,104	978
Land and Other property	4,393	4,130
Balance at 31 March 2013	**12,497**	**5,108**

59.Depreciation

	2012/13 £'000	2011/12 £'000
Balance at 1 April 2012	**18,073**	**0**
Operational assets - dwellings	19,405	17,959
Operational assets - Land & Building	144	114
Balance at 31 March 2013	**37,622**	**18,073**

60.Impairment losses

An impairment loss has been identified relating to 5 dwellings due to fire / flooding damage. The valuer is of the opinion that any insurance claim of £10,000 or less will be de minimis having little or no effect on the value of the HRA property asset.

	2012/13 £'000	2011/12 £'000
Balance at 1 April 2012	**0**	**0**
Dwellings	110	62
Property, Plant and Equipment		0
Balance at 31 March 2013	**110**	**62**

61.Revenue expenditure funded from capital under statute

This expenditure is revenue for accounting purposes but can be financed form capital resources, and can be applied to items such as expenditure on assets not owned / controlled by the Council

	2012/13 £'000	2011/12 £'000
REFCUS	2,230	2,008

62.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 2012/13 is £467k

63.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 2012/13 was £95.46 compared to £88.83 in 2011/12 – a 7.5% increase.

Band of debt outstanding	Total Debt outstanding at 31 march 2013 (£'000)	Total Debt outstanding at 31 march 2012 (£'000)
< £100	124	112
< £250	238	210
< £500	494	406
< £750	462	372
< £1,000	370	326
> £1,000	5,441	4,655
Former Tenants	3,452	4,942
TOTAL	**10,581**	**11,023**

Collection fund

This account reflects the statutory requirements for all Billing Authorities, such as the Council, to maintain a separate Collection Fund Account. This shows the transactions of the Billing Authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors (London Borough of Haringey & the Greater London Authority) and the General Fund.

Collection Fund	Notes	2012/13 £000	2011/12 £000
Amounts required by Statute to be credited to the Collection Fund			
Council Tax Income	**66**	(98,742)	(95,474)
Transfers from General Fund:			
Council Tax Benefit		(35,506)	(36,551)
Income collectable from Business Ratepayers		(63,768)	(58,991)
Income collectable in respect of Business Rate Supplements		(1,450)	(1,468)
Contributions:			
Towards Previous year's collection fund deficit		(2,007)	(1,695)
Total amounts to be credited		**(201,473)**	**(194,179)**
Amounts required by Statute to be debited to the Collection Fund			
Precepts and demands	**69**	129,689	129,320
Business Rates			
Payment to National Pool		63,456	58,675
Cost of Collection		311	316
Business Rate Supplement:			
Payment to levying authority's Business Rate Supplement Revenue Account		1,354	1,408
Administrative Costs		96	60
Impairment of Debts/Appeals:			
Write-offs of uncollectable amounts		7,621	0
Allowance for impairment		(2,571)	7,307
Total amounts to be debited		**199,956**	**197,086**
Opening Fund Balance		**5,070**	**2,163**
Closing Fund Balance		**3,553**	**5,070**
Movement on Fund Balance		**(1,517)**	**2,907**

Notes to the collection fund

64.Council Tax

The introduction of Council Tax on 1 April 1993 revised the method of accounting for the Council's Collection Fund. The main features of the arrangements may be summarised as follows:

Revenue Support Grant and amounts for distribution from the NNDR National Pool are paid directly to all Billing and Precepting Authorities and are disclosed in the Income and Expenditure Account

Interest is no longer payable between the General Fund and the Collection Fund on cash-flow deficits/surpluses. All interest is now payable directly to the General Fund, as shown on the Income and Expenditure Account

The year-end surplus or deficit on the Collection Fund is to be distributed between Billing and Precepting Authorities on the basis of estimates, made in January of each year-end balance. For 2012/13, the amount outstanding in January 2012 in respect of Council Tax when compared with the provision made by the Council for non-payment was below the level anticipated and therefore a deficit was declared.

London Borough of Haringey does not carry any debt relating to unpaid community charge in the balance sheet.

65.Council tax valuation bands

Most domestic Dwellings (including flats) whether rented or owned, occupied or not, are subject to Council Tax. Each Dwelling is allocated to one of eight bands according to their open market capital value at 1 April 1991.

Valuation Band Range of Values

		£		£
A	Up to & including	40,000		
B		40,001	-	52,000
C		52,001	-	68,000
D		68,001	-	88,000
E		88,001	-	120,000
F		120,001	-	160,000
G		160,001	-	320,000
H	More Than			320,001

66.Council tax income

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council Tax payable for each band is established as follows: (The actual amount payable for each property is also subject to discounts where applicable.)

Band	Calculated number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable £000
A	5,099	6/9	3,400	4,865
B	14,624	7/9	11,374	16,281
C	28,082	8/9	24,963	35,733
D	23,172	9/9	23,173	33,170
E	9,710	11/9	11,868	16,989
F	5,052	13/9	7,298	10,446
G	4,383	15/9	7,305	10,457
H	611	18/9	1,222	1,749

67.Council tax required

The amount of Council Tax required for Band D was calculated on the following basis:

(i) Preceptor's Council Tax Requirements	103,010,495
(ii) Number of Band D equivalent Dwellings	86,979
Band D (i divided by ii)	1,184.31

The Council Tax required then forms part of the Income and Expenditure Account.

68.Non domestic rates

Non-Domestic Rates are organised on a national basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2012/13 the amount was 45.8p (standard) and 45.0p (small business). The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR Pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. This is shown in the Income and Expenditure Account The total rateable value as at 31 March 2013 was £166m (31 March 2002 = £166m).

69.Precepts and demands

The following amounts were paid from the fund:

	2012/13 £000	2011/12 £000
London Borough of Haringey	103,010	102,500
Greater London Authority	26,678	26,820
Total	**129,688**	**129,320**

Section 4
The Group Statement of Accounts 2012/13

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

Group movement in reserves statement 2012/13

2012/13	Total Usable Reserves £000	Unusable Reserves £000	Reserves of Group £000	Total Group £000
Balance At 31st March 2012	**157,630**	**473,717**	**(54,760)**	**576,588**
Surplus Or (Deficit) On Provision Of Services (accounting basis)	8,813	0	(46,807)	(37,994)
Other Comprehensive Expenditure And Income	0	(94,403)	(2,555)	(96,958)
Total Comprehensive Expenditure And Income	**8,813**	**(94,403)**	**(49,362)**	**(134,952)**
Adjustments Between Accounting Basis And Funding Basis Under Regulations	62,569	(62,569)	0	0
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	**71,382**	**(156,972)**	**(49,362)**	**(134,952)**
(Increase)/Decrease In Year	**71,382**	**(156,972)**	**(49,362)**	**(134,952)**
Balance At 31st March 2013	**229,012**	**316,745**	**(104,122)**	**441,635**

	Total Usable Reserves £'000	Unusable Reserves £'000	Reserves of Group £'000	Total Group £'000
Balance At 31st March 2011	94,394	404,650	(2,141)	496,903
Surplus Or Deficit On Provision Of Services (accounting basis)	239,243	0	(49,350)	189,893
Other Comprehensive Expenditure And Income	0	(106,940)	(3,267)	(110,207)
Total Comprehensive Expenditure And Income	**239,243**	**(106,940)**	**(52,617)**	**79,686**
Adjustments Between Accounting Basis And Funding Basis Under Regulations	(176,007)	176,007	0	0
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	**63,236**	**69,067**	**(52,617)**	**79,686**
(Increase)/Decrease In Year	**63,236**	**69,067**	**(52,617)**	**79,686**
Balance At 31st March 2012	**157,630**	**473,717**	**(54,758)**	**576,589**

Group comprehensive income and expenditure account

2012/13				2011/12		
Gross Expend £'000	Gross Income £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000
41,842	(39,170)	2,672	Central Services	43,100	(40,922)	2,178
25,692	(13,253)	12,439	Cultural, Environmental and Planning Services	70,793	(29,233)	41,560
31,583	(10,091)	21,492	Environmental and Regulatory Services			
22,144	(5,354)	16,790	Planning Services			
410,181	(265,826	144,355	Education and Children's Services	367,769	(272,958)	94,811
35,845	(19,022)	16,823	Highways, Roads and Transport Services	35,696	(19,186)	16,510
62,170	(101,592)	(39,422)	Housing Services - Housing Revenue Account	100,192	(107,396)	(7,204)
319,294	(304,881)	14,413	Housing Services - General Fund	314,844	(301,452)	13,392
106,366	(18,138)	88,228	Adult Social Care	104,034	(16,387)	87,647
89,290	(65,127)	24,163	Corporate and Democratic Core	82,622	(67,156)	15,466
(5,458)	0	(5,458)	Non-Distributed Costs	806	(680)	126
1,138,949	(842,454)	296,495	**Cost of Services**	**1,119,856**	**(855,370)**	**264,486**
		38,515	Other Operating Expenditure			49,741
		28,673	Financing and Investment Income and Expenditure			109,261
		(325,689)	Taxation and Non-Specific Grant Income			(613,381)
		37,994	**(Surplus)/Deficit on Provision of Services**			**(189,893)**
		47,042	(Surplus)/Deficit on Reval'n of Fixed Assets			41,199
		49,916	Actuarial (Gains)/Losses on Pension Assets/Liabilities			69,008
		0	Other Comprehensive Income and Expenditure			0
		134,952	**Total Comprehensive Income and Expenditure**			**(79,686)**

Group balance sheet

31 March 2013 £'000		Notes	31 March 2012 £'000
1,307,946	Property, Plant and Equipment		1,440,011
6,061	Heritage Assets		6,061
54,061	Investment Property		50,774
669	Intangible Assets		1,086
0	Assets Held for Sale		5,603
604	Long Term Debtors		256
1,369,341	**Long Term Assets**		**1,503,791**
16,081	Short Term Investments		15,105
55	CRC scheme allowances		0
757	Inventories	1	776
67,491	Short Term Debtors	2	63,308
3,143	Assets Held for Sale		0
10,370	Cash and Cash Equivalents		7,572
97,897	**Current Assets**		**86,761**
(60,127)	Short Term Borrowing		(78,515)
(3,308)	Short Term Liabilities		0
(72,291)	Short Term Creditors	3	(74,334)
(5,323)	Provisions		(8,434)
(141,049)	**Current Liabilities**		**(161,283)**
(6,854)	Long Term Provisions		(2,804)
(310,558)	Long Term Borrowing		(325,130)
(560,667)	Other Long Term Liabilities		(510,710)
(6,474)	Capital Grants Receipts in Advance		(14,036)
(884,553)	**Long Term Liabilities**		**(852,680)**
441,636	**Net Assets**		**576,589**
171,772	Usable Reserves		102,868
269,864	Unusable Reserves		473,721
441,636	**Total Reserves**		**576,589**

Group cash flow statement

2012/13 £'000		2011/12 £'000
(37,994)	**Net surplus or (deficit) on the provision of services**	**189,893**
142,367	Adjustments to net surplus or deficit on the provision of services for non-cash movements	3,599
(69,000)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	107,735
35,373	Net cash flows from Operating Activities	**301,227**
(12,610)	Investing Activities	(72,757)
(19,965)	Financing Activities	(244,768)
2,798	**Cash inflow / (outflow)**	**(16,298)**
7,572	**Cash and cash equivalents at the beginning of the reporting period**	**23,870**
10,370	**Cash and cash equivalents at the end of the reporting period**	**7,572**

Notes to the group accounts

Basis of Consolidation

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

Company Limited by Guarantee

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

Charitable Trust

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

Accounting Policies

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

Additional Disclosure Notes

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

Homes for Haringey Accounts

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

Alexandra Park and Palace Charitable Trust Accounts

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

Note to the comprehensive income and expenditure statement

The notes to the Group Income and Expenditure Statement have been reproduced only where there is a material difference from those in the Council's Comprehensive Income and Expenditure Statement and Balance Sheet. The main changes from the Council's Comprehensive Income and Expenditure Statement are:-

- The netting off of LBH charges to the Group i.e. H f H and AP&PCT
- Inclusion of Group Income and Expenditure within Local Authority Housing (HRA)
- Inclusion of pension interest cost and return on pension assets for the Group
- The netting off of Group Income

The majority of the notes to the Income and Expenditure Account are not materially changed by the inclusion of the Group as a subsidiary in the accounts. The compilation of the notes are based on the requisite information held within the individual notes relating to group. As a result there instances where the disclosures reflect the different reporting requirements within each organisation; therefore the notes provided in the core LBH statements still apply with the exception of

note 1 Inventories

note 2 Short Term Debtors

note 3 Short Term Creditors

note 4 FRS17/IAS19 - Post Employment Benefits.

note 5 Senior Officer Disclosures

note 6 External Audit Fees and

note 7 Commitments under operating leases

1. Inventories

2012/13					2011/12			
LBH £'000	H f H £'000	AP&PCT £'000	Total £'000		LBH £'000	H f H £'000	AP&PCT £'000	Total £'000
0	0	68	68	Food and beverage	0	0	78	78
0	0	13	13	Disposables	0	0	17	17
36	0	2	38	Other	44	0	3	47
0	236	0	236	raw materials	0	213	0	213
	402	0	402	WIP	0	421	0	421
36	**638**	**83**	**757**	**Total**	**44**	**634**	**98**	**776**

2. Short term debtors

2012/13					2011/12			
LBH £'000	H f H £'000	AP&PCT £'000	Total £'000		LBH £'000	H f H £'000	AP&PCT £'000	Total £'000
12,480	0	0	12,480	Central Government bodies	8,536	0	0	8.536
6,420	0	0	6,420	Other local authorities	6,665	0	0	6,665
4,295	0	0	4,295	NHS bodies	1,739	0	0	1,739
15,991	0	0	15,991	Public corporations	2,999	0		2,999
18,523	94	617	19,234	Other	30,981	50	882	31,913
9,071	0	0	9,071	Finance lease	11,455	0	0	11,455
66,780	**94**	**617**	**67,491**	**Total**	**62,375**	**50**	**882**	**63,307**

3. Short term creditors

2012/13					2011/12			
LBH £'000	H f H £'000	AP&PCT £'000	Total £'000		LBH £'000	H f H £'000	AP&PCT £'000	Total £'000
9,919	1,347	17	11,283	Central Government bodies	6,562	449	129	7,140
2,752	0	0	2,752	Other local authorities	3,014	0	0	3,014
4,834	0	0	4,834	Other public sector	650	0	0	650
2,185	0	0	2,185	NHS bodies	703	0	0	703
2,574	41	0	2,615	Pension funds	1,397	162	0	1,559
33,402	1,633	1,109	36,144	Sundry creditors	41,644	3,435	1,423	46,502
4,658	0	0	4,658	Accumulated absences	5,102	0	0	5,102
7,324	0	496	7,820	Receipts in advance	7,699	0	1,965	9,664
67,648	**3,021**	**1,622**	**72,291**	**Total**	**66,771**	**4,046**	**3,517**	**74,334**

4. FRS17/IAS19 - Post Employment Benefits

In accordance with the requirement of FRS17/IAS19 - Retirement Benefits, the Council has included these costs within the financial statements and disclosed in the notes its share of assets and liabilities related to the pension fund for its employees. AP&PCT is an admitted body into Haringey Pension Fund. Whilst HfH is a scheduled body within the same Pension Fund the Actuary in both all cases are Hymans Robertson resource Consulting Limited have calculated the assets and liabilities relating to the Groups employees using the same assumptions as those used for Council employees. In 2012/13 the consolidated assets and liabilities of the schemes were:-

Group defined benefit obligation - reconciliation of present value of the scheme liabilities								
2012/13					2011/12			
LBH £'000	H f H £'000	AP&PCT £'000	Total £'000		LBH £'000	H f H £'000	AP&PCT £'000	Total £'000
1,081,944	**95,200**	**2,477**	**1,179,621**	**Balance at 1 April**	**966,044**	**87,100**	**2,274**	**1,055,418**
20,476	3,700	18	24,194	Current service cost	22,159	3,500	25	25,684
51,285	4,600	117	56,002	Interest on pension liabilities	54,022	4,900	124	59,046
6,958	1,200	5	8,163	Contributions by participants	7,657	1,100	7	8,764
109,923	11,300	255	121,478	Actuarial gains/(losses)	46,184	500	105	46,789
(4,186)	0	0	(4,186)	Unfunded benefits paid	(4,315)	0	0	(4,315)
(33,517)	(2,000)	(84)	(35,601)	Benefits paid	(33,938)	(1,900)	(58)	(35,896)
630	0	0	630	Past service costs / (gains)	457	0	0	457
0	0	0	0	Liabilities assumes in a business combination	18,196	0	0	18,196
(4,270)	400	0	(3.870)	Curtailments	5,478	0	0	5,478
1,229,243	**114,400**	**2788**	**1,346,431**	**Balance at 31 March**	**1,081,944**	**95,200**	**2,477**	**1,179,621**
Group defined asset Obligation - reconciliation of present value of the scheme assets								
2012/13					2011/12			
LBH £'000	H f H £'000	AP&PCT £'000	Total £'000		LBH £'000	H f H £'000	AP&PCT £'000	Total £'000
638,565	**87,600**	**2,011**	**728,176**	**Balance at 1 April**	**592,761**	**82,100**	**1,925**	**676,786**
35,423	5,000	112	40,535	Expected return on plan	42,315	5,700	133	48,148
62,562	8,800	200	71,562	Actuarial gains (losses)	(19,557)	(2,600)	(62)	22,219
25,322	3,300	59	28,681	Employer contributions	29,463	3,200	66	32,729
4,186	0	0	4,186	Unfunded contributions	4,315	0	0	4,315
6,958	1,200	5	8,163	Contributions by participants	7,657	1,100	7	8,764
0	0	0	0	Liabilities assumed in a business combination	19,864	0	0	19,864
(33,517)	(2,000)	(84)	(35,601)	Benefits paid	(33,938)	(1,900)	(58)	(35,896)
(4,186)	0	0	(4,186)	Unfunded benefits paid	(4,315)	0	0	(4,315)
735,313	**103,900**	**2,303**	**841,516**	**Balance at 31 March**	**638,565**	**87,600**	**2,011**	**728,176**
(493,930)	**(10,500)**	**(485)**	**(504,915)**	**Net Liability**	**(443,379)**	**(7,600)**	**(466)**	**(451,445)**

5. Group senior officer

Salary range £	2012/13 LBH Staff No's	H f H	AP&PCT	Total	2011/12 LBH	H f H	AP&PCT	Total
50 - 54,999	181	25	0	**206**	226	23	0	**249**
55 - 59,999	115	18	0	**133**	129	10	0	**139**
60 - 64,999	62	13	1	**76**	65	7	3	**75**
65 - 69,999	31	5	0	**36**	51	2	0	**53**
70 - 74,999	31	10	0	**41**	29	1	0	**30**
75 - 79,999	19	6	2	**27**	23	1	0	**24**
80 - 84,999	8	2	0	**10**	13	0	0	**13**
85 - 89,999	11	1	0	**12**	13	2	0	**15**
90 - 94,999	10	1	0	**11**	10	1	1	**12**
95 - 99,999	6	1	0	**7**	6	0	0	**6**
100 - 104,999	2	0	0	**2**	3	0	0	**3**
105 - 109,999	0	0	0	**0**	3	0	0	**3**
110 - 114,999	4	0	1	**5**	2	0	0	**2**
115 - 119,999	0	1	0	**1**	2	1	0	**3**
120 - 124,999	1	0	0	**1**	0	0	0	**0**
125 - 129,999	0	0	0	**0**	2	0	0	**2**
130 - 134,999	1	0	0	**1**	1	0	0	**1**
135 - 139,999	0	0	0	**0**	0	0	0	**0**
140 - 144,999	1	0	0	**1**	0	0	0	**0**
145 - 149,999	0	0	0	**0**	0	0	0	**0**
Total	**483**	**83**	**4**	**570**	**578**	**48**	**4**	**630**

6. Group Audit Fees

	2012/13 LBH £'000	H f H £'000	AP&PCT £'000	Total £'000	2011/12 LBH £'000	H f H £'000	AP&PCT £'000	Total £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	281	26	34	**341**	418	25	34	**477**
Fees payable in respect of statutory inspections	0	0	0	**0**	42	0	0	**42**
Fees payable for the certification of grant claims and returns for the year	87	0	0	**87**	139	0	0	**139**
Fees payable in respect of other services provided by the External Audit during the year	51	0	0	**51**	17	0	0	**17**
Total	**419**	**26**	**34**	**479**	**616**	**25**	**34**	**675**

7. Commitments under operating leases

Payments due within one year on leases expiring

Type of lease	2012/13				2011/12			
	LBH £'000	H f H £'000	AP&PCT £'000	Total £'000	LBH £'000	H f H £'000	AP&PCT £'000	Total £'000
Land and Buildings								
within 1 year	741	0	0	**741**	741	0	27	**768**
within 2 - 5 years	3,152	0	0	**3,152**	3,301	0	0	**3,301**
later than 5 years	4,284	0	0	**4,284**	4,875	0	0	**4,875**
Equipment								
within 1 year	7	513	0	**520**	27	515	8	**550**
within 2 - 5 years	11	0	0	**11**	25	0	0	**25**
later than 5 years	0	1,095	0	**1,095**	0	1,608	0	**1,608**

Section 5
The Pension Fund Accounts
2012/13

Scheme Advisers

Registration Number	00329316RX
Administering Authority	London Borough of Haringey
Secretary to the Committee	Head of Local Democracy and Member Services
Scheme Administrator	Chief Financial Officer
Actuary	Hymans Robertson
Investment Managers	Capital International (until May 2012) Fidelity International (until May 2012) BlackRock Investment Management (from May 2012) Legal & General Investment Management CBRE Global Investors Pantheon
Custodian	Northern Trust
Investment Consultants	Aon Hewitt Limited
Independent Adviser	John Raisin BA, MBA, CPFA , IMC (from 1 June 2012)
Bankers	Royal Bank of Scotland
Legal advisers	Head of Legal Services
AVC providers	Clerical and Medical Equitable Life Assurance Society Prudential Assurance
Internal Auditors	Deloitte & Touche Public Sector Internal Audit Limited
External Auditors	Grant Thornton UK LLP

Introduction

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

Nature of the scheme

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

Management of the Fund

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Corporate Committee. Details of the Corporate Committee which served during 2012/13 are shown below.

The terms of reference for Corporate Committee are set out in the Council's constitution. The Committee consists of ten elected Councillors, with full voting rights and three representatives. Councillors are selected by their respective political Groups and their appointment was confirmed at a meeting of the full Council. They were not appointed for a fixed term but the membership is reviewed regularly by the political groups. The three representatives were appointed by their peer groups. The membership of the Committee during the 2012/13 year was:

Cllr George Meehan	Chair
Cllr Kaushika Amin	Vice Chair
Cllr Charles Adje	(from May 2012)
Cllr Isidoros Diakides	(from May 2012)
Cllr Robert Gorrie	(until May 2012)
Cllr Eddie Griffith	
Cllr Jim Jenks	
Cllr Gmmh Rahman Khan	
Cllr Stuart McNamara	(until May 2012)
Cllr Richard Watson	(until May 2012)
Cllr Monica Whyte	
Cllr Neil Williams	
Cllr Richard Wilson	(from May 2012
Roger Melling	Employee representative
Michael Jones	Pensioner representative
Keith Brown	Admitted and Scheduled Bodies representative

Investments and Statement of Investment Principles

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

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

The strategy is set out in detail in the Statement of Investment Principles (SIP), which is published in the Pension Fund Annual Report. The SIP is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with the Myners principles of investment. All investments are externally managed, with the exception of a small allocation of cash required for the payment of benefits, which is managed internally. During 2012/13 all of the Fund's equity and bond assets were moved to passive management, which means they are managed in line with the benchmark.

Fund administration and membership

At 31 March 2013, there were 6,168 (2012: 6,102) employees contributing to the Fund and 6,692 (2012: 6,473) pensioners and dependents receiving benefits. There were also 7,332 (2012: 7,293) deferred pensioners. Staff in the following organisations contribute to the fund and benefit accordingly.

Organisation name	Type of employer
Haringey Council	Administering Authority
Homes for Haringey	Scheduled Body
College of Haringey, Enfield & North East London	Scheduled Body
Greig City Academy	Scheduled Body
Fortismere School	Scheduled Body
John Loughborough School	Scheduled Body
Alexandra Park Academy	Scheduled Body
Woodside Academy	Scheduled Body
Eden Free School	Scheduled Body
Harris Academy Coleraine	Scheduled Body
Harris Academy Philip Lane	Scheduled Body
AET Trinity Primary	Scheduled Body
AET Noel Park	Scheduled Body
Haringey 6th Form Centre	Scheduled Body
St Paul's & All Hallows Infant Academy	Scheduled Body
St Paul's & All Hallows Junior Academy	Scheduled Body
St Michael's Academy	Scheduled Body
St Ann CE Academy	Scheduled Body
Holy Trinity CE Academy	Scheduled Body
Hartsbrook Academy	Scheduled Body
St Thomas More School Academy	Scheduled Body
Alexandra Palace Trading Co Ltd	Community Admission Body
Haringey Age Concern	Community Admission Body
Haringey Citizens Advice Bureau	Community Admission Body
Balfour Beatty Workforce	Transferee Admission Body
Churchill Contract Services	Transferee Admission Body
ESSL	Transferee Admission Body
Fusion Lifestyle	Transferee Admission Body
TLC Ltd	Transferee Admission Body
Urban Futures London Ltd	Transferee Admission Body
Veolia Environmental Services (UK) plc	Transferee Admission Body

Actuarial position

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

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

The 2010 valuation was carried out in accordance with the Fund's Funding Strategy Statement and Guidelines GN9: Funding Defined Benefits – Presentation of Actuarial Advice published by the Board for Actuarial Standards. The valuation method used was the projected unit method. The resulting contribution rates reflected the cost of providing year by year accrual of benefits for the active members and the level of funding for each employer's past service liabilities.

The market value of the Fund at the time of the last triennial valuation as at 31 March 2010 was £664m. Against this sum liabilities were identified of £960m equivalent to a funding deficit of £296m. The movement in the actuarial deficit between 2007 and the last valuation in 2010 is analysed below:

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

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

The funding objective of the Scheme is to be fully funded. As this objective had not been achieved at the last valuation date it was agreed with the actuary that the past service deficit would be recovered over a period not exceeding 20 years. Further information about the principles for achieving full funding is set out in the Pension Fund's Funding Strategy Statement, which is published in the Pension Fund Annual Report.

Following the valuation as at 31 March 2010, the actuary agreed that the Council's contribution rate could remain at the 2010/11 rate of 22.9% of pensionable salaries for the following three financial years. The 2012/13 contribution rate was split between 5.8% for the past service adjustment to fund the deficit over 20 years and the future service rate of 17.1%.

The main assumptions used in the 2010 valuation were:

Investments	Annual nominal rate of return %
Equities	6.1
Bonds	4.5
	Annual change %
Pay increases	5.3 *
Price Increases (pension increases)	3.3

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

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

Accounting Policies and Principles

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2007 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, which is based on International Financial Reporting Standards and having regard to the Financial Reports of Pension Schemes – A Statement of Recommended Practice. The principal accounting policies of the Fund are set out below. The policies have remained unchanged from the previous year except where indicated.

Contributions

Employer and employee contributions are included on an accruals basis relating to wages and salaries payable for the financial year. Employers' capital cost payments are also accounted for on an accruals basis relating to the period in which the liability arises.

Benefits

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

Transfers in and out

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

Administrative expenses

Administrative expenses are shown on an accruals basis. A proportion of relevant Council officers' time, including related on-costs, has been charged to the Fund on the basis of actual time spent on scheme administration and investment related matters. Charges paid to HMRC in respect of scheme members breaching the Pensions Lifetime allowance are disclosed under administrative expenses.

Investment income

Dividends are shown on an accruals basis by reference to the ex-dividend date. Withholding tax, which is recoverable, is accrued on the same basis as the income to which it relates. Interest on fixed interest investments, index linked securities, cash and short term deposits is accounted for on an accruals basis. Distributions from equity and bond pooled funds are recognised on the date of payment. Distributions from property unit trusts are shown on an accruals basis by reference to the ex-dividend date.

Taxation

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

Derivative contracts

In relation to income from forward foreign exchange contracts, all realised and unrealised gains and losses are included within change in market value. All interest receivable is accrued on a daily basis. The Pension Fund holds no other types of derivative contract.

Investment management expenses

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

Investments – market values

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

- Listed securities are stated at bid value;
- Unquoted securities are stated at the estimate of fair value provided by the investment manager;
- Units in managed funds and pooled investment vehicles are stated at bid value; and
- Forward foreign exchange contracts are valued by establishing the gain or loss that would arise on closing out the contract at the accounting date by entering into an equal and opposite contract on that date.

There are no published price quotations available to determine the fair value of the Fund's private equity holdings. The value of these holdings is therefore assessed by the Private Equity Fund Manager on a fair value basis as determined at 31 December 2012 adjusted for drawdowns paid and distributions received in the period 1 January 2013 to 31 March 2013.

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

Actuarial Present Value of Promised Retirement Benefits

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

Additional Voluntary Contributions ("AVCs")

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

Further details about the AVC arrangements are disclosed in note 19 to the financial statements.

Critical Judgements applied

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

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

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

Pension Fund Account

2012/13 £'000		Notes	2011/12 £'000
	Dealings with members, employers and others directly involved in the scheme		
40,762	Contributions receivable	1	44,481
4,258	Transfers In	2	9,072
(40,077)	Benefits payable	3	(42,001)
(5,128)	Payments to and on account of leavers	4	(4,232)
(876)	Administrative Expenses	5	(651)
(1,061)	**Net additions from dealings with members**		**6,669**
	Returns on Investments:		
3,603	Investment Income	6	12,365
107,377	Change in market value of investments	9	18,389
(33)	Taxes on Income	7	(94)
(1,642)	Investment management expenses	8	(3,333)
109,305	**Net returns on investments**		**27,327**
108,244	**Net increase in the Fund during the year**		**33,996**
754,948	**Add: Opening net assets of the scheme**		**720,952**
863,192	**Closing net assets of the scheme**		**754,948**

Net Asset Statement

The Net Asset Statement sets out the assets and liabilities for the Fund as at 31 March 2013. The Fund is separately managed by the Council acting in its role as Administering Authority and its accounts are separate from the Council's.

31/03/13 £'000		Notes	31/03/12 £'000
860,379	Investment assets		754,512
0	Investment liabilities		(2,680)
860,379		9	751,832
3,802	Current Assets	12,13	4,025
(989)	Current Liabilities	13,14	(909)
863,192	**Total Assets**		**754,948**

Notes to Pension Fund Account

1. Contributions Receivable

2012/13 £'000		2011/12 £'000
23,127	Employers' normal contributions	23,959
6,661	Employers' deficit funding contributions	6,979
2,155	Employers' other contributions	4,179
31,943	**Sub Total**	**35,117**
8,819	Members' normal contributions	9,364
40,762	**Total**	**44,481**

Employers' deficit funding contributions include lump sum payments and the deficit element of the employers' contribution rate. In addition, payments resulting from cessation valuations are also included.

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

Contributions are further analysed in the following note:

1a. Analysis of Contributions Receivable

2012/13 £'000		2011/12 £'000
31,599	Administering authority	36,455
7,937	Scheduled bodies	6,765
1,226	Admitted bodies	1,261
40,762	**Total**	**44,481**

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

2. Transfers In

2012/13 £'000		2011/12 £'000
4,258	Individual transfers in from other schemes	4,980
0	Bulk transfers in from other schemes	4,092
4,258	**Total**	**9,072**

3. Benefits Payable

2012/13 £'000		2011/12 £'000
31,380	Pensions	28,525
7,771	Commutation of pensions & lump sum retirement benefits	12,956
926	Lump sum death benefits	520
40,077	**Total**	**42,001**

Benefits payable are further analysed in the following note.

3a. Analysis of Benefits Payable

2012/13 £'000		2011/12 £'000
36,183	Administering authority	37,719
2,995	Scheduled bodies	3,308
899	Admitted bodies	974
40,077	**Total**	**42,001**

4. Payments to and on account of leavers

2012/13 £'000		2011/12 £'000
1	Refunds of contributions	1
4,052	Individual transfers out to other schemes	4,231
1,075	Bulk transfers out to other schemes	0
5,128	**Total**	**4,232**

5. Administrative Expenses

2012/13 £'000		2011/12 £'000
646	Administration and processing	572
87	Legal and professional fees	79
143	HMRC Charges	0
876	**Total**	**651**

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

6. Investment Income

2012/13 £'000		2011/12 £'000
19	Interest from fixed interest securities	77
1,008	Dividends from equities	4,136
53	Income from index-linked securities	569
2,437	Income from pooled investment vehicles	7,215
86	Interest on cash deposits	368
3,603	**Total**	**12,365**

7. Taxes on Income

2012/13 £'000		2011/12 £'000
33	Irrecoverable withholding tax on investment income	94
33	**Total**	**94**

8. Investment management expenses

2012/13 £'000		2011/12 £'000
1,462	Fund managers fees	3,150
60	Custodian fees	86
81	Investment consultant fees	80
20	Independent adviser fees	1
19	Other	16
1,642	**Total**	**3,333**

9. Reconciliation of movements in Investment assets & liabilities

2012/13	Value as at 1 April 2012 £'000	Purchases at Cost & Derivative payments £'000	Sales Proceeds & derivative receipts £'000	Net Security Movements £'000	Changes in market value £'000	Value as at 31 March 2013 £'000
Fixed Interest securities	0	1,107	(2,258)	1,163	(12)	0
Equities	131,453	0	(5,056)	(114,181)	(12,216)	0
Index-linked securities	53,316	714	(9,112)	(37,647)	(7,271)	0
Pooled Investment vehicles	529,585	324,583	(274,340)	150,665	118,079	848,572
Derivative Contracts	(1)	10	(14)	0	5	0
Sub total	**714,353**	**326,414**	**(290,780)**	**0**	**98,585**	**848,572**
Cash Deposits	38,684	5,385	(32,793)	0	34	11,310
Other Investment Balances	(1,205)	2,554	(840)	0	(12)	497
Sub total	**37,479**	**7,939**	**(33,633)**	**0**	**22**	**11,807**
Net Investment Assets	**751,832**	**334,353**	**(324,413)**	**0**	**98,607**	**860,379**

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

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

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £2k (2011/12: £132k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

9a. Analysis of investment assets excluding derivatives and other investment balances

31/03/13 £'000		31/03/12 £'000
	Equities	
0	UK quoted	34,109
0	Overseas quoted	97,344
0	**Sub total**	**131,453**
	Index Linked Securities	
0	UK Public sector quoted	53,316
0	**Sub total**	**53,316**
	Pooled Investment Vehicles	
	Unit Trusts:	
44,053	- Property - UK	46,989
0	- Other - Overseas	14,088
	Unitised Insurance Policies	
342,400	- UK	120,109
423,661	- Overseas	63,629
	Other managed funds	
3,702	- Property - Overseas	5,571
0	- Other - UK	136,589
34,756	- Other - Overseas	142,610
848,572	**Sub total**	**529,585**
	Cash Deposits	
10,823	Sterling	38,384
487	Foreign Currency	300
11,310	**Sub total**	**38,684**

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

9b. Derivative Contracts

31/03/13 £'000		31/03/12 £'000
	Forward Foreign exchange:	
0	Pending forward foreign exchange purchases (asset)	128
0	Pending forward foreign exchange sales (liability)	(129)
0	**Total**	**(1)**

The Pension Fund investment managers were using forward foreign exchange contracts to reduce currency risk when undertaking investment transactions in foreign currencies in the early part of the financial year. At the end of the financial year, there were no such contracts outstanding.

In addition to forward foreign exchange contracts, the Pension Fund investment managers are permitted to use certain other derivatives in managing their portfolios, including warrants, futures, convertible securities and swaps. The use of all these derivatives is in line with the investment management agreements in place between the Fund and the investment managers. The Pension Fund did not hold any derivative contracts, other than forward foreign exchange contracts, as at 31 March 2013 or 31 March 2012.

9c. Investment Assets – Other Investment Balances

31/03/13 £'000		31/03/12 £'000
495	Outstanding dividend entitlements	1,193
2	Interest receivable	11
0	Outstanding trade sales proceeds	62
0	Pending foreign exchange purchases - spot deals	80
497		**1,346**

9d. Investment Liabilities – Other Investment Balances

31/03/13 £'000		31/03/12 £'000
0	Pending foreign exchange sales - spot deals	(80)
0	Unsettled investment trade purchases	(2,471)
0		**(2,551)**

9e. Analysis of Investments by fund manager

31/03/2013		Fund Manager	31/03/2012	
£'000	%		£'000	%
516,158	60.0	BlackRock Investment Mngt	0	0.0
0	0.0	Capital International	203,301	27.1
0	0.0	Fidelity International	250,142	33.3
249,906	29.1	Legal & General	183,738	24.4
54,046	6.3	CBRE Global Investors	52,060	6.9
34,756	4.0	Pantheon	29,485	3.9
5,513	0.6	In house cash deposits	33,106	4.4
860,379	**100.0**	**Total**	**751,832**	**100.0**

9f. Investments exceeding 5% of Net Assets

31/03/2013			31/03/2012	
£'000		Name of holding	£'000	
193,256	22.4%	BlackRock Aquila Life UK Equity Index Fund	0	0.0%
139,082	16.1%	BlackRock Aquila Life US Equity Index Fund	0	0.0%
102,848	11.9%	BlackRock Aquila Life Over 5 Years Index Linked	0	0.0%
84,242	9.8%	Legal & General World Emerging Equity Index	0	0.0%
47,589	5.5%	Legal & General Europe ex UK Equity Index	0	0.0%
43,563	5.0%	BlackRock Aquila Life European Equity Index Fund	0	0.0%
21,364	2.5%	Legal & General UK Equity Index	120,110	15.9%
0	0.0%	Legal & General World Equity Index	63,629	8.4%
0	0.0%	Fidelity Institutional Index Linked Bond Fund	68,671	9.1%
0	0.0%	Fidelity Institutional Exempt America	41,029	5.4%
0	0.0%	Fidelity UK Institutional UK Equities	38,889	5.2%

10a. Classification of Financial Instruments

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

31/03/13			31/03/12	
Carrying Value £'000	Fair Value £'000		Carrying Value £'000	Fair Value £'000
FINANCIAL ASSETS				
Financial Assets at Fair Value through Profit or Loss				
0	0	Fixed Interest securities	0	0
0	0	Equities	119,711	131,453
0	0	Index-linked securities	45,294	53,316
714,929	848,572	Pooled Investment vehicles	417,211	529,586
0	0	Derivative Contracts	128	128
497	497	Other Investment Balances	1,347	1,346
715,426	**849,069**		**583,691**	**715,829**
Loans & Receivables				
11,310	11,310	Cash Deposits	38,684	38,684
3,802	3,802	Debtors	4,025	4,025
0	0	Cash at Bank	0	0
15,112	**15,112**		**42,709**	**42,709**
FINANCIAL LIABILITIES				
Financial Liabilities at Fair Value through Profit or Loss				
0	0	Derivative Contracts	(129)	(129)
0	0	Other Investment Balances	(2,727)	(2,551)
0	**0**		**(2,856)**	**(2,680)**
Financial Liabilities at Amortised Cost				
(897)	(897)	Creditors	(891)	(891)
(92)	(92)	Cash overdrawn	(18)	(18)
(989)	**(989)**		**(909)**	**(909)**
729,549	**863,192**	**Net Assets**	**622,635**	**754,949**

10b. Net gains and losses on financial instruments

The table below analyses gains and losses according to financial instrument classification.

31/03/13 £'000		31/03/12 £'000
Financial Assets		
98,431	Fair Value through profit or loss	18,429
34	Loans & receivables	(70)
Financial Liabilities		
142	Fair Value through profit or loss	30
0	Financial Liabilities at Amortised Cost	0
98,607	**Total**	**18,389**

11. Nature and extent of risks arising from Financial Instruments

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

a) Management of risk

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

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

Prior to 2012-13 the Council had become increasingly concerned about the performance of its active fund managers and the volatility in returns that this style of management can produce. To seek to improve performance and the management of risk the Council decided to alter its strategy and to invest 90% of its funds with managers who are required to manage on a passive basis and produce consistent performance closely aligned to defined indices.

b) Market price risk

The key risk for the Pension Fund is market risk, which is the risk that the value of the investments fluctuates due to changes in market prices. The majority of the Fund is invested in pooled funds with underlying assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. The Fund's investments increased in value during 2012/13 by £107m, equivalent to around 14.2%. To demonstrate the impact of this volatility, the table below shows the impact a 10% movement up and down in market prices would have had on the portfolio in 2012/13 and for the previous year.

	Market Value at 31/03/13 £'000	% change	Value on increase £'000	Value on decrease £'000
Fixed Interest securities	0	10%	0	0
Equities	0	10%	0	0
Index-linked securities	0	10%	0	0
Pooled Investment vehicles	848,572	10%	933,429	763,714
Derivative Contracts	0	0%	0	0
Cash Deposits	11,310	0%	11,310	11,310
Other Investment Balances	497	0%	497	497
Net Investment Assets	**860,379**		**945,236**	**775,521**
	Market Value at 31/03/12 £'000	**% change**	**Value on increase £'000**	**Value on decrease £'000**
Fixed Interest securities	0	10%	0	0
Equities	131,453	10%	144,598	118,308
Index-linked securities	53,316	10%	58,648	47,984
Pooled Investment vehicles	529,585	10%	582,544	476,627
Derivative Contracts	(1)	0%	(1)	(1)
Cash Deposits	38,684	0%	38,684	38,684
Other Investment Balances	(1,205)	0%	(1,205)	(1,205)
Net Investment Assets	**751,832**		**823,268**	**680,397**

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

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

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 54% of the Fund value on 31st March 2013. There is a risk that due to exchange rate movements that the sterling equivalent value of the investments falls. The table below shows the impact a 10% movement up and down of the pound against foreign currencies would have had on the portfolio in 2012/13 and for the previous year.

	Market Value at 31/03/13 £'000	% change	Value on increase £'000	Value on decrease £'000
Overseas exposure in				
Pooled Investment vehicles	462,119	10%	508,331	415,907
Foreign Currency	487	10%	536	438
Total	**462,606**		**508,867**	**416,345**

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

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

d) Interest Rate risk

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

	Interest earned 2012/13 £'000	Interest if rates 1% higher £'000	Interest if rates 1% lower £'000
Fixed Interest securities	19	30	8
Index-linked securities	53	97	8
Cash Deposits	86	215	0
	158	**342**	**16**

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

e) Credit risk and counterparty risk

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

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table below shows the split of the bond investments by credit rating at 31st March 2013 and 31st March 2012.

	Market Value at 31/03/2013 £'000	AAA %	AA %	A %	BBB %	Below BBB %
Bond exposure in Pooled Investment vehicles	127,780	100.0	0.0	0.0	0.0	0.0
Total / Weighted Average	**127,780**	**100.0**	**0.0**	**0.0**	**0.0**	**0.0**

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

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

	Credit rating on 31/03/13	Exposure £'000
Northern Trust	AA-	521
Money Market Funds	AAAm	10,789
Total		**11,310**

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

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

f) Liquidity risk

Liquidity risk is the risk that monies are not available to meet the Pension Fund's obligation to pay pension benefits on time. Maintaining a level of internally managed cash balances enables the Pension Fund to ensure liquidity is not an issue. All of the internally managed cash held on 31 March 2013 was in instant access money market funds, ensuring cash is available as required. Monitoring of the cashflow position daily assists with maintaining this position.

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

12. Debtors

31/03/13 £'000		31/03/12 £'000
	Local Authorities	
	Contributions due from :	
2,100	Administering Authority in respect of the Council	2,457
523	Administering Authority in respect of members	587
2,623	**Sub Total**	**3,044**
3	Administering Authority - other	26
3	**Sub Total**	**26**
	Central Government Bodies	
14	HM Revenue & Customs	39
14	**Sub Total**	**39**
	Other entities and individuals	
	Contributions due from :	
102	Admitted Bodies in respect of employers	80
29	Admitted Bodies in respect of members	20
959	Scheduled Bodies in respect of employers	430
59	Scheduled Bodies in respect of members	155
0	Other - Reimbursement of Fund management expenses	228
13	Other	3
1,162	**Sub Total**	**916**
3,802	**Total**	**4,025**

All contributions due to the Scheme were paid in full to the Scheme. All were paid within the timescales required by the Scheme Rules, with the exception of two employers, whose contributions were received late.

13. Cash at bank

31/03/13 £'000		31/03/12 £'000
(92)	Cash at bank / (Cash Overdrawn)	(18)
(92)	Total	**(18)**

14. Creditors

31/03/13 £'000		31/03/12 £'000
	Local Authorities	
27	Administering Authority	0
	Central Government Bodies	
320	HM Revenue & Customs	283
	Other entities and individuals	
205	Unpaid benefits in respect of the Administering Authority	164
345	Fund manager and adviser fees	437
0	Other	7
897	**Total**	**891**

15. Contingent assets

Five admitted bodies in the London Borough of Haringey Pension Fund hold bonds to protect the Fund against the possibility of being unable to meet their pension obligations. The bonds would only be payable to the Fund in the event of default on the part of the admitted body. There were four bonds in place on 31st March 2012.

16. Contingent liabilities

The Fund had the following outstanding commitments to invest at the balance sheet date:

31/03/13 £'000		31/03/12 £'000
18,250	Pantheon - Private Equity	21,400
0	CBRE Global Investors - Property	852
18,250	**Total**	**22,252**

The commitments relate to outstanding call payments due in relation to the private equity and property portfolios.

17. Related party transactions

Haringey Council

In 2012/13 the Pension Fund paid £0.564m to the Council for administration and legal services (£0.502m in 2011/12). As at 31 March 2013 a net £2.599m was due from the Council to the Fund (£3.07m in 2011/12), mainly in relation to employer and employee contributions.

Governance

During 2012/13 five council members who served on the Corporate Committee were also members of the Pension Fund. Committee members are required to declare their interests at the beginning of each Committee meeting.

Key Management Personnel

Local Authorities are exempt from the key management personnel requirements of IAS24, on the basis of the disclosures required by the Accounts and Audit (England) Regulations. This also applies to the Haringey Pension Fund. The disclosures prepared in line with the Regulations can be found in the main accounts of Haringey Council. There were no other material related party transactions.

18. Actuarial present value of promised retirement benefits

Annex 1 to the Financial Statements is a report from the Fund's Actuary setting out this information.

The figures included in this note are for the purpose of accounting under International Accounting Standard 19 only. It is the results of the formal funding valuation that are used to determine the funding strategy and employer contribution rates for the Pension Fund. Details of the results of the formal funding valuation can be found in the Actuarial Position section.

19. Additional Voluntary Contributions ("AVCs")

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

Movements by provider are summarised below:

2012/13 £	Equitable Life Assurance Society	2011/12 £
333,145	Value as at 6 April	453,980
2,891	Contributions received	7,636
(12,565)	Retirement benefits and charges	(132,212)
19,645	Change in market value	3,741
343,116	**Value as at 5 April**	**333,145**
158,724	Equitable With Profits	165,288
70,733	Equitable Deposit Account Fund	69,191
113,659	Equitable Unit Linked	98,666
343,116	**Total**	**333,145**
24	Number of active members	26
22	Number of members with preserved benefits	23

2012/13 £	Clerical and Medical	2011/12 £
66,735	Value as at 1 April	56,901
2,894	Contributions received	5,279
5,354	Change in market value	4,555
74,983	**Value as at 31 March**	**66,735**
4,838	Clerical Medical With Profits	4,593
70,145	Clerical Medical Unit Linked	62,142
74,983	**Total**	**66,735**
4	Number of active members	4
2	Number of members with preserved benefits	2

2012/13 £	Prudential Assurance	2011/12 £
1,095,650	Value as at 1 April	1,117,023
175,664	Contributions received	217,025
(322,964)	Retirement benefits and charges	(299,646)
42,130	Change in market value	61,248
990,480	**Value as at 31 March**	**1,095,650**
779,091*	Prudential With Profits Cash accumulation	718,643
87,394	Prudential Deposit Fund	53,656
123,995	Prudential Unit Linked	323,351
990,480	**Total**	**1,095,650**
75*	Number of active members	84
24*	Number of members with preserved benefits	19

20. Post Balance Sheet Events

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

Annex 1 to the Financial Statements

As referred to in note 18 to the Financial Statements, the following actuarial report has been provided by Hymans Robertson.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2012/13 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund which is in the remainder of this note.

Balance Sheet

31/03/13 £'000		31/03/12 £'000
1,389,000	Present Value of Promised Retirement Benefits	1,186,000
1,389,000	**Total**	**1,186,000**

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31st March 2010. I estimate this liability at 31st March 2013 comprises £693m in respect of employee members, £314m in respect of deferred pensioners and £382m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. It should be noted that the figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate the impact of the change of assumptions to 31st March 2013 is to increase the actuarial present value by £120m.

Financial Assumptions

My recommended financial assumptions are summarised below:

31/03/13 % p.a.		31/03/12 % p.a.
2.8%	Inflation / Pension Increase Rate	2.5%
5.1%*	Salary Increase Rate	4.8%*
4.5%	Discount Rate	4.8%

** Salary increases are 1% p.a. until 31 March 2016, reverting to the long term rate thereafter*

Longevity Assumption

The life expectancy assumption is based on the standard SAPS tables with improvements from 2007 in line with the Medium Cohort and a 1% per annum underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.9 years	24.7 years
Future Pensioners (assumed to be currently aged 45)	23.3 years	26.1 years

This assumption is the same as at 31st March 2012.

Commutation Assumption

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

Professional Notes

This paper accompanies my covering report titled "Actuarial Valuation as at 31st March 2013 for the purposes of International Accounting Standard 19 dated April 2013". The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper together with further details regarding the professional requirements and assumptions. This report is available from the Administering Authority on request.

Douglas Green FFA

For and on behalf of Hymans Robertson LLP

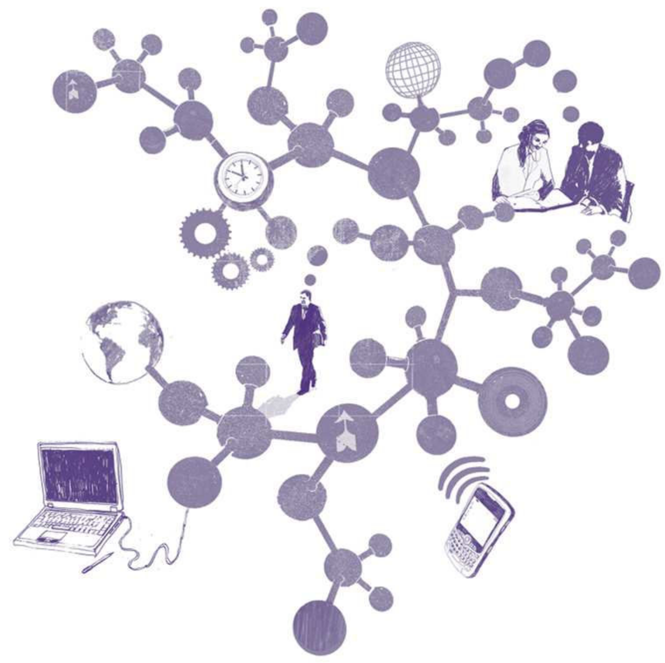
30th April 2013.

Grant Thornton

The Audit Findings for London Borough of Haringey

Year ended 31 March 2013

September 2013



Paul Dossett
Partner
T 0207 728 3395
E paul.dossett@uk.gt.com

Paul Jacklin
Manager
T 0207 728 3263
E paul.j.jacklin@uk.gt.com

Richard Bennett
Audit Executive
T 0207 728 3241
E richard.s.bennett@uk.gt.com

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of London Borough of Haringey ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have revised our planned audit approach, which we communicated to you in our Audit Plan dated March 2013. The revisions detailed within Section 2 increased the efficiency of our audit. Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- completion of our closing processes
- Whole of Government Accounts

We received the draft financial statements in accordance with the national deadline. A number of working papers supporting entries within the draft statements were provided on the first day of the audit. A more complete set of working papers referenced to our audit arrangements checklist was provided throughout the first week of the audit.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any material adjustments affecting the Council's reported financial position. The draft financial statements recorded net expenditure of £132,761k; the audited financial statements show net expenditure of £132,761k. Our audit identified misstatements that were not material, but were above our trivial level. These misstatements are recorded within section 2 of the report. Council officers have taken the decision not to adjust their financial statements and have stated their reasons within the Letter of Representation which we ask the Corporate Committee to approve in accordance with normal practice.
We have also made a number of adjustments to improve the presentation of the financial statements.

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

- We recognise the considerable effort that the Council has made to improve the processes for preparing their financial statements and the increased level of commitment to supporting the audit process. This has resulted in a notable improvement in the quality of the financial statements provided for audit. The underlying data supporting the transactions and balances within the financial statements has proved to be more robust. As a result, we have not identified any material misstatements in the financial statements.
- The overall quality of the working papers provided for audit is improving, but the quality remains variable. In some instances initial working papers provided for key areas of the audit e.g. Property, Plant and Equipment did not contain sufficient detail for us to undertake our testing and a couple of detailed year end reports to support balances were not run at the year end. This resulted in additional information requests. Officers responded to these queries positively and on a timely basis allowing the audit to be completed within the agreed timetable.
- Our substantive testing of the balances within the financial statements has not identified any material errors or misstatements.
- Auditing standards require us to reconfirm opening balances. We have been unable to verify the opening balance of infrastructure assets as these assets are grouped. We are satisfied that the balance is not materially misstated as we have undertaken in year testing of infrastructure assets in previous year audits. The Council should ensure these assets are still held and in use and can be easily identified and located to confirm their existence.
- Misstatements have been identified within the Property Plant and Equipment, Debtors and schools cash balances on the balance sheet which are not material. The Council has opted not to amend their financial statements for these misstatements.
- A number of presentational issues were identified that the Council has corrected for in the revised set of financial statements.
- We propose to give an unqualified opinion on the Council's financial statements following the Corporate Committee on 19 September.

Further details are set out in section 2 of this report

Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

The Council has submitted the draft WGA consolidation pack for audit on 2 September 2013. We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.
Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

We draw your attention in particular to control issues identified in relation to:

- access and maintenance of user information relating to the General Ledger system.
- timely completion of reconciliations between the payroll system and the general ledger

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Corporate Resources.

We have made a number of recommendations, which are set out in the action plan in Appendix A.[Recommendations have been discussed and agreed with the Director of Corporate Resources and the finance team.]

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2013

Section 2: Audit findings

Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Corporate Committee on 14 March 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

The Audit Plan dated March 2013 stated that we would undertake substantive testing on transactions for depreciation of Property Plant and Equipment and on Housing Revenue Account Income. We have since determined that undertaking a detailed analytical review on these items would be a more efficient method to obtain our assurances. In addition, we stated that we would test the key controls within the operating expenses cycle to gain assurance over the completeness of the creditors balance. On review of the key controls in place we decided that it would be more efficient to undertake substantive tests to ensure the completeness of the balance.

Status of audit

Overall progress has been in line with the planned timetable and subject to completion of the outstanding matters highlighted on Page 5 we plan to give an unqualified opinion on the financial statements following the Corporate Committee on 19 September. There has been a significant improvement in the quality of the financial statements provided to audit this year and we have not identified any material amendments to the financial statements.

Working papers supporting entries within the financial statements were provided on the first day of the audit. This was not a complete set in line with our requirements which were sent to the Council on 12 March 2013 and additional working papers continued to be provided throughout the first week of the audit. Providing working papers in line with our requirements would result in a more efficient audit. The overall quality of the working papers is improving, but the Council need to strengthen processes for the preparation and review of working papers. The first set of PPE (one of the highest risk areas -see page 11) working papers did not contain the detail we needed to commence work in that area.

We also identified examples where the initial working papers provided did not contain sufficient detail for us to select samples to undertake our substantive testing and for Housing Rent debtors and legal cases the relevant reports were not run at the year end to enable us to test these balances. These issues resulted in additional information requests and further testing that impacted on the progress of the audit. The Council needs to undertake a thorough review of the quality of its working papers prior to them being submitted for audit.

Misstatements identified during the audit process

Our testing has not identified any material misstatements within the financial statements. We have identified the following misstatements that we are required to report to you under auditing standards as they are deemed "above trivial"..

- Assets relating to schools that should be classified as Vehicles and Plant and Equipment are being recorded as Other Land and Buildings within the fixed asset register. As a result, these assets are being written out of the asset register on revaluation and prior to revaluation are depreciated over an incorrect period. The error has resulted in a misclassification of schools assets in the current year of £1,595k and an estimated £3m understatement of school Vehicles, Plant and Equipment assets from prior years.
- Our review of the fixed asset register and the external valuers report, identified £38.7m of assets had not been valued. This is because the valuer had not been instructed to value these assets. The average decrease on buildings on the valuation is 25%. Therefore, there is a potential overstatement of assets that have not been valued of £9.7m. Of the £38.7m, £25.3m has been disposed of in the year reducing the potential overstatement of assets to £3.35m, which is a non-material movement.

Overview of audit findings

- Infrastructure Assets are recorded on the fixed asset register in blocks. The Council has separated out these blocks to individual assets for 2012/13 transactions and have substantially completed 2011/12 additions. The Council are continuing this exercise for earlier years but as yet no detailed figures are available. As a result, it has not been possible to verify the existence of the opening balance of £135,325k of infrastructure assets within the asset register as we are required to do by auditing standards. We have been able to verify additions in 2012/13 and have tested previous year additions as part of previous year audits so we are satisfied that the bought forward balance is not materially misstated. There is a risk that assets included in the register are no longer in use or held by the Council. The Council should ensure that assets included in their asset register are still held and in use and can be easily identified and located to confirm existence.
- Sample testing of Assets Held for Sale and Other Land and Buildings identified that William Harvey School should not have been valued and disposed of at the beginning of the year as it was demolished in previous years, Hornsey Central Depot incorrectly recorded at nil balance within Other Land and Buildings which should have been classified as an Asset Held for sale and Cranwood Residential Home classified as an Asset Held for Sale should be recorded as a Surplus Asset.
- Our sample testing of schools bank accounts identified a number of errors on the reconciling items. As a result the Council have reviewed all the school bank account reconciliations which has identified that the schools bank balances were understated by £384k
- We identified that National Non Domestic Rates debtors of £1.56m were incorrectly included within the financial statements. These balances are due to the national pool and not the Council. We note that the Council's treatment complies with the 2013/14 accounting requirements.

The Council has opted not to amend their financial statements for the issues identified. The proposed adjustments are recorded in pages 18-19.

Audit opinion

We anticipate that we will provide the Council with an unqualified opinion following the Corporate Committee on 19 September 2013. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• review and testing of revenue recognition policies • Performance of attribute testing on material revenue streams	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.
3.	**Property, Plant & Equipment is not complete** There is a risk that Property, Plant & Equipment activity is not valid.	• walkthrough of the PPE system to ensure the expected controls are in place • review of the processes to populate the new fixed asset register • Substantive testing of in-year additions and disposals • Performance of existence testing on a sample of assets	The walkthrough of the controls in place in the PPE cycle did not identify any weaknesses. Substantive testing of additions and disposals identified errors in the classification of school assets. We also noted that assets have been removed from the register in 2012/13 that had been disposed of in previous years. The value of these assets was not material and we are satisfied that the Council has correctly removed these assets from the register within the year. We were unable to verify specific infrastructure assets as these are included as blocks on the asset register. There is a risk that assets included in the register are no longer held by the Council.

Audit findings against significant risks (continued)

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
4	**Property, Plant & Equipment gross valuation is incorrect** There is a risk that the revaluation measurement of Property, Plant & Equipment is not correct.	• we have discussed with the Council the arrangements in place to value PPE for 2012/13 • reviewed the work performed by the valuer including ensuring that any valuations have been undertaken in accordance with the requirements of the appropriate accounting and professional standards • tested valuations to ensure that they have been correctly accounted for in the financial statements	We are satisfied that valuations have been undertaken in accordance with the appropriate accounting and professional standards. The listing of assets submitted to the valuer was not complete and as a result there is a potential overstatement of £3.35m on the value of Other Land and Buildings.
5	**Property, Plant & Equipment gross valuation is incorrect** There is a risk that expenditure on Property, Plant & Equipment has been improperly expensed.	• We have identified large or unusual additions and disposals and tested a sample of these. • Testing of journals entries • Reviewed unusual significant transactions	Our audit work has not identified any significant issues in relation to the risk identified. The finding in relation to previous year disposals is highlighted above.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • reviewed large and unusual items and tested these • tested large and unusual journals to gain assurance that there are adequate controls in place over inputting and processing and that these have operated effectively through the financial year	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Remuneration expenses not correct	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • performed attribute testing on a sample of payroll payments made during the year gaining assurance that employees have been remunerated at the correct rates during 2012/13. • tested the agreement of HMRC returns to staff records	We identified that a monthly reconciliation between the General Ledger and the Payroll system has not been undertaken within the year. Officers have since completed the reconciliation as part of the audit process and there are no further issues to report.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefits improperly computed	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • completed the initial DWP certification testing of Housing and Council Tax benefits , including analytical review and verification of benefits awarded on a sample basis.	Our initial testing of 80 cases has identified errors that have lead to an overpayment of benefit to claimants. We have undertaken an extrapolation exercise and are satisfied that any potential overpayment is not material.
Housing rent	Revenue transactions not recorded.	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • performed detailed analytical review procedures in order to gain assurance over the completeness of rental income	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Allowance for depreciation not adequate	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • reviewed the fixed asset for depreciation rates outside those set out in the policy	We identified that the useful lives for Vehicles Plant and Equipment and Infrastructure assets calculated by the asset register is not consistent with the depreciation policy. The Council has amended the policy to include a range of lives for these assets.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	PPE are impaired	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • reviewed the work performed by the valuer, which included ensuring that any valuations had been undertaken in accordance with the requirements of the appropriate accounting and professional standards • reviewed the Council's fixed asset register to ensure that revised valuations had been correctly accounted for in the financial statements	With the exception of the potential overstatement of £3.35m on the value of Other Land and Buildings mentioned above we have not identified any other issues to bring to your attention.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Income is accounted for in the year the activity takes place, not simply when the cash is received i.e. on an accruals basis. This means income is recorded when it is earned not received. • Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. • Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and is probable that economic benefits or service potential associated with the transaction will flow to the Council.	We have reviewed the appropriateness and the disclosure of the accounting policy which agrees to the requirements of the Code of Practice on Local Authority Accounting 2012/13. We have undertaken substantive testing of grants and other revenues and we are satisfied that the Council has recognised income in the financial statements in accordance with the accounting policy.	●
Judgements and estimates	• Key estimates and judgements include : – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – Provisions – Receivables and payables estimates (including provision for irrevocable debt	• We have obtained assurances from the external valuer, that asset valuations and impairments are based on reasonable assumptions and that the depreciation basis is reasonable. • Pension fund valuations and settlements have been agreed to the actuary reports. We have undertaken sufficient work to be able to place reliance on the work of the actuary. • We have gained assurance that key estimates and judgements in regard to provisions, meet the criteria of being more likely than not to arise, quantifiable and arise from past obligations. We are satisfied that estimates and judgements are disclosed. • We have gained assurance that other key areas such as debt provisions and accruals are true and fair.	●

Accounting policies, Estimates & Judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Trust's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of the accounting policies identified some minor improvements. The Council has updated their policy accordingly.	●

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Unadjusted misstatements

The table below provides details of adjustments identified during the audit but which have not been made within the final set of financial statements. The Corporate Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1	William Harvey School should not have been revalued and disposed of at the beginning of the year as the asset has been demolished.	Income and Expenditure change of £1,993k Decrease in Movement in Reserves Statement £1,993k	Decrease in Other Land and Buildings £77k. Charge to Capital Adjustment Account £77k	This asset was demolished in a previous financial year and needed to be written out of the Council's asset base in 2012/13; the disposal was processed at the end of the 2012/13 year rather than at the beginning and as a result it was revalued prior to being written out of the council's accounts. As the asset was subsequently fully written out the closing balance sheet position of the council's assets and therefore the opening 2013/14 position is correct for the purpose of any reader wanting to understand the value of the assets held by the Council. The adjustment represents approximately 1.5% of the I&E account.
2	Hornsey Central Depot was included under Other Land and Buildings, but should have been classified as an Asset Held for Sale. Values have not been stated within the table due to commercial sensitivity.	Not applicable	Decrease in Other Land and Buildings Decrease Revaluation Reserve Increase Assets held for Sale	As the rules governing Assets Held for Sale differ from those relating to Other Land and Buildings there is an effect on the Revaluation Reserve however, this is an unusable reserve used only to record accounting (as opposed to real) changes in value and does not therefore distort the readers' understanding of the accounts. The adjustments required amount to approximately 0.1% of the Balance Sheet value.

Unadjusted misstatements

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
3	Cranwood Residential Home was recorded as an Asset held for Sale which should be classified as a Surplus asset	Decrease Income and Expenditure £360k Increase Movement In Reserves Statement £360k	Decrease in Other Land and Buildings £76k Decrease Assets held for sale £1,062 Decrease Revaluation Reserve £1,878k Increase Surplus Assets £3,376k Decrease Capital Adjustment Account £360k	As the rules governing Assets Held for Sale differ from those relating to Surplus Assets there is an effect on a number of the Council's unusable reserves (Revaluation Reserve and Capital Adjustment Account) however, as these are used only to record accounting (as opposed to real) changes in value it does not distort the readers' understanding of the accounts. All of the adjustments required represent substantially less than 1% of the I&E and Balance Sheet values.
4	Assets relating to schools that should be classified as Vehicles, Plant and Equipment are being recorded as Other Land and Buildings within the fixed asset register.		Decrease Other Land and buildings £1,595k Increase Vehicle, Property and Equipment £1,595k Increase Vehicle Plant and Equipment £3,000k Increase Revaluation Reserve £3,000k	The auditors have identified a misclassification of school assets acquired in 2012/13 which does not affect the overall level of the Council's asset base merely its categorisation on the Balance Sheet; they have further estimated the effect of previous years' misclassifications. None of these changes would affect the understanding of the reader as they are of immaterial value and affect the unusable reserves of the Council (Revaluation Reserve) The adjustments represent approximately 0.3% of the Balance Sheet Long Term Asset values.

Unadjusted misstatements

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
5	Potential reduction of assets that were not valued in year		Decrease in other Land and Buildings £3,350k Decrease in Revaluation Reserve £3,350k.	Any notional reduction applied would also be offset by an equal and opposite adjustment to one of the Council's unusable reserves (Revaluation Reserve) and is not considered to have an effect upon the understanding of a reader of the Council's asset base and has no overall effect on the Council's Balance Sheet. The adjustment represents approximately 0.2% of the Balance Sheet Long Term Assets.
6	Errors identified in schools balances		Increase schools cash balances £384k Increase schools reserves £384k	Because schools' balances carry forward automatically between years this will be corrected as part of the 2013/14 closure process. Given the relatively small cash value it does not distort the reader's understanding of the Council's accounts and represents approximately 0.2% of the Council's usable reserves.
7	National Non Domestic Rates debtors incorrectly included within the financial statements	Decrease income £1,560k	Decrease debtors £1,560k	The Council's current accounting treatment is compliant with the regulations going forward and any adjustment would need to be reversed in 2013-14. Given the relatively small value it does not distort the reader's understanding of the Council's accounts and represents approximately 1% of the Council's usable reserves.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. There is no impact on the core financial statements

	Adjustment type	Value of misstatement £'000	Account balance	Impact on the financial statements
1	Misclassification	2,986	Settlements and Curtailments	Balances for settlements and curtailments under the defined benefit pension scheme assets and liabilities note 47 did not agree to the actuarial report. The balances have been overstated by £2,986k. There is no impact on the financial statements.
2	Disclosure	Nil	Post Balance Sheet Events	The Council has Investments with Heritable Icelandic bank. Heritable's residual mortgage book was sold to a third party after the year end. This could impact the amount and profile of future recoveries. LLAP Bulletin 82 update 7 stated that this should be disclosed as a subsequent event. Note 6 of the financial statements has been updated accordingly.
3	Disclosure	Nil	Investment Properties	The Council has not disclosed operating leases for the leased investment properties. This should be disclosed in the leases or the Investment property note.
4	Disclosure	Nil	Accounting Policies	The remaining lives for Vehicles Plant and Equipment and Infrastructure assets is not consistent with the depreciation policy. The Council has amended the policy to include a range of lives for these assets.
5	Disclosure	Nil	Revenue Expenditure funded from capital under statute (REFCUS)	There is a historical issue with the reclassification of REFCUS from Assets Under Construction. This has been resolved for future years, but £6m of prior year costs have been recognised as REFCUS in note 7 as part of the total £17m. This is not consistent with the disclosure in the Capital Finance Note 40(£11m). The Council has now separated out REFCUS expenditure in Note 7 to ensure consistency with Note 40.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. There is no impact on the core financial statements

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
6	Disclosure	Nil	Schools balances	The disclosures relating to schools assets should be expanded to include: • details of the value of assets that have been disposed of in year as a result of schools achieving Academy Status; and • details of the expected schools that will achieve Academy Status in 2013/14.
7	Disclosure	Nil	Capital Financing Requirement	There is a variance of £2,719k between the Capital Financing Requirement reported in the Statement of Accounts Note 40 of £548,822k and that which would be calculated based on the balances of the Non-Current Assets, Revaluation Reserve and Capital Adjustment Account of £546,103k as required by CIPFA's prudential code. The variance was identified in the prior year and it has only moved by £5k from the prior year position. No amendment to the financial statements is proposed.
8	Disclosure	34	Audit Fee	The fee for the audit and grant certification per Note 36 of the financial statements of £368k is overstated by £34k.
9	Disclosure	Nil	Leases/Accounting Policies	Our testing of operational leases identified one lease that was classified as an operational lease which should be a finance lease. The Council has stated that as the leases with a value of less than £50k have not been recognised. The Accounting Policies need to be updated to clarify the Council's approach. There is an inconsistency in the treatment of the policy as 6 of the 13 leases recognised have annual rents less than the de-minimis level. Testing of the finance lease note identified that the opening and closing carrying value of assets held as finance leases were overstated by £12,800k and £11,375k respectively.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1.		**General Ledger (SAP) password policy** Strong passwords are not enforced within SAP. This can expose the system to unauthorised and inappropriate access. Strong passwords have a sufficient number of characters, avoid common words and contain at least a numeric or special character. We noted, however, that neither a numeric character and/nor special character was enforced and furthermore the 'illegal' password file was not implemented.	We recommend that password complexity be enforced within SAP to ensure users set up passwords containing alphanumeric, upper case, lower case and special characters, which are not easy to guess or hack. Where this is not possible due to technical constraints of the SAP Netweaver Portal consideration should be given to using a single-sign solution at network level. This will reduce the risk of unauthorised access to Council SAP system and related data. **Management response**: Password strength will be addressed as part of the OneSAP upgrade project in line with prevailing IT Network controls with regard to the Deloitte audit recommendations and is due to commence September 2013 onwards, albeit the project is expected to take several months. All SAP access will be via single sign-on to Netweaver Portal. Any consideration to full single sign-on capability will be addressed in conjunction with IT/Security as part of any wider IT initiatives.

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
2.	●	**Leaver account removal process** There is no automated process to alert ICT management that an employee has left the organisation. The Council uses monthly reports which shows which employees will be leaving within a timeframe of three months and which employees have left since the last report was published. The frequency of this report does not allow for the timely notification of an employee who has already left the organisation and therefore it can be reporting up to a month late for certain leavers. There is a risk of leavers continuing to have access to the network and applications for at least 30 days, if processes are not in place to remove all leavers access promptly. Active leaver accounts may also be used by current staff to conceal inappropriate activity.	Management should introduce a procedure where IT and SAP administrators are informed of leavers at the earliest opportunity, to enable timely account removal. This will reduce the risk of unauthorised or inappropriate access through the use of active accounts that are no longer required. **Management response:** The systems team have a process in place whereby each month a list of user accounts is generated from SAP and matched against a report of leavers, long-term absentees (Sickness/maternity and Leave of Absence) to ensure accounts are locked down, however, we will endeavour to look at improving this process where current resources allow. In addition, alternative solutions will be investigated as part of the OneSAP project, for example there is a possibility that user accounts are linked to the HR Org Structure so that leavers would automatically be removed and users transferring to new posts would adopt only those roles relevant to the new post, losing any access to the previous post (similar to structural authorisations). Other alternatives would have to be looked at as part of a wider initiative between HR, IT and SAP team to introduce an agreed internal process.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
3.	●	**SAP segregations of duties** Segregation of Duties (SOD) cannot be maintained effectively over time due to the lack of a systematic maintenance mechanism that can manage the complexities of the SAP authorisation model. The risk of SOD conflicts within and between SAP roles increases over time as and when new authorisations are added. The introduction of SOD conflicts into user roles allows potential fraud to occur if incompatible systems authorisations are inappropriately used. It was noted that some conflicts still exist within some roles e.g. 'park' and 'post'. There is a strong risk that SOD conflicts or inappropriate access can be introduced unless there are robust and systematic processes in place. It is our opinion that such robustness can only be reasonably achieved through an automated GRC tool.	Management should consider the implementation of a Governance, Risk and Compliance tool that is able to track access risks and identify and manage SOD conflicts. It is understood that there is forthcoming SAP upgrade planned for 2013/2014. This upgrade will provide a useful starting point for role redesign and continuous management. **Management response:** Unfortunately, Governance Risk and Compliance tools are not within the remit of the OneSAP project due to the inherent cost of such tools, however, as part of the OneSAP project we did ask that bidders provide alternative 'cost-effective' solutions to help reduce SOD conflicts and these will be investigated as part of the OneSAP project. In addition, we will also endeavour to revisit the current set of roles to reduce the possibility of potential conflicts and look where possible to remove any conflicting functions like 'Park' and 'Post' that reside in the same roles due to system configuration shortcomings which may require a change in the way the system is configured.
4.	●	**Reconciliations between the payroll system and the General Ledger** Our audit identified that the Council had not undertaken a reconciliation between the General Ledger and Payroll system throughout the year. As part of the audit process officers have now completed this reconciliation which has not identified any issues that I am required to report.	Monthly reconciliations between the General Ledger and the Payroll system should be completed on a timely basis. Any differences should be investigated and explained and the reconciliations should be signed and dated by the preparer and reviewer.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Corporate Committee. We have not identified any fraud directly as a result of our audit procedures. We are not aware of any fraud that has a material impact on the accounts.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Council. • In particular, the reasons for not amending the financial statements for the items identified on pages 18-19
4.	**Disclosures**	• Our review identified the material omission of the disclosure note in respect of operating leases were the Council is the lessor.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Going concern**	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

Value for Money

Value for Money conclusion

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

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

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted that the Council faces significant challenges in regard to reducing central government funding, and in managing the social and financial implications of new government policies on welfare and local taxation. The Council's current arrangements for achieving financial resilience are adequate and good progress has been made in implementing previous year findings from the financial resilience report.

Key indicators

The Council continues to demonstrate robust financial performance, particularly in regard to performance against budget. Reserve levels remain low in comparison to other similar councils, although this has improved for both general and schools reserves. Notably, the management of schools with budgeted deficits has improved over the last year.

Financial Governance

The Council's governance processes and the level of engagement from members remains adequate. However, there is scope to strengthen the impact of the Corporate Committee in terms of managing the agenda and ensuring that members continue to focus on key governance matters rather than points of detail.

Value for Money

Financial Planning

This has been an area of focus over the past year, in order to equip the Council to address the financial challenges over the next few years. The Director of Corporate Resources is working with a reduced portfolio to focus on financial planning and management. There have been some further innovations such as early financial close for the year end accounts and the development of detailed savings schemes to cover the funding requirement up to 2014/15. The Council has clearly communicated the key financial assumptions in the medium term financial plan and has analysed the key areas of uncertainty. The planning process is robust but does identify some financial risks in the medium to long term, particularly around the scale of savings required up to 2015-16, the impact of inflation over this period, and the reliance on significant service re-configuration to render the savings required. The impact of welfare reform and changes to local taxation are also identified as areas of risk and uncertainty in the Council's plans

Financial control

The Council continues to demonstrate an adequate financial control environment and has sound assurance processes in place. The Council has taken significant action to improve the year end financial closedown processes and production of the financial statements. This has resulted in less amendments to the draft financial statements than in previous years.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within the residual risks are highlighted on the next page .

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
Lack of understanding by the leadership team of the current financial position and potential future implications	There remains an appropriate level of senior management and Member level engagement in the financial management process. The level of engagement and challenge from members on financial issues is similar to what we see in many other councils, in that it is good in parts, but would benefit from further development. The Council has appropriate forums for officers to help prepare members on key issues on a monthly basis.	Minor residual risk. The Council is fairly typical in that it has a limited number of Members with financial experience. While we have no significant concerns as the level of challenge demonstrated by Cabinet minutes and our attendance at the Corporate Committee ,we do however feel that the Council could take steps to strengthen this area.
Failure by the audit committee to provide robust challenge on financial matters within its remit	The Council's Corporate Committee is responsible for gaining assurance that controls over key cost categories are functioning, via monitoring progress on the Internal Audit plan and ensuring that the risk assurance framework is functioning correctly. The annual internal auditors report to the Committee indicates that the control framework is functioning well in general, and has highlighted areas where improvement is needed. The Corporate Committee operate a broad agenda, that does not always allow financial assurance matters to be discussed with the optimum depth and focus. There is scope to strengthen the impact of the Corporate Committee in terms of managing the agenda and focusing on key governance matters. We have some evidence, from discussions at the Corporate Committee and other forums, of Members challenging on finances and understanding the scale of the financial management challenge facing the Council. However, this could be further improved through member training and briefing on the governance role. The Council has an established risk assurance process and this is reviewed by the Corporate Committee on an annual basis. Service directors prepare directorate risk registers which are compiled into a corporate register. The process includes the management of risk within major projects.	Minor residual risk. We feel that the absence of a dedicated Audit Committee creates a minor residual risk, due to the lack of available agenda time and focus on internal control, audit findings and risk management in particular.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
Development of a financial plan which puts the body at risk of failing to deliver its statutory requirements, or at risk of legal challenge by service users or other bodies.	The Medium Term Financial Plan (MTFP) does not purposely put the body at risk of failure of delivering statutory responsibilities. The MTFP demonstrates a good grasp of key developments in local government financing. The key assumptions discussed in the MTFP include consideration of changes to local government funding and the impact of council tax and NNDR reform. The Council has analysed the implications of the government settlement on areas such as grant funding in the MTFP in some depth. The MTFP sets out the Councils key demographic assumptions and has used these to challenge some of the central government assumptions used to reach the Revenue Support Grant levels in 2013/14, for example, in regard to population. The Council faces increasing pressure on the availability and cost of temporary accommodation in the borough, which is an essential part of the strategy for implementing the central government benefits cap. The Councils own capacity for directly supporting residents through discretionary housing payments is highly limited and the Council is therefore exploring a range of options to mitigate this risk. These risks will put significant pressure on finances if not mitigated, from 2014/15 onwards. In 2011/12 we noted that Children's Services were in the highest 10% of spend amongst its statistical nearest neighbours. The Director of Children and Young People's Services, who joined the Council in November 2011, set up a Strategic Improvement Plan to increase the focus of the service on early intervention, whilst maintaining the on-going focus on safeguarding. This has resulted in spend in this area reducing toward the average among the statistical nearest neighbours in 2012/13, while maintaining service levels and without the budget overspends seen in previous years	Minor residual risk. We are satisfied that the Council's quality of analysis and planning is adequate. However, there are some significant financial pressures that depend on action to be taken in the future (and are not therefore delivered or embedded), that pose some financial risk. It is considered minor in regard to Value for Money Conclusion risk, because the risks impact primarily in the medium to long term rather than the next financial year.
Adverse key financial ratios	The Council continues to demonstrate robust financial performance, particularly in regard to performance against budget. Reserve levels remain low in comparison to other similar councils, although we noted this had improved for both general reserves and schools reserves. Notably, the management of schools with budgeted deficits has improved over the last year. Haringey has the lowest level of schools reserves as a proportion of DSG in comparison to similar councils (reflecting the size of the schools portfolio). In the Council's view, outer London areas such as Haringey have derived less benefit from the central government funding methodology than inner London areas, and this may be a factor in the current position. Despite this the schools have been able to deliver a significant improvement in their aggregate level of reserves in 2012/13. From the Council's point of view, the risk has crystallised where schools with deficits, transfer to Academy status as has been the case in 2012/13. The Council has made good progress in encouraging stronger financial management in schools, through training of governors and other means, and Internal Audit have been active in tracking progress. The Council recognises that there remains scope for further improvement and continues to drive this agenda.	Minor residual risk relates to the low level of schools balances in comparison to nearest neighbours. This is not considered a significant risk as there is no indication that this is likely to lead to financial failure in the next year and there have been a marginal improvement in school reserves and schools budget performance in 2012/13.

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit.

2012/13 Fees

	Per Audit plan £	Actual fees £
Council audit	272,700	272,700
Grant certification	52,950	52,950
Total audit fees	**325,650**	**325,650**

2011/12 Comparator Fees

	Per Audit plan £	Actual fees £
Council audit	454,500	486,500
Grant certification	90,500	86,896
Total audit fees	**545,000**	**573,396**

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure that working papers are prepared in line with the Arrangements Letter which is sent to the Council prior to closedown. The Council should undertake a review of the quality of its working papers to support the financial statements.	Medium	The majority of the working papers were provided in support of and alongside the draft SoA. Additional information as requested in the auditor's arrangements letter was provided subsequently within the first week of audit. The Council is committed to improving working papers to assist in the audit process whilst recognising that the focus of audit enquiries and sampling methodologies are determined by the auditors themselves once the SoA is received and reviewed. The Council will be reviewing the form of the auditor's final working paper requests with the aim of achieving that standard at the start of the 2013/14 audit.	Following the internal lessons learnt process and allowing for improvement and discussions with the auditors, the Council is aiming to have reviewed working paper requirements by December 2013 Chief Accountant
2	The Council should ensure that relevant listings of debtors and legal claims are run at the year end and saved as evidence to support balances within the financial statements.	Medium	This will be incorporated into the closure programme with a specific action to seek formal confirmation of completion.	March 2014 Chief Accountant
3	The Council should continue with the exercise to identify all infrastructure assets so that they can be located to confirm existence.	Medium	This exercise has been completed for the 2012/13 and previous year and will continue to be carried out for infrastructure assets relating to earlier years. The expectation is that it will be complete before the 2013/14 closure process commences.	March 2014 Chief Accountant

Appendix A: Action plan continued

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
4	Monthly reconciliations between the General Ledger and the Payroll system should be completed on a timely basis. Any differences should be investigated and explained and the reconciliations should be signed and dated by the preparer and reviewer.	Medium	Payroll reconciliations will be reviewed as part of the regular control day meetings throughout 2013/14.	On-going Payroll Manager and Head of Finance (BAS)

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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

Opinion on the financial statements

We have audited the financial statements of London Borough of Haringey for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement 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 2012/13.

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 Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements 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 financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Haringey as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income 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 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority 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 Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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 November 2012, as to whether the Authority 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 Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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 Authority 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 November 2012, we are satisfied that, in all significant respects, London Borough of Haringey has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Delay in certification of completion of the audit
We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul Dossett
Partner
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
London NW1 2EP

September 2013

Grant Thornton

grant-thornton.co.uk

Corporate Finance
6th Floor Alexandra House
10 Station Road
London N22 7TR
www.haringey.gov.uk

Julie Parker Director of Corporate Resources

Haringey Council

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

6 September 2013

Dear Sirs

London Borough of Haringey

Financial Statements for the year ended 31 March 2013

This representation letter is provided in connection with the audit of the financial statements of London Borough of Haringey for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.

viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.

ix We have not adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements

xi We can confirm that an increase in property values was identified within the Borough between 1 April 2012 and 31 March 2013, however this is not considered to outweigh the beacon judgements applied, particularly when considering the different profile of council stock in comparison to the London Borough of Haringey averages in general. As such we can confirm that we do not consider that any such increase in asset values would represent a material difference to the carrying values of the housing stock disclosed in the financial statements.

xii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiii 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 Council from whom you determined it necessary to obtain audit evidence.

xiv We have communicated to you all deficiencies in internal control of which management is aware.

xv All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvi We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xvii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

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.

xviii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xix We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xx We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

Annual Governance Statement

xxi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

Approval

The approval of this letter of representation was minuted by the Council's Corporate Committee at its meeting on 19 September 2013.

Signed on behalf of the Council

Name................................

Position ..... Chief Financial Officer

Date.................................

Name................................

Position ..... Chair of Corporate Committee

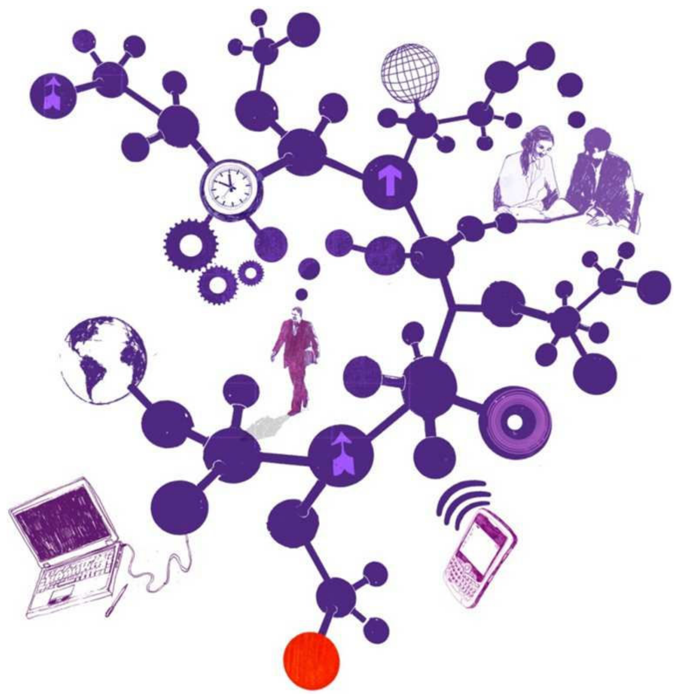
Date.................................

Grant Thornton

Corporate Committee Update for London Borough of Haringey

Year ended 31 March 2013

September 2013



Paul Dossett
Engagement Lead
T +44 (0)20 7728 3180
M +44 (0)7919 025198
E Paul.Dossett@uk.gt.com

Paul Jacklin
Audit Manager
T +44 (0)20 7728 3263
M +44 (0)78 80456186
E Paul.J.Jacklin@uk.gt.com

Richard Bennett
Executive
T +44 (0)20 7728 3241
E Richard.S.Bennett.uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Contents

Introduction

This paper provides the Corporate Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Council; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Corporate Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications - 'Local Government Governance Review 2012', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Paul Dossett Engagement Lead T +44 (0)20 7728 3180 **M** +44 (0)7919 025198 **E** Paul.Dossett@uk.gt.com

Paul Jacklin Engagement Manager T +44 (0)20 7728 3263 **M** +44 (0)78 8045 6186 **E** Paul.J.Jacklin@uk.gt.com

Progress at September 2013

Work	Planned date	Complete?	Comments
2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.	March 2013	Yes	The plan was presented to the Corporate Committee in March 2013.
Interim accounts audit Our interim fieldwork visit includes the following: • review of the Council's control environment • confirm understanding of financial systems	December 2012- March 2013	Yes	The outcome from this work has been reported separately in the audit plan (presented to the Corporate Committee in March 2013).
2012-13 final accounts audit Including: • audit of the 2012-13 financial statements • proposed opinion on the Council 's accounts • proposed Value for Money conclusion.	July- September 2013	Yes	The audit is now complete and we will issue the audit opinion after the Corporate Committee meeting in September 2013. We have reported our findings separately in the Audit Findings and Financial Resilience reports.

Progress at September 2013

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2012/13 VFM conclusion comprises risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control. Specifically we will: • Discuss and review the arrangements in place for reacting to the new legislation (transfer of Public Health to the Council, welfare reform and the Local Government Finance Act); • Update and refresh our review of Financial Resilience, focusing on the Medium Term Financial Plan and the savings plans; and	January-September 2013	Yes	The work is now complete and we will issue our Value for Money conclusion after the Corporate Committee . We have reported our findings separately in the Audit Findings report and the Financial Resilience report.
Grant claim certification We are on track to certify two further claims by the end of September 2013 (the audit deadline for these claims). We plan to certify the two remaining grant claims (to include Housing Benefits) by the deadline and by the end of November 2013.	August- November 2013	Ongoing	
Whole of Government accounts (WGA) We received the WGA consolidation pack on 2 September and we will submit this by the audit deadline of 4 October 2013.	September 2013	Ongoing	

Emerging issues and developments

Local government guidance

Social care for older people

In July, the Audit Commission released *Social care for older people: Using data from the VFM Profiles*. This briefing has been drawn from the Commission's Value for Money (VFM) Profiles and show councils spend on different services and how their costs and performance compare with other similar organisations.

Council tax collection – data from the value for money profiles

The Audit Commission has released a briefing on *Council Tax Collection* which uses the data held in the VFM profiles tool. The VfM profiles can be used to consider:

- how the cost and rate of collection compares to different comparator groups
- how changes over time compare to the overall trends described in the briefing
- how council tax collection may be affected by local arrangements in the council tax reduction scheme.

Emerging issues and developments

Local government guidance

Local Government Pension Scheme

The Department for Communities and Local Government has launched a *Call for evidence on the future structure of the Local Government Pension Scheme*. The consultation is asking for feedback on the objectives for structural reform and how the Local Government Pension Scheme can best achieve accountability to local taxpayers through the availability of transparent and comparable data while adapting to become more efficient and to promote stronger investment performance.

The consultation closes on 27 September 2013.

Local government claims and returns 2011/12

In June, the Audit Commission published 'Local government claims and returns 2011/12 – The Audit Commission's report on certification work'. The report includes information and commentary on the number and value of certified claims and returns; auditors' findings; the cost of certification work; and future certification work.

The Audit Commission concluded that:

- while 2011/12 saw a fall in the value of amendments and number of qualification letters, this was largely due to fewer claims and returns requiring certification. Proportionally, the level of claims and returns amended or qualified rose, while the most significant scheme, housing and council tax benefits, saw both the value of amendments and number of qualification letters increase.
- authorities and grant-paying bodies should continue their work to ensure schemes' terms and conditions are complied with, particularly when schemes change significantly or are in their final year.

Emerging issues and developments

Grant Thornton

'Future Councillors – where next for local politics?'

Grant Thornton has sponsored the latest New Local Government Network (NLGN) research paper: *Future Councillors – where next for local politics?* Whilst more or less every aspect of what a council does is currently up for discussion, this is not the case for the role of local politicians. The report is a response to this discourse gap.

The report content is based on a series of workshops held earlier this year with a number of councillors from different local authority types, different regions and from different political parties. The workshops, which Grant Thornton attended, included a scenario-planning exercise which identified how councillors that fail to renew their democratic processes risk losing the support of their communities. The research also suggested that councils that did grasp the opportunities offered by technology and service redesign can become far more engaged with their communities, building efficient and co-operative models of local government focused on neighbourhood needs.

The report includes a chapter by Guy Clifton from Grant Thornton on the councillor's role in financial planning. The workshops identified that many elected members are keen to take a far greater role in financial planning at their authorities, particularly given the significant funding challenges being faced. During the workshops we explored the skills and capabilities that members need to effectively manage the budget setting process. These included: effective communication and stakeholder engagement, understanding financial planning tools and, perhaps most importantly, knowing what questions to ask.

Emerging issues and developments

Grant Thornton

Spending Round 2013

It was announced in the June spending round that the local government resource budget will be reduced by 10 percent in 2015/16.

As Paul Dossett, Head of Local Government at Grant Thornton UK LLP, wrote on informationdaily.com, the Chancellor 'seemingly acknowledged local government's capacity to deliver the scale of savings achieved so far. No other spending department received such positive affirmation. The Chancellor's actions imply that local government leaders are more capable of meeting the national challenge than other parts of the public sector. Over the past three years, local government members and senior officers have tightened their organisational belts and most have shown they are able to deliver significant change. The government is placing continued reliance on their resourcefulness in order to help meet the fiscal shortfalls facing the broader public sector, and many in the sector recognise this.'

'In his speech, the Chancellor recognised the benefits that more collaborative working can bring, although not on the lines subsequently suggested by the LGA. The Chancellor called for more joined-up working between police forces, and between police forces and local authorities - with a £50m innovation fund to be established to support this work. He also called for greater collaboration between health and social care services, with £200m to be transferred to local authorities from the NHS in 2014-15, and a £3.8bn pooled budget in 2015-16. In addition, £35m is to be made available to local authorities in 2015-16 to help prepare for reforms to the system of social care funding, including the cap on care costs from April 2016. There is also the £200m additional funding to the Troubled Families programme being managed by the department for Communities and Local Government.'

Emerging issues and developments

Accounting and audit issues

2014/15 Code of Practice on Local Authority Accounting

At the end of July, CIPFA/LASAAC released the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The significant changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in authorities reviewing current measurements of property, plant and equipment and for some authorities, may require remeasurement of particular assets. CIPFA/LASAAC is proposing a relaxation of the measurement requirements of IFRS 13 and IAS 16 Property, Plant and Equipment for a three year period
- introduction of the new group accounting standards
- other amendments to standards issued by the International Accounting Standards Board (IASB): amendments to IAS 32 *Financial Instruments: Presentation* to clarify the application of the new disclosure requirements introduced in the 2013/14 Code and clarification on comparative information from amendments to IAS 1 *Presentation of Financial Statements*
- local government reorganisations and other combinations: clarification of the Code's requirements and alignment with other public sector bodies
- options for the "dry run" for the move to depreciated replacement cost for local authority transport infrastructure assets as set out in the CIPFA Code of Practice on Transport Infrastructure Assets to the (Local Authority Accounting) Code.

CIPFA/LASAAC have also launched a consultation on simplifying and streamlining the presentation of local authority financial statements.

Both consultations close on Friday 11 October 2013.

Grant Thornton

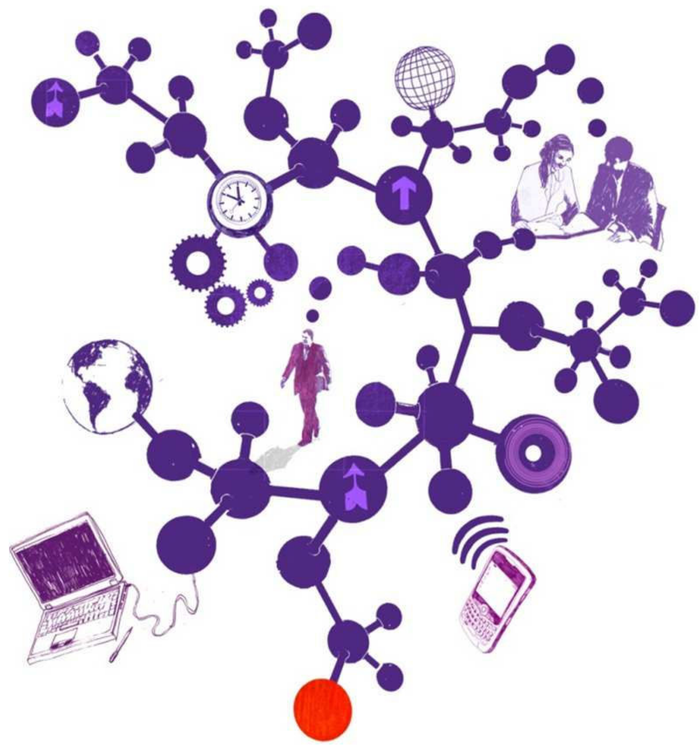
Grant Thornton

Review of the Council's Arrangements for Securing Financial Resilience (Follow-up)

London Borough of Haringey

Year ended 31 March 2013

September 2013



Paul Dossett
Engagement Lead
T 020 7383 5100
E paul.dossett@uk.gt.com

Tom Foster
Manager VFM Unit
T 0207 728 2085
E thomas.foster@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive Summary

Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council faces some significant risks and challenges during 2013/14 and beyond, its current arrangements for achieving financial resilience are adequate. Good progress has been made in addressing the matters we raised in last years report.

We have used a red/amber/green (RAG) rating with the following definitions.

Green	**Arrangements meet or exceed adequate standards**. Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	**Potential risks and/or weaknesses**. Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	**High risk**: The Council's arrangements are generally inadequate or may have a high risk of not succeeding

Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013-14 and 2014-15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

As part of the public Spending Round on 26 June 2013, the Chancellor announced control totals at a National Level for 2015/16 and reduced national spending by £11.5bn. This included reductions for local government of approximately 10%. The full details will not be published until December 2013.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Financial austerity is expected to continue until at least 2017.

Local Context

Haringey is a densely populated borough in north London with a population of over 227,000 people. The borough stretches from the prosperous neighbourhood of Highgate in the west to Tottenham in the east, one of the most deprived areas in the country. Overall, Haringey is one of the most deprived boroughs in the country. It is also one of the most diverse, with a significant proportion of people from ethnic minority backgrounds and nearly160 different languages are spoken in the borough. Haringey retains a pattern of older 'village' centres and open spaces alongside newer development. There are good rail and road links in and out of central London. Haringey is situated in the growth corridor, connecting London with Stansted, Cambridge and Peterborough.

Like most Councils with similar demographics, Haringey faces significant challenges in regard to reducing central government funding, and in managing the social and financial implications of new government policies on welfare and local taxation. The Council has had a number of success stories in 2012/13, not least in regard to the positive Ofsted findings in regard to the quality of schools in the borough.

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	The Council continues to demonstrate robust financial performance, particularly in regard to performance against budget. The Council's liquidity ratio (reflecting the availability of cash to pay short term creditors), is low in comparison to other similar councils although this is carefully managed through the treasury management policy. Reserve levels also remain low in comparison to other similar councils, although we noted this had improved since 2011/12 for both general reserves and schools reserves. Notably, the management of schools with budgeted deficits has improved over the last year. Reserve levels are an indication of the Council's ability to absorb financial shocks in the future.	Green
Strategic Financial Planning	This has been an area of focus during the year, in order to equip the Council to address the financial challenges over the next few years. The Director of Corporate Resources is temporarily working with a reduced portfolio to focus on financial challenges, control and efficiency. There have been notable improvements such as early financial close for the year end accounts and the development of detailed savings schemes to cover the funding requirement up to 2014/15. The Council has clearly communicated the key financial assumptions in the medium term financial plan and has analysed the key areas of uncertainty. The planning process is robust but does identify some financial risks in the medium to long term, particularly around the scale of savings required up to 2015-16, the impact of inflation over this period, and the reliance on significant service re-configuration to render the savings required . The impact of welfare reform and changes to local taxation are also identified as areas of risk and uncertainty in the Council's plans, as with many other councils.	Green
Financial Governance	The Council's governance processes and the level of engagement from members remains adequate. However, there is scope to strengthen the impact of the Corporate Committee in terms of managing the agenda and focusing on key governance matters. There is also scope to further equip members with the financial skills and awareness they will increasingly need to provide governance in an environment of increasing financial challenge for the Council.	Green
Financial Control	The Council continues to demonstrate a robust financial control environment and has sound assurance processes in place. The Council had significant issues with financial closedown and the production of the 2011/12 accounts, primarily as a result of issues with the allocation, training and skills of staff and review processes. This falls into the scope of this review as the process was undertaken during 2012/13. However we do note that significant action has been taken to address these issues in time for the 2012/13 accounts process. The audit has provided evidence that discernible improvements have been made resulting in earlier completion of the 2012/13 audit.	Green Amber

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	The Council should continue to maintain its useable reserves at an appropriate level, within the constraints of the current financial challenges. Pressure on schools to deliver to budget should also be maintained.	Chief Financial Officer	On-going	Agreed
Financial Governance	The agenda and scope of the Corporate Committee is currently very broad and it will be increasingly difficult to provide the level of focus on financial governance matters that will be needed in future. Members of the Corporate Committee should consider how the agenda could be managed to allow a greater focus on financial governance matters, including risk management and the adequacy of controls.	Chief Executive	June 2014	A review of the Corporate Committee's structure and performance took place within 18 months of its inception and the Council made consequent adjustments. The Council does not plan to make any further changes to its committee structure or arrangements until after the next Council election in May 2014. However, in light of this recommendation, a further review of the Corporate Committee's functions and performance will take place and a subsequent report back to the Corporate Committee will be made setting out the findings and any new recommendations for improvement.
Financial Governance	Members across all governing committees should take steps to ensure they are equipped to provide appropriate levels of challenge and governance on financial plans, performance and reporting. The finance team should continue to provide finance training opportunities and support for Members. This should in turn present the opportunity to develop further the financial information provided to members in order to meet their needs (e.g. dashboard format, greater use of financial KPIs and analysis of savings plans).	Chief Executive and Assistant Director – Finance	March 2014	A review of member training will be undertaken, which will involve a needs assessment, that will include a specific emphasis upon the need and methodology to appropriately challenge financial plans, performance and reporting. The finance team will look to enhance its training of members role and, additionally, review its presentation of financial information in reports to Committees.

Executive Summary

Other matters that members should focus on in 2013/14

Area of review	Key points for consideration
Strategic Financial Planning	Central Government's reform of local government finance presents a major challenge for all Councils and is set to continue for the foreseeable future. The MTFP will need to be regularly revisited to ensure that the impact of these reforms is planned for as early as possible. The current MTFP is being revised as a result of the SR13 announcement, which is likely to require further savings to be found in 2015/16 and beyond.
Financial Governance	The positive outcomes for 2012/13 budget delivery indicate that embedding cultural change in regard to financial management in the services, is being successful, although the process of embedding this is still underway. This directly impacts on the level of corporate finance support that is needed. Progress in embedding the financial culture in the services, should be closely monitored to ensure that key projects and risks arising can be sufficiently resourced, while maintaining 'business as usual' activities.
Financial Control	The Council has made a significant achievement in identifying savings schemes, a year in advance (2014/15). In order to build on this success, the Council should ensure that the detailed proposals are developed on a timely basis, are robust and have a strong likelihood of success, as part of the planning process for 2014/15.
Financial Control	The Council should continue to review its risk assurance arrangements as part of the on-going management restructuring process, particularly to optimise the benefit to services from the process and to ensure that Members are fully engaged in the management of risk and are equipped to challenge the assurances given.

1. Key Indicators

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure
- Schools Reserves - Balances to DSG allocations

Note that the available benchmarking data relates to 2011/12, but we have also included 2012/13 figures for Haringey to enable comparison.

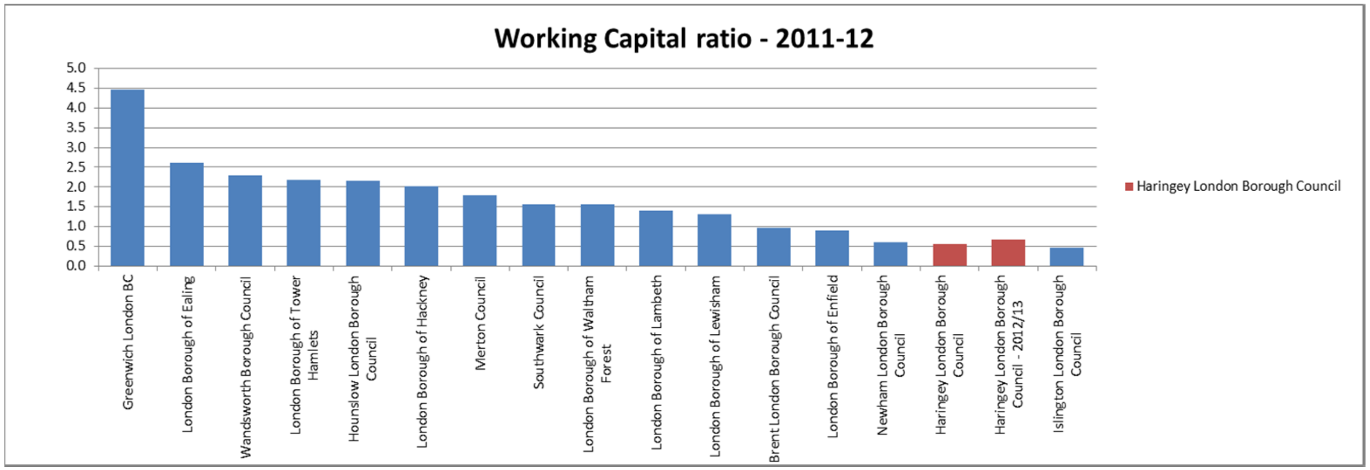
We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

Greenwich London BC
London Borough of Ealing
Wandsworth Borough Council
London Borough of Tower Hamlets
Hounslow London Borough Council
London Borough of Hackney
Merton Council
Southwark Council
London Borough of Waltham Forest
London Borough of Lambeth
London Borough of Lewisham
Brent London Borough Council
London Borough of Enfield
Newham London Borough Council
Haringey London Borough Council
Islington London Borough Council

1. Key Indicators

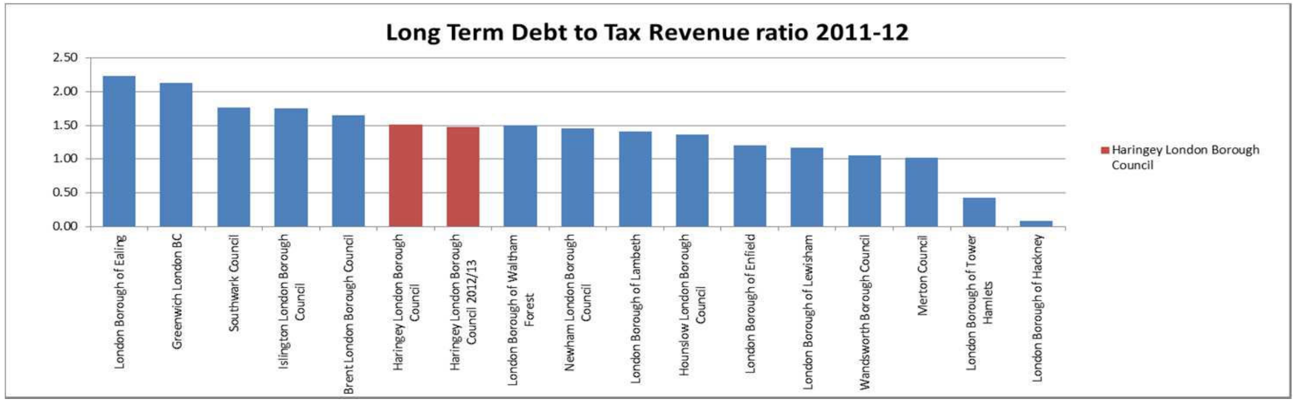
Overview of performance

Area of focus	Summary observations	Assessment
1.1 Liquidity	• The Council continues to have a comparatively low ratio of current assets (cash and assets readily convertible to cash) in relation to current liabilities (debts payable in the short term). The ratio in 2012/13 was 0.68 which means that the value of current liabilities was greater than the value for current assets. A ratio of less than 1 can be an indicator of financial risk. • However, we established in the prior year that the risk was mitigated by a focused treasury management policy that reduced long term borrowing and replaced it with more flexible short term borrowing at competitive interest rates, which reduced the overall financial risk. Furthermore, borrowing from the private market was limited in favour of internal borrowing. The policy also ensured that working capital (overdraft) facilities were in place to mitigate the risk of unexpected calls on cash. Treasury management reports presented to Cabinet and financial reporting for 2012/13, indicate that the policy has been effective in mitigating risk. • Although the Council's collection rate for debtors continues to be good, the Council should continue to monitor this area closely as there will be increasing pressures on the cash position, in the context of the Council's increasing reliance on income from local taxation, as grant funding reduces over the medium term.	Green



1. Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
1.2 Borrowing	The Council's borrowing levels are in line with other similar Councils and are closely controlled by the treasury management policy and monitored by the Corporate Committee. The Council kept within its prudential borrowing limits during 2012/13. 	Green
1.3 Workforce	• Staff sickness for Haringey Council (excluding school staff) reduced from 7.77 days per FTE in April 2012 to 7.14 days per FTE in March 2013. The Council points out that this puts Haringey just outside the top quartile based on data for 24 London boroughs at Q3 2012/13. There has been a decreasing trend over the last four years and this indicates that the management of sickness absence continues to retain an appropriate profile with senior management. • The council makes use of agency and temporary staff as part of a workforce management approach, that provides flexibility in a period of organisational change. When needing to engage an agency worker a service manager has to obtain the approval of a business case by their business unit head and Director before approaching the agency resource centre which coordinates the supply of agency staff to the council. That business case needs to set out the reasons for the engagement (work volume, sickness or leave cover, vacancy cover). Before a worker is engaged, alternatives of rearranging duties or using staff in the redeployment pool are explored. There is monthly reporting of agency data to senior managers and directors. • The Council has a well regarded workforce management database, outputs of which form part of the finance and performance monitoring reports.	Green

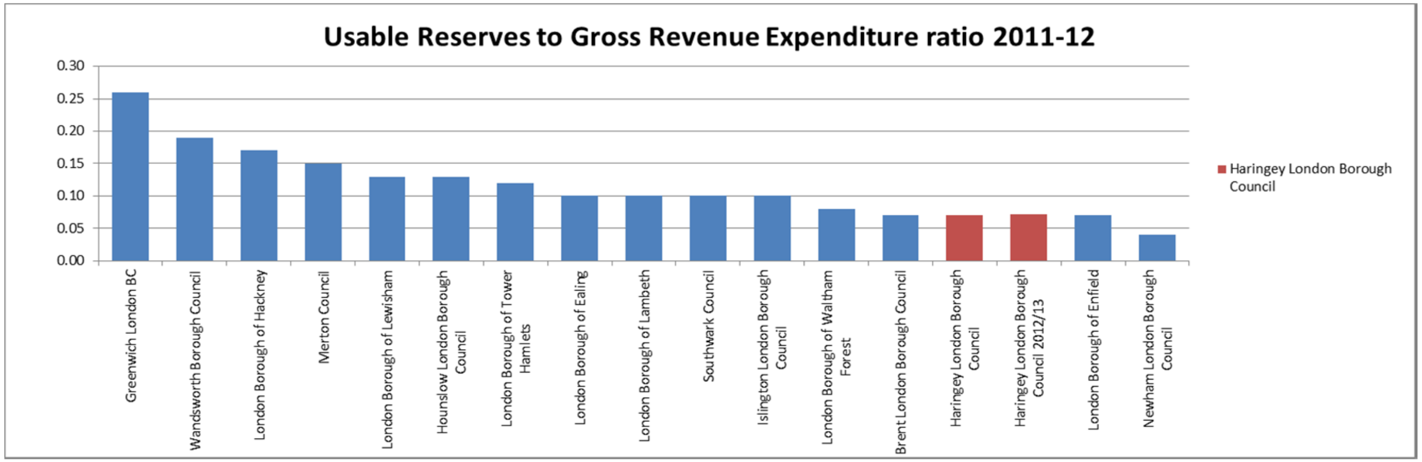
1. Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
1.4 Performance Against Budgets: revenue & capital	• The Council has a strong track record of effective revenue budget management, which has been particularly strong in 2012/13 with no significant adverse budget variances reported across the services. In 2012-13 the General Fund net revenue budget underspent by £6.1 million (2% of budget) following a £4.7 million underspend in 2011/12. The 2012/13 underspend is primarily attributable to Corporate Resources, treasury management activities and contingencies provided within the budget that did not need to be drawn on. This has allowed for a net increase in useable reserves. • In 2012/13 the HRA produced a net surplus of £7.4 million in line with the budget, following a net surplus of £3.6 million in 2011/12. • In 2012/13 the Capital budget was underspent by £5.9 million (6% of the capital budget). In 2011/12 the capital programme underspent by £13.6m (14% of the capital budget) indicating a significant improvement in the progress being made on capital schemes. Unlike revenue underspends, capital budget underspends can be seen as an indication that the budget profile has not been correctly set or that capital schemes are not progressing to plan, which may impact on future services. Although there is room for improvement, the underspend is not of a scale that would indicate significant problems with the management of capital schemes.	Green

Overview of performance

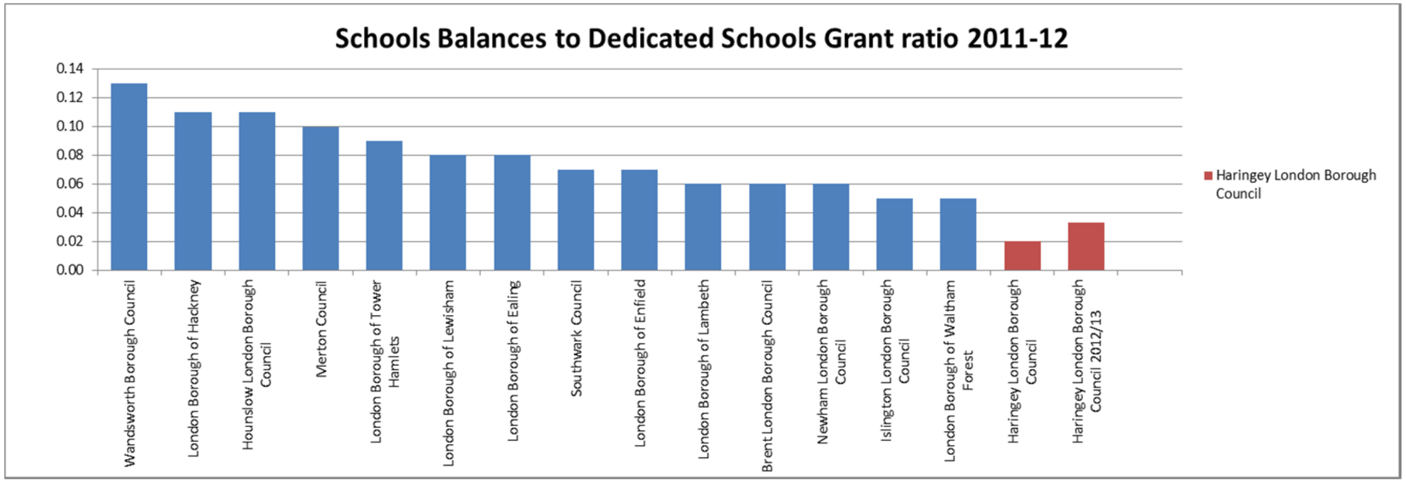
Area of focus	Summary observations	Assessment
1.5 Reserve Balances	• The Council continues to hold a relatively low level of reserves (as a proportion of gross expenditure) in comparison to other similar councils, although a number of them are in a comparable position. The Council has been able to marginally improve its levels of reserves in 2012/13. Reserves are important as they are a key safety net to enable the Council to withstand financial shocks and mange risk (e.g. through earmarked reserves). However, the Council recognises that any increase in reserve levels must also be balanced against the prioritisation of spending on services and the level of local taxation. • The Council's use of reserves in the next few years will have to be carefully controlled as there is limited scope to absorb any future planned or unplanned deficits in the revenue budget, without exposing the Council to significant risk in later years.	Green



1. Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
1.6 Schools Balances	• Haringey has the lowest level of schools reserves as a proportion of DSG in comparison to similar councils (reflecting the size of the schools portfolio). In the Council's view, outer London areas such as Haringey have derived less benefit from the central government funding methodology than inner London areas, and this may be a factor in the current position. • Despite this the schools have been able to deliver a significant improvement in their aggregate level of reserves in 2012/13. From the Council's point of view, the risk is crystallised where schools with deficits transfer to Academy status as has been the case in 2012/13. • The Council has made good progress in encouraging stronger financial management in schools, through training of governors and other means, and Internal Audit have been active in tracking progress. The Council recognises that there remains scope for further improvement and continues to drive this agenda. • The Council has successfully lobbied the Government in relation to schools funding via the area cost adjustment. An additional £7.3m has been added to the DSG from 2013-14 onward. This should be effective in reducing the level of deficits at those schools where recovery plans have not led to the removal of deficits by the time this additional funding is received.	Amber



2. Strategic Financial Planning

Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

2. Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
2.1 Focus of the MTFP	• The Council's revenue budget for 2012-13 was set in February 2012 . The 2013/14 budget was presented to Cabinet in February 2013 along with an updated three-year medium term financial plan (MTFP) for the period 2013-16. • The Council faces a number of major economic and demographic challenges in the context of recent reforms to welfare and Council funding. These are explored in 2.2 below. • In 2011/12 we noted that the MTFP projected a savings shortfall at the start of the 2013/14 period of £6.1 million, which was to be closed during the 2013/14 planning cycle. This was successfully achieved and a balanced budget was set for 2013/14 that included a £7.1 million additional savings for 2013/14. • The shortfall for 2014/15 is £20.7 million and closing this gap is the central objective of the revised MTFP. The Council's MTFP goes on to look ahead to 2015/16 emphasising the significant challenge and estimating a further funding shortfall of £22.5 million, leaving a projected gap of £43.2 million. This estimate was made prior to the Government's announcements for its spending round in June 2013 (SR13) which is likely to widen the gap. The Council's MTFP acknowledges the significant challenge and the need to consider alternatives to the current way in which services are delivered as well as driving efficiency. • The Council is developing a bottom up approach to service delivery, concerned with prioritising future service provision in order to address the medium term funding gap while focusing on those areas most valued by residents. The Council has invested time in understanding the unit cost of services during 2012/13 which will help support this process This will ultimately lead to a fundamental review of service budgets. • The savings development process has been reviewed and revised for 2013-14. A new officer budget savings group was set up to help action the development of the 2014/15 savings plans. Savings were prioritised and reviewed by this group. Initially directors were asked to identify savings opportunities. Savings were then considered corporately by Directors Group and then Cabinet in June 2013. • We also note that for 2013/14, the Council has implemented a training and communications initiative around achieving value for money, aimed at budget holders. This is part of a suite of initiatives under the Improving Haringey Programme to help improve the finance culture across all parts of the organisation. The previous phase of the programme was called 'Getting the Basics Right'. Each of these initiatives has a champion at Assistant Director level.	Green

2. Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
2.2 Adequacy of planning assumptions	• The MTFP has been subject to significant review during the 2012/13 planning cycle and has been updated to reflect the projected position up to 2015/16. Detailed planning for 2015/16 will need to take place following the SR13 announcement, however the Council has already made assumptions about the potential impact of this announcement. Early indications are that the £22.5 million funding shortfall of 2015/16 initially projected in the MTFP may increase. However, as the Council had already anticipated further significant cuts, the level of adjustment required to the MTFP and to stakeholder expectation has been minimised and options for major changes to service delivery are already being explored as the primary solution in the medium to long term. • The Council's MTFP demonstrates a good grasp of key developments in local government financing. The key assumptions discussed in the MTFP include consideration of changes to local government funding and the impact of council tax and NNDR reform. The Council has analysed the implications of the government settlement on areas such as grant funding in the MTFP in some depth. The MTFP sets out the Councils key demographic assumptions and has used these to challenge some of the central government assumptions used to reach the Revenue Support Grant levels in 2013/14, for example, in regard to population. • The Council tax collection rate estimate has been reduced to 94% in setting the 2013/14 budget. This was done to reflect the volume of discounts, exemptions and charges due to the localisation of council tax benefit. In regard to NNDR, the MTFP sets out the implications of the reforms that include the potential benefit from an increasing base, but also the downside risk should the base decline. The NNDR base is largely made up of small businesses and the assumption is that the base will remain static. The MTFP recognises that the assumptions for year three of the plan 2015/16 are subject to uncertainty. It also addresses some of the longer term challenges and future uncertainties, and the need to address this through transformation of service delivery. This includes the impact of the benefit cap and other welfare reforms that will put significant further pressure on finances in future. • We also noted that following the uptake of public health responsibilities the Council is working to embed knowledge and information in this area. • We noted that inflation provision had been deducted from the forward budget for 2014/15 (reducing the savings by £3.5 million) and that services will need to negotiate on price so that inflation is effectively absorbed as indirect savings within the services. The Council acknowledges that there is a degree of risk attached to this assumption. • The Council has a good recent track record of delivering savings and budget and has already identified £20 million of savings for 2014/15 which is a significant achievement. However, total savings approaching £50 million now need to be delivered up to 2015/16 and this represents a significant challenge over the next two years, with future financial viability dependent on the delivery of substantial reconfiguration of the way that services are delivered.	Amber

2. Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
2.2 Adequacy of planning assumptions (continued)	• The Council faces increasing pressure on the availability and cost of temporary accommodation in the borough, which is an essential part of the strategy for implementing the central government benefits cap. The Councils own capacity for directly supporting residents through discretionary housing payments is highly limited and the Council is therefore exploring a range of options to mitigate this risk. These risks will put significant pressure on finances if not mitigated, from 2014/15 onwards. • In 2011/12 we noted that Children's Services were in the highest 10% of spend amongst its statistical nearest neighbours. The Director of Children and Young People's Services, who joined the Council in November 2011, has set up a Strategic Improvement Plan to increase the focus of the service on early intervention, whilst maintaining the on-going focus on safeguarding. This has resulted in spend in this area reducing toward the average among the statistical nearest neighbours in 2012/13. This was achieved while maintaining service levels and without the budget overspends seen in previous years.	
2.3 Scope of the MTFP and links to annual planning	• We noted that the Council's Business Strategy & Intelligence team ensure that corporate strategies, the MTFP and service plans directly support the new Corporate plan. • The Council has continued to improve in regard to the timeliness of savings plan development, and has now developed savings schemes to support the MTFP in excess of £25 million for 2013/14 and 2014/15 (£20m for 2014/15 alone) which is a significant achievement. The Council is currently developing the detail of these savings plans. • The Council continues its policy of using scenario planning, sensitivity analysis and modelling of demand, for high risk areas within service plans but does not roll it out for all areas. It considers this proportionate within its available finance resource. • In 2011/12 we noted that the Council needed to ensure that services were supported by an appropriate resource for business analysis to support the business planning process, specifically in Children & Young People's Services. In 2012/13, the Director of Children & Young People's Services commissioned a service transformation project (Haringey 54,000) which aims to shift the focus from expensive intervention to prevention. The business case for this is being developed but resource has been allocated to analyse the service from first principles and building up the budget from a zero base. Additional support is provided by the Council's Business Strategy & Intelligence team. The main benefits of this are projected to impact from 2014/15. The service has also made use of the Councils business planning framework to strengthen the process. Progress has been made in making plans to reconfigure Children's services, although the transformation carries risks and has yet to be fully implemented and embedded.	Amber

2. Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
2.4 Review processes	• As in prior years the Councils MTFP is reviewed and updated at least annually and a three year planning horizon is maintained on a rolling basis. • In 2011/12 we raised the point that the Council should support Members in developing the financial skills needed to provide robust challenge. In 2012/13 the Council was able to provide examples of training and engagement offered to Members during the year, including on budget challenge. • The MTFP will need to be revisited following the Government's SR13 announcement to assess the impact, as it is likely to require further savings to be found in 2015/16 and beyond. The Council plans to report on this in the Autumn. A review was undertaken by officers immediately the SR13 was announced and no major changes were required to the MTFP for 2014/15.	Green
2.5 Responsiveness of the Plan	• Financial planning been an area of focus in order to equip the Council to address the financial challenges over the next few years. The Director of Corporate Resources is temporarily working with a reduced portfolio to focus on financial challenges, control and efficiency. There have been some further positive developments such as early financial close for the year end accounts to allow more time for scrutiny and the development of detailed savings schemes to cover the funding requirement up to 2014/15. • As in 2011/12 the Council has demonstrated that its financial planning process is responsive to changing circumstances. As previously noted, the MTFP will need to be reviewed to accommodate the impact of SR13 on 2015/16. • Also as discussed above, scenario planning, sensitivity analysis, benchmarking and modelling of demand are used to support the planning process and to develop the assumptions, and this is discussed in some depth in the MTFP. • Although the Council has comparatively low levels of useable reserves overall, it has established earmarked reserves to mitigate key identified financial risks providing some scope to absorb financial shocks. The Council also makes prudent use of budgeted contingencies, which can then be released as a surplus if not used at year end (as was the case in 2012/13). The Council has been able to achieve a surplus in 2012/13, increasing the General Fund and the MTFP does not propose to use reserves to fund on-going budget deficits.	Green

3. Financial Governance

Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement

- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

3. Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
3.1 Understanding the Financial Environment	• During 2011/12, the Haringey Manager concept was introduced, which included training and changes to job descriptions to allow greater responsibility for financial management to pass from finance to the services. This process is now embedding. Anecdotally, the system is working although with service teams also incurring staff reductions, it has increased the workload on these teams. The Council retains a monthly management information process reported to Directors Group, alongside the formal quarterly reporting process to Cabinet, and the amount of time that can be given to the process can sometimes affect the completeness and detailed analysis of the information. The positive outcomes for 2012/13 budget delivery indicate that embedding cultural change in regard to financial management in the services has been broadly successful, although there remains some work to do and financial effectiveness across the services should continue to be reviewed. • Finance managers are allocated to each of the services, primarily inputting into the quarterly cycle. Discussion with staff indicates that the level of support provided to services was generally good in this regard. • The Finance department hosts regular Finance Forums and 'Learning Lunches' for all finance staff to provide updates in local government finance including technical accounting matters.	Green
3.2 Executive and Member Engagement	• There remains an appropriate level of senior management and Member level engagement in the financial management process, as we established in 2010/11 and 2011/12. We confirmed this though review of minutes and papers submitted to members during the year (e.g. to Cabinet). • The level of engagement and challenge from members on financial issues is similar to what we see in many other Councils, in that it is good in parts, but often reliant on a limited number of individuals and would benefit from further development. In 2011/12 we challenged that in the context of the generationally significant financial challenges facing the sector, the Council should consider if there is a need to better understand the skill and experience requirements for members with Cabinet or governance roles. In 2011/12 the Council has provided training for Members on budget scrutiny as part of an on-going training programme. The Council should continue to provide finance training opportunities for Members at convenient intervals to ensure that they are fully equipped to provide challenge. • The Corporate Committee operate a broad agenda, that does not always allow financial assurance matters to be discussed with the optimum depth and focus. There is scope to strengthen the impact of the Corporate Committee in terms of managing the agenda and focusing on key governance matters.	Amber

3. Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
3.3 Overview for controls over key cost categories	• In 2011/12 we noted uncertainty from some budget holders over their budget responsibilities during the transition to new structures but this risk is not a factor for 2012/13 because budgets have been formally assigned. • As we established in 2011/12 the understanding of unit costs by services is developing in the services. Where there was effective monitoring and understanding of unit costs, we identified concern with the lack of available external benchmarking data from officers. Since then, the Council's finance team has done significant work on financial benchmarking in 2013/14 to better understand costs and to support the development and to support savings plan development in the services. • In 2012/13, we found that benchmarking and working with partners on information was taking place in at least some service areas and that corporate support in this area was available from both Finance and the Business Strategy and Intelligence team. The finance department continue to challenge services to ensure that key service unit costs are identified for external benchmarking and, where there are gaps in sources of benchmarking, the Council works with other local authorities to establish new benchmarking groups. • The Council's Corporate Committee is responsible for gaining assurance that controls over key cost categories are functioning, via monitoring progress on the Internal Audit plan and ensuring that the risk assurance framework is functioning correctly. The annual internal auditors report to the Committee indicates that the control framework is functioning well in general, and has highlighted areas where improvement is needed.	Green
3.4 Budget reporting: revenue and capital	• A quarterly monitoring report is presented to Cabinet with a year end summary at quarter 4. This includes information on financial performance of the Council for both revenue and capital, with commentary on an exception basis. The Cabinet minutes provide evidence of the scrutiny of members. • The frequency of reporting to Cabinet has reduced from monthly to quarterly during 2011-12 which was one of the enablers for the reduction to Finance staff levels in 2011/12. Monthly monitoring still takes places at Directors Group and within directorates via the monthly budget management meetings with the Chief Executive and other key corporate managers. Directors also discuss the monthly reports with their Cabinet leads as appropriate. • This arrangement has successfully supported the delivery of savings plans in 2011/12 and 2012/13 which indicates that the process has embedded and is effective.	Green

3. Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
3.5 Adequacy of other Committee/ Cabinet Reporting	• In regard to the information provided to Members in the Cabinet budget monitoring report, the basic content makes use of both actual performance and forecast outturn against service budgets (for capital and revenue). The report also tracks virements between budgets. • Although the financial reporting to Cabinet is considered adequate, member engagement and challenge might be aided by further consideration of the content and presentation of information. This could be done in consultation with members to ensure that their preferences are considered. As noted above, the finance team should continue to provide finance training opportunities and support for Members. This should in turn present the opportunity to develop further the financial information provided to members in order to meet their needs (e.g. dashboard format, greater use of financial KPIs and analysis of savings plans). • The Council's corporate Business Strategy and Intelligence team provide a quarterly report to Cabinet on performance against the service performance targets set out in the Corporate plan. The Corporate plan was revised in July 2013 and again includes measurable performance indicators.	Green

4. Financial Control

Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department

- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is a an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.

4. Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
4.1 Budget setting and monitoring - revenue and capital	• As noted in 2011/12 the Council has a well established budget setting processes that encourages ownership from budget holders and finance training is provided to officers and Members. The Council has a good track record in managing budgets on a service by service basis which has continued in 2012/13. • We also noted that the Chief Executive has required that in addition to savings for the current year 2013/14, the £20.7 million of savings required by 2014/15 were also supported by specific proposals. This has been achieved and was set out in the Cabinet budget paper in June 2013. This is a significant positive development in helping the Council to establish its financial resilience in the medium term. • We have some evidence, from discussions at the Corporate Committee and other forums, of Members challenging on finances and understanding the scale of the financial management challenge facing the Council. However, this could be further improved through member training and briefing on the governance role. • The Directors Group (the Chief Executive, the four corporate directors, the Assistant Chief Executive and the Head of Legal) meets bi-weekly and covers budget monitoring. The primary interface with Cabinet members is via meetings between directors and portfolio holders and at Cabinet meetings. The Chief Executive places a high degree of priority on budget management. • Directors also discuss financial performance reports with their senior management teams on a monthly basis. The monitoring process clearly recognises the accountabilities of directors for the financial management of their departments. • The Council currently uses an incremental budgeting approach, which focuses on historic baselines with adjustments for inflation, growth and savings pressures. • As part of the introduction of new staff competencies, based on the Haringey Manager concept, relevant officers received performance targets relating to financial management of budgets during their most recent annual appraisals.	Green

4. Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
4.2 Performance against Savings Plans	• As identified in 2011/12, the Council has an effective process for identifying and assessing savings plans, which has continued in 2012/13. The 2012/13 budget had the value of savings schemes removed from the outset, and therefore the successful delivery of the budget broadly equates to successful delivery of savings. In addition to the overall budget position, the Council also demonstrated delivery to budget across each of the services. • The budget monitoring report for Q1, as presented at Directors Group, indicates that the budget for 2013/14 is on plan overall. However, we did note that there as a significant overspend in the housing service (£2.1m) attributed to a higher than expected cost of temporary accommodation as well as an overspend in Place and Sustainability (£0.85m), mainly in Leisure. The position has seen been updated in the report to the 10th September cabinet meeting which shows the overall forecast outturn position for the General Fund as projected by budget holders as at 31 July 2013 is an overspend of £1.6m. The overspend is being managed by the allocation of contingency sums in the budget, should these be required.	Green
4.3 Key Financial Accounting Systems	• Internal Audit reviewed the Councils strategic financial management and budgetary control processes during the year and considered the process to provide substantial assurance, indicating a robust process. • Internal Audit have also provided an overview of key financial systems during the year, summarised in their annual report and Head of Internal Audit opinion. The overall opinion was that the system of internal control for 2012/13 accords with proper practice and is fundamentally sound. There were no limited assurance reports being issued on key financial systems. This indicated that there were no material concerns with key financial systems. • The Council had significant issues with financial closedown and the production of the 2011/12 accounts, primarily as a result of issues with the allocation, training and skills of staff and review processes. This falls into the scope of this review as the process was undertaken during 2012/13. However, we do note that significant action has been taken to address these issues in time for the 2012/13 accounts process and the audit has provided evidence that discernible improvements have been made resulting in earlier completion of the 2012/13 audit. • No significant financial systems issues have been reported in the Council's Annual Governance Statement.	Green Amber

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4. Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
4.4 Finance Department Resourcing	• In 2011/12 we noted that the finance function had been centralised with 43% of posts deleted and therefore financial support to services had reduced to have a more strategic and risk based focus. Our fieldwork indicated a high degree of satisfaction from services for the new arrangements, but had some concern that in some areas of the ability of services to take full financial management responsibility posed a risk for financial management. The Council has demonstrated that the new configuration is fit for purpose and there have been no material issues arising in the year, in regard to financial planning, management and control. • A degree of risk remains in regard to the financial team's ability to provide business as usual, while dealing with increasing levels of financial risk in future, for example, the increasing challenge of planning and delivering savings over the next few years. There are no indications of significant issues at this stage, but any further reductions in the finance team will need to be carefully managed. The level of corporate finance support that is needed, should be closely monitored to ensure that key projects and risks arising can be sufficiently resourced, while maintaining 'business as usual' activities.	Green
4.5 Internal audit arrangements	• In 2011/12 we established that the Council has adequate internal audit arrangements in place. Internal audit work is shared between in-house and external provision, and is fully compliant with the CIPFA Code of Practice. This continues to be the case in 2012/13. • Internal Audit took over the housing benefit fraud team function during 2011-12 and during this period, there was an overall reduction in funded posts, but some resource was used to establish a corporate anti-fraud team. • The 2012/13 Annual Internal Audit Report indicates an reduction in limited assurance internal audit reports, indicating a culture of openness to improvement is embedded in the services. Officers are held accountable for any delays in implementing actions agreed in relation to internal audit reports.	Green

4. Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
4.6 External audit arrangements	• The External Audit of the 2012/13 Accounts did not raise any significant matters in regard to financial control with only minor recommendations being made. The Accounts opinion was unqualified. • As noted previously, there were significant issues with the 2011/12 accounts process, that fall within the scope of this report. A report taken to the Corporate Committee in March 2013, highlighted key actions that the Council has implemented. • Management had made good progress in implementing the external audit recommendations arising from the 2011/12 process.	Green
4.7 Assurance framework/risk management	• The Council has an established risk assurance process and this is reviewed by the Corporate Committee on an annual basis. Service directors prepare directorate risk registers which are compiled into a corporate register. The process includes the management of risk within major projects. • The corporate risk register is regularly reviewed by Directors Group. The review of risk has also recently been augmented by additional scrutiny from the Chief Executive's Risk and Governance Group. • The Risk Assurance Process is overseen by the Head of Audit & Risk Management under the current arrangements who works closely with colleagues in the finance department and the Business Strategy & Intelligence team. • The Internal Audit plan is risk based, focusing on providing assurance that key areas of risk are appropriately managed • The Council should continue to review its risk assurance arrangements as part of the on-going management restructuring process, particularly in order to optimise the benefit to services from undertaking the process and to ensure that members are fully engaged in the management of risk and are equipped to challenge the assurances given.	Green

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Agenda Item 15

Haringey Council

Report for:	Corporate Committee 19 September 2013	Item number	

Title:	Internal Audit Progress Report – 2013/14 Quarter 1

Report authorised by :	Director of Corporate Resources J. Parker 10/9/13 Assistant Chief Executive Stuart Young. 10/9/13

Lead Officer:	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk

Ward(s) affected: ALL	Report for: Non-Key Decision

1. Describe the issue under consideration

1.1 The Corporate Committee is responsible for monitoring the completion of the annual internal audit plan and the implementation of agreed recommendations as part of its Terms of Reference. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee on the work undertaken by the Internal Audit Service in completing the 2013/14 annual audit plan, together with the responsive pro-active fraud investigation work, and housing benefit fraud investigation work. Where further action is required or recommended, this is highlighted in the report and appendices and included in the recommendations for the Corporate Committee.

1.2 The report also provides information from the Council's Human Resources (HR) business unit in respect of (a) work undertaken in supporting disciplinary action taken across all departments by respective Council managers; and (b) consultants employed by the Council.

2. Cabinet Member Introduction

2.1 Not applicable

Haringey Council

3. Recommendations

3.1 The Corporate Committee is recommended to note the audit coverage and counter-fraud work completed during the first quarter, 2013/14.

3.2 That the Corporate Committee confirms that managers' actions taken during the quarter to address the outstanding recommendations are appropriate.

3.3 The Corporate Committee note the information received from the HR business unit.

4. Other options considered

4.1 Not applicable.

5. Background information

5.1 The internal audit service and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council. This report looks at the work undertaken in the quarter ending 30 June 2013 and focuses on:

- Progress by Deloitte and Touche on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised;
- Progress in implementing outstanding internal audit recommendations with particular attention given to priority 1 recommendations;
- Details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities, including those within the remit of the Corporate Anti-Fraud and Housing Benefit Fraud Investigation Teams;
- Information in respect of disciplinary action taken by managers across all departments of the Council during the quarter; and
- Details of consultants employed by all departments across the Council to the end of June 2013.

5.2 The information in this report has been complied from information held within the Audit & Risk Management business unit and from records held by Deloitte and Touche and the Council's corporate HR business unit.

6. Comments of the Chief Financial Officer and Financial Implications

6.1 There are no direct financial implications arising from this report. The work completed by Deloitte and Touche is part of the framework contract which was awarded to the London Borough of Croydon from 1 April 2012, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

Haringey Council

6.2 The financial benefits to the Council of the work completed during 2013/14 as part of the ongoing tenancy fraud project will be realised as properties are recovered and returned to the Council's portfolio. The Audit Commission estimate that the costs of fraudulent tenancies and unauthorised sub-letting equate to £18k per annum per property. During the first quarter, six Council properties were recovered.

7. Legal Implications

7.1 The Head of Legal Services has been consulted in the preparation of this report, and advises that there are no direct legal implications which arise out of the report.

8. Equalities and Community Cohesion Comments

8.1 This report deals with how risks to service delivery are managed across all areas of the Council, which have an impact on various parts of the community. The report also contains details of how fraud investigation work is undertaken and pro-active fraud projects are managed. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 There are no direct implications for the Council's existing policies, priorities and strategies. However, improving controls and reducing the opportunity for fraud to take place in the first place, and taking appropriate pro-active action to detect and investigate identified fraud will assist the Council to use its available resources more effectively.

11. Use of Appendices

11.1 Appendix A – Deloitte and Touche Progress report
Appendix B – In-house Team – investigations into financial irregularities
Appendix C – Council-wide disciplinary information
Appendix D – Consultants employed by the Council as at 30 June 2013.

12. Performance Management Information

12.1 Although there are no national or Best Value Performance Indicators, key local performance targets have been agreed for Audit and Risk Management. These form part of Corporate Resources' reporting processes, but are detailed below for information. Table 1 below shows the targets for each key area monitored and gives a breakdown between the quarterly and cumulative performance.

Haringey Council

Table 1

PI Ref.	Performance Indicator	1st Quarter	Year to date	Target
1	Audit work – Days Completed vs. Planned programme	92%	92%	95%
2	Priority 1 recommendations implemented at follow up	75%	75%	95%
3	Benefit fraud cases completed and accepted for prosecution	7	7	30
4	Benefit overpayments recovered (including POCA and confiscation awards)	£3.9k	£3.9k	£150k

13. Internal Audit work – Deloitte and Touche contract

13.1 The activity of Deloitte and Touche for the first quarter of 2013/14 to date is detailed at Appendix A. Deloitte and Touche planned to deliver 225 days of the 2013/14 annual audit plan (900 days) during the quarter. Deloitte and Touche actually delivered 206 days audit work during the quarter, which is slightly below the level of the planned work for 2013/14 but completion of the 2012/13 plan impacted on the delivery. There are no issues identified at this stage to prevent the annual target from being met. Ongoing monthly contract monitoring reviews ensure that performance levels are kept under review.

13.2 Members of the Corporate Committee receive detailed summaries of all projects for which a final report has been issued on a monthly basis to allow for any issues to be considered in a timely manner. Appendix A provides a list of all final reports which have been issued during the quarter, together with detailed summaries of the findings and recommendations of those reports which received a 'limited' assurance rating.

13.3 Appendix A also provides detailed summaries of all recommendations which were previously recorded as outstanding at the time of the follow up audit work. Members have been monitoring the progress and implementation of these to ensure that managers were taking appropriate action to address outstanding recommendations. Five recommendations from 2011/12 remain outstanding, with only one high priority recommendation remaining as 'partly implemented'. Work is ongoing to address the recommendations and Internal Audit are satisfied that managers' actions to date are appropriate to manage the lower priority risks facing the Council. Internal Audit will continue to monitor implementation of recommendations to ensure appropriate actions are taken to mitigate identified risks.

13.4 A summary of all follow up audit projects for 2012/13 work which have been undertaken is also included in Appendix A. We have followed up on 33 recommendations to date and found that 29 have been implemented and 4 are

Haringey Council

in progress, including two Priority 1 recommendations. Overall, a compliance rate of 88% has been achieved for the first quarter.

14. In-house Team: Fraud investigation/Pro-active work

14.1 In accordance with the Council's Constitution, Internal Audit investigates all cases that fall outside the remit of the Housing Benefit Fraud Investigation Team and the Council's Information Security Policy. Appendix B details the individual cases that were completed by the In-house Team in the first quarter of 2013/14 and any which were brought forward from 2012/13, relating to Council employees. The listing at Appendix B also includes any referrals made using the Council's whistle blowing policy which were investigated by Internal Audit. During the first quarter, no staff-related whistle blowing referrals were made.

14.2 Within the first quarter, seven new cases relating to permanent and temporary employees were referred to Internal Audit by management. Five cases were completed during the quarter involving Council employees. Internal Audit work closely with officers from personnel and the service involved to ensure that the investigation is completed as quickly as possible.

14.3 The section has been continuing to work with Homes for Haringey and the Strategic and Community Housing Service to target and investigate housing and tenancy fraud. The Audit Commission estimate that each fraudulent tenancy costs councils an estimated £18k in temporary accommodation and other associated costs.

14.4 As at 30 June 2013, 34 new referrals of suspected tenancy fraud have been received by the team during 2013/14. Together with 57 cases brought forward from 2012/13, this gives a current total of 91 referrals (148 received in total during 2012/13) and Table 2 below summarises the source of these referrals:

Table 2

Referrals Received From:	**Number**
Tenancy Management Officer	19
Fraudcall (email and freephone telephone)	8
Registered Providers	0
Members of the Public	2
Joint investigation with Housing Benefit Fraud	0
National Fraud Initiative	1
Police	0
Other Local Authority	2
Member	0
Haringey Staff	2
Customer Services	0
Total	**34**

Haringey Council

14.5 During the first quarter of 2013/14, six Haringey properties have been recovered in total, plus one application for Succession, or Grant of Tenancy, refused on evidence of ineligibility, so the tenancies can be allocated to tenants in accordance with the Council's lettings policy.

14.6 The section also works closely with the Council's key Registered Providers to target and investigate housing and tenancy fraud in joint working with Registered Provider staff. As at 30 June 2013, 20 new referrals of suspected tenancy fraud have been received and together with 29 cases brought forward from 2012/13, this gives a current total of 49 referrals to date.

14.7 As a result of the joint working, two Registered Providers' properties have been recovered in the first quarter. Investigations have been closed in one case with no fraud identified and are ongoing in 46 cases.

15. Housing Benefit Fraud Investigation

15.1 During the first quarter, the HB Fraud team completed investigations on seven benefit fraud cases and submitted these for prosecution at crown court via Legal Services. Four cases submitted by the team to the DWP for joint prosecutions in 2011/12 are still to be heard. There are also three cases with outstanding Bench Warrants which the team chase up on a regular basis.

15.2 The team achieved four successful prosecutions during the quarter with a total overpayment value of £215.9k, although only £3.9k has been recovered to date. The team has an annual target of 30 prosecution cases for 2013/14, and this target is expected to be achieved.

16. Council-wide disciplinary statistics

16.1 Appendix C details the number of disciplinary suspensions and/or action taken in the fourth quarter of 2012/13. The data is taken from SAP and the information has been provided by the HR business unit in line with Council statistics reported elsewhere.

16.2 During the quarter, the number of disciplinary cases investigated was 43, with 19 remaining 'open' at the end of the quarter. The average length of time taken to resolve disciplinary cases in the quarter was 81 days, which is a marginal decrease on the previous quarter. Internal Audit has not completed any further verification on the information provided by HR for this appendix.

17. Consultants information

17.1 Appendix D details the consultants employed by the Council during the fourth quarter. The data is taken from SAP and the information has been provided by the HR business unit. Internal Audit has not completed any further verification on the information provided by HR for this appendix.

APPENDIX A

Internal Audit
Quarter 1 Internal Audit Report
2013/14
London Borough of Haringey

Deloitte & Touche Public Sector Internal Audit Ltd.
August 2013

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2013/14

APPENDIX A

Contents

Executive Summary

Introduction

This is our first quarter report to the Corporate Committee for the 2013/14 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the Council which have been identified during the course of our internal audits. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Corporate Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports.

The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

As a reminder, our recommendations are prioritised according to the following categories:

Priority 1 - major issues for the attention of senior management
Priority 2 - other recommendations for local management action
Priority 3 - minor matters and/or best practice recommendations

Key Highlights/Summary of Quarter 1 2013/14 – Final Reports issued:

2012/13 Internal Audits finalised in the quarter:

- IT Security Processes;
- IT Infrastructure Renewal Programme;
- Partial Hardware Asset Management;
- Accounting and General Ledger;
- Adults & Housing Services – Risk Register Testing;
- Alexandra Palace Regeneration Programme;

- Decent Homes Programme;
- Housing Benefits;
- Parking – Business and Essential Service Permits;
- Payroll;
- Planning Service – Statistical Reporting;
- School In Year Admissions; and
- Trading Standards Regulations.

Delivery of 2012/13 Internal Audit Plan

As part of the delivery of the 2012/13 Internal Audit Plan, we have we have also issued draft reports for the following audits:

- Accounts Payable (Creditors);
- Corporate Savings Programme;
- Continuous Assurance – Budget Virements;
- Continuous Assurance – Payroll;
- Mayoral Community Infrastructure Levy; and
- Transfer Processes – Academies.

Delivery of 2013/14 Internal Audit Plan

As part of the delivery of the 2013/14 Internal Audit Plan, we have also issued draft reports for the following audits:

- SAP Application.
- Authority ICON Application;
- Framework-I Application;
- Alternative Education Provision; and
- Schools Licensed Deficit Arrangements.

Follow Up of Prior Years' Recommendations

The results of our follow-up work are as follows:

2011/12
Five recommendations remain outstanding; work is ongoing to address these.

2012/13

To date we have followed up 33 recommendations raised in 2012/13 and the results of our work are as follows:

- Implemented – 29 (87.9%);
- In Progress or partly implemented – 4 (12.1%);

As part of the 2013/14 Internal Audit Plan, we will continue to complete a follow-up of the 2012/13 recommendations throughout the financial year. The findings will be reported in our quarterly report to the Corporate Committee.

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter 1 of 2013/14 financial year and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

Detailed summaries of all audits which do not receive 'Full' or 'Substantial' assurance ratings are also provided for Members' information.

Audit Title	Date of audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
2012/13							
Partial Hardware Asset Management	March 2013	08/04/13	Substantial	N/A	0	0	2
IT Infrastructure Renewal Programme	February 2013	08/04/13	Full	N/A	0	0	0
Adults & Housing Risk Register Testing	January 2013	19/04/13	Full	N/A	0	0	0
Housing Benefits	November 2012	22/04/13	Substantial	⇔	0	3	1
Trading Standards Regulations	February 2013	26/04/13	Substantial	N/A	1	2	0
Accounting and General Ledger	March 2013	30/05/13	Substantial	⇔	1	2	1
Public Health Contracts	April 2013	04/06/13	N/A	N/A	0	3	0
Payroll	January 2013	10/06/13	Substantial	⇒	0	4	0
IT Security Processes	November 2012	11/06/13	Substantial	N/A	0	4	0
School In Year Admissions	November 2012	13/06/13	Substantial	N/A	0	5	0
Alexandra Palace Regeneration Programme	April 2013	13/06/13	Limited	N/A	4	1	0
Parking Services: Business & Essential Service Permits	March 2013	13/06/13	Substantial	N/A	0	4	0
Decent Homes Programme	February 2013	18/06/13	Substantial	N/A	0	0	0
Planning Service: Statistical Reporting	March 2013	24/06/13	N/A	N/A	0	8	0

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2013/14

APPENDIX A

As part of the 2012/13 Internal Audit Plan we have visited the following schools, completed a probity audit and during Quarter 1 issued a final report.

School	Date of Audit	Report Date	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
2012/13						
Pembury Nursery School	January 2013	12/06/13	Substantial	0	2	2
St Mary's CE Primary School	February 2013	09/05/13	Limited	2	8	0
St Michael's CE Primary School, Highgate	September 2012	10/05/13	Limited	3	6	0
Woodlands Park Nursery School & Children Centre	January 2013	13/05/13	Substantial	0	2	1
2013/14						
Coldfall Primary School	April 2013	12/06/13	Substantial	0	9	0
Rokesly Junior School	May 2013	13/6/13	Substantial	1	5	2

As part of the 2013/14 Internal Audit Plan we have visited the following schools during Quarter 1 and completed a probity audit, for which a draft report has been issued.

- Blanche Nevile Special School.

Audit area	Scope	Status/key findings	Assurance
		ALEXANDRA PALACE	
Alexandra Palace Regeneration Programme 2012/13	Audit work was undertaken to cover the following areas: • Data entry; • Completion and recording of journals; • Management information and reports production; • Feeder system reconciliations; • Control account reconciliations; and • Structure of the ledger.	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk. The key findings are as follows: **Control Environment** • The APPCT Board and APTL Board, chaired by Cllr Cooke, meets quarterly.*/** • The Statutory Advisory Committee (SAC) and the Consultative Committee (CC), both independently chaired, hold joint and separate quarterly meetings.* • The Finance, Resources & Audit Committee (FRAC), independently chaired, meets quarterly.*/** • The Alexandra Park & Palace Regeneration Working Group (RWG), chaired by the Council's Director of Place and Sustainability, meets monthly.* • The APPCT/APTL Chief Executive has regular 1-2-1 with the Council's Chief Executive. • Alexandra Park & Palace Regeneration Strategy Workshops are held approximately every six months** * *These bodies are all formally constituted and meetings are minuted.* ** *Per the APPCT/APTL Chief Executive, these boards are currently being strengthened with external representation.* • A Gateway review was undertaken by Local Partnerships in July 2012, and a further review is proposed for October 2013. • Financial policies and procedures have not all been updated to reflect the requirements of the new accounting system (installed in September 2012) and current legislation current legislation (e.g. EU procurement thresholds etc.). **Delegation of Authority and Accountability / Decision Making** • The Programme Senior Responsible Owner (SRO), ultimately responsible for the APP Regeneration Programme, has not been formally designated and communicated to all relevant stakeholders. • The Terms of Reference and membership of the RWG were approved by the APPCT Board on 6 September 2010. • This Terms of Reference indicates the role of the RWG to be 'in a non-	**Limited**

Audit area	Scope	Status/key findings	Assurance
		decision making capacity'. • The responsibilities and membership of the RWG has not been reviewed and updated to reflect the current governance arrangements following the appointment of the Chief Executive to APPCT and APTL, the APP Director of Regeneration and Property, and the Chief Executive at the Council. • Highlight reports, risk logs and road maps are maintained and issued for discussion at the monthly RWG meetings. • A detailed risk register for the HLF bid (covering development, delivery and post completion) is held by the APP Regeneration Programme Manager and a similar risk register is to be produced and maintained for the property advice stream should the soft market testing prove successful. • The Programme Brief & Initiation Document (PID) was signed off by the RWG on 6 September 2011. • The PID has not been reviewed and updated to formalise roles and responsibilities, accountabilities and reporting lines following the significant structural and personnel changes that have occurred at both APPCT and the Council. **Stakeholder Consultation** • Alongside the public consultation exercise which received an 87% positive response, a broad range of community, education and cultural groups were contacted and/or met with to explain the regeneration plans during the second half of 2012. • A stakeholder list has been established to manage contacts and communication activities and this is reviewed and updated on a regular basis. • Thirty-three letters in support of the HLF Stage One application were received from groups including resident associations, Alexandra Palace Television Society, Architectural Heritage Fund, Hornsey Historical Society, youth media charity Exposure, and major cultural players such as English National Opera and Complicite. • Over 800 people attended the Open House day in September 2012, and engagement activities have continued since the HLF submission to raise awareness, provide updates on progress and explore potential funding and support opportunities through bodies like the Greater London Authority and UK Trade and Investment. As a result of our audit work we have raised four Priority 1 recommendations	

Audit area	Scope	Status/key findings	Assurance
		and one Priority 2 recommendation, which should assist in improving the control environment. The Priority 1 recommendations are as follows: • Senior management should ensure that the individual ultimately responsible for the programme is formally designated, agreed and communicated to all relevant stakeholders. Note that this individual should own and maintain the APP Regeneration Programme's business case and be able to devote sufficient time to provide clear and timely direction and decisions in ensuring that the agreed outcomes are delivered and benefits are realised. • Senior management should ensure that the responsibilities and membership reflected in the Terms of Reference of the RWG are reviewed and updated to reflect the current governance arrangements following the appointment of the Chief Executive to APPCT and APTL, the APP Director of Regeneration and Property (due to commence on 22 September 2013) and the new Chief Executive at the Council. The updated Terms of Reference and membership of the RWG should then be approved by the APPCT Board. • Management should ensure that the PID is reviewed and updated to reflect current regeneration programme objectives and scope, outcomes and benefits to be realised, team structure and relationships, membership etc. The updated PID (or possibly individual PIDs for each project under the APP Regeneration Programme), together with key differences from the Council's Project Management Framework should then be approved by the RWG and the APPCT Board, and communicated to all relevant stakeholders involved in the management of the APP Regeneration Programme. • In updating the Terms of Reference of the RWG in 3 above, senior management should determine, within the existing legal and regulatory framework, what delegated authority, if any, the RWG ought to have. The Priority 2 recommendation is as follows: • APP management should ensure that the financial policies and procedures are reviewed and updated to reflect the requirements of the new accounting system, current legislation (e.g. EU procurement thresholds etc.) and the Council's financial regulations as appropriate. The financial policies and procedures should be approved by the APPCT Board and the APTL Board on a regular basis.	

Progress Update:

At the meeting of the Alexandra Palace and Park Board on 16 July 2013, the final audit report was presented and it was confirmed by the APP Chief Executive that:

A commitment has been given that all five recommendations will be addressed by the end of July 2013. A summary of progress to date (as at 16 July 2013) is given below.
In response to the internal Audit review:

- financial procedures have been updated, although there is still more work to do;
- further work is needed on detailed specification of key roles;
- Regeneration Working Group (RWG) membership will be increased;
- the Project Initiation Document is being rewritten; and
- New Terms of reference for the RWG were approved by the Board.

Internal Audit will undertake a formal follow up later in 2013/14 and report the outcome to the Corporate Committee at a later meeting.

Detailed Progress Report – Outstanding Recommendations 2011/12

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
CORPORATE RESOURCES – KEY FINANCIAL SYSTEMS				
Cash Receipting				
1	Procedure manuals should be documented for the cash receipting function, including instructions for cashiers administering parking related matters, to assist staff in administering the cash receipting function effectively, efficiently and in a consistent manner.	2	December 2012	**In Progress** ***Original Management Response:*** This is an issue that we will be addressing with high priority in the objectives being set for the team for 2012/13. Due to the parking team currently awaiting an upgrade to their system and the changes to the parking function due to take place within the next few months, the policies and procedures will not be reviewed/ updated until at least September 2012. This is an issue that will be addressed with high priority at the performance meeting, due to be held next month (June). They informed us that although the restructure was effective from July 2011, officers took to their new roles and responsibilities several months later, to minimise disruption to the services. ***Management Update June 2013:*** Although updating the procedure notes was given a high priority, their update had to wait until the planned upgrade to the Council's cash receipting system had taken place. Now that the system supplier has resolved its issues, the system has now gone live, albeit later than planned. The revised procedure notes that reflect the changes to the process can now be written and this is already in progress. Revised Deadline: August 2013

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				Management Update 3/9/2013: The Cashiers' procedures are still being developed but should be complete by end of September 2013. Revised Deadline: 30 September 2013
Accounts Receivable (Sundry Debtors)				
2	The Debt Recovery procedure should be reviewed and amended, where required. The review should include an assessment of required timescales within the debt recovery process. Following the review, the Debt Recovery procedure should be formalised and implemented and should include KPIs for the Debt Recovery process. Periodic sample checks should be completed to confirm compliance with the procedure and the KPIs. This recommendation incorporates and re-raises the 2010/11 recommendation.	2	September 2011	**Partly Implemented** ***Management Update March 2013:*** The draft procedures were published to reflect the move to a Corporate Debt Management (CDM) structure and described the proactive collections activity being undertaken to achieve collection. In terms of the SAP dunning process, which includes the 30 day timescales, the "as is" position was adopted into the revised procedures as this requires amendments to the SAP system. Given the current restrictions in place on SAP development this will be addressed as part of the OneSAP project. Revised Deadline: 31 December 2013
PROCUREMENT AUDIT				
HAYS Resource Management				
3	The HR team should request that HAYS Resources: • Disclose the hidden information supporting the graphs within the monthly Headline Report; • Incorporate the job position numbers into the Headline Report; and • Ensure agency release forms are not processed without the job number included.	2	October 2011	**In Progress** ***Management update as at January 2012*** The new vendor system, Hays 3SS was due to go live on 7 January 2012. Notes and updates on the new system were circulated by the Head of HR Services to managers on 6 January 2012. It was expected that the implementation of the new system would result in the position and job numbers being made mandatory fields and in managers being able to produce their

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				own reports to extract performance data from Hays 3SS. The system was piloted for a period of two weeks from 7-22 January 2012, prior to its expected full release. However, there were issues identified during the piloting stage. A meeting was held between the relevant Council officers and Hays on 20 January 2012 to review progress with the implementation phase and discuss the issues identified. However, subsequent to the meeting a decision was made by management to defer the implementation of the new system until further consideration is given to the issues and until the Council's IT systems are upgraded, as required, and further testing carried out. The decision was taken to continue with the Hays Workflow system until a technical solution is found and implemented with regards to Hays 3SS. Through discussions with management, we had identified that only one officer within HR had access to the Hays 3SS system, while it was being piloted. The controlled two week pilot revealed technical issues which we cannot overcome at this point in time. In view of this, Hays have rolled us back to the Hays Workflow system. The existing process on Workflow remains unchanged. The timing of further testing and implementation of Hays 3SS will be dependent on the outcome of discussions with Hays and the resolution of technical issues. ***Human Resources Update August 2013*** The contract has been awarded to Hays. Discussions are scheduled to start mid September to plan the implementation of the Hays 3SSS system. ***Revised deadline:*** *September 2013*

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				Internal Audit comment: *We will obtain a further update from management in September 2013 regarding timing for the implementation of the Hays 3SSS system and the implementation of the required actions to address the recommendation.*
4	The Balance Scorecard and Headline Report provided by HAYS Resources should be aligned to include information provided for management review in the same format. Any variation should be explained.	2	November 2011	**In Progress** ***Human Resources Update August 2013*** As above
CHILDREN AND YOUNG PEOPLES SERVICE				
South Grove Children's Centre				
5	The following documents should be presented to the Children's Centre Committee for review and approval: • Revised Internal Scheme of Financial Delegation; • Centre Development Plan for 2011/12; and • Haringey Schools Financial Manual. The approval should be recorded in the minutes of the relevant Committee meeting. The Committee should then formally advise the Governing Body with regards to acceptance of the documents. Governing Body approval should be recorded in the minutes of the relevant meeting. Furthermore, a process should be implemented for the continued relevance of all documents affecting the governance of the Centre to be confirmed by the Children's Centre Committee.	1	July 2012	**Partly Implemented** ***Management Update as at June 2013:*** OFSTED, when visiting in October 2012, recommended that we re-structure our GB committees so that Children's Centre comes under the full general GB and relevant sub-committees. We therefore no longer have a separate Children's Centre Committee. 1. Scheme of delegation minuted and approved GB meeting 7 Feb 2013. 2. Haringey Schools Financial Manual - minuted as such on 7 March 2013. 3. Last children's Centre Committee was held on 18 April 2012. Children's Centre Plan was approved here. A 13/14 plan cannot be finalised until the LA SLA meetings have set our targets. We are awaiting the LA and anticipate this to be done by the end of July 2013. 4. Documents: The school and Children's Centre have a combined spreadsheet that lists the policies that are in place

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
				and their expiry dates. This list is used when preparing policy and document updates for Governing Body meetings. ***Management Update as at July 2013:*** The targets for the Children's Centre were agreed by the Local Authority on 30 July 2013, following which the 2013/14 Plan will be finalised. ***Internal Audit comment:*** *We will confirm completion of all corrective actions in our next report to Corporate Committee.*

Follow Up Table – 2012/13 Audit Work

AUDIT AREA	Assurance Level	Recommendations												Priority 1 Recs. Outstanding
		Category				Implemented								
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due	
Corporate Resources – Key Financial Systems														
Revenues, Benefits & Customer services Integration	Substantial	0	1	0	**1**	0	1	0	**1**	0	**0**	**0**	**0**	0
Corporate Resources – Procurement														
Contract Monitoring Procedures	Substantial	0	3	0	**3**	0	3	0	**3**	0	**0**	**0**	**0**	0
Place & Sustainability														
Haringey Public Mortuary	Limited	3	5	1	**9**	3	5	1	**9**	0	**0**	**0**	**0**	0
Parking Services: Car Pound	Substantial	0	1	0	**1**	0	1	0	**1**	0	**0**	**0**	**0**	0
Illegal Money Lending	Substantial	0	0	0	**0**	0	0	0	**0**	0	**0**	**0**	**0**	0
Adult and Housing Services														
Homelessness Assessment Processes	Substantial	0	1	1	**2**	0	1	1	**2**	0	**0**	**0**	**0**	0
Decent Homes Programme	Substantial	0	0	0	**0**	0	0	0	**0**	0	**0**	**0**	**0**	0
Adult & Housing Risk Register Testing	Full	0	0	0	**0**	0	0	0	**0**	0	**0**	**0**	**0**	0
Occupational Therapy Service	Substantial	0	1	0	**1**	0	1	0	**1**	0	**0**	**0**	**0**	0
Chief Executive – People and Organisational Development														
Declarations of Interest	Limited	1	2	0	**3**	0	1	0	**1**	0	**0**	**2**	**0**	1
Gifts and Hospitality	Limited	1	2	1	**4**	0	2	1	**3**	0	**0**	**1**	**0**	1
Data Quality	Substantial	0	1	0	**1**	0	0	0	**0**	0	**0**	**1**	**0**	0
Health & Safety	Limited	3	3	0	**6**	3	3	0	**6**	0	**0**	**0**	**0**	0

DELOITTE INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2013/14

APPENDIX A

AUDIT AREA	Assurance Level	Recommendations												Priority 1 Recs. Outstanding
		Category				Implemented								
		1	2	3	Total	1	2	3	Total	N/A	Not Imp.	In Progress	Not due	
Public Health														
Smoking Cessation Programme	Substantial	0	0	0	0	0	0	0	0	0	0	0	0	0
Health Checks Programme	Substantial	0	2	0	2	0	2	0	2	0	0	0	0	0
Total		8	22	3	33	6	20	3	29	0	0	4	0	2

Implemented – officers has indicated through self-certification the progress of recommendations. We have verified a sample of responses.
N/A – the recommendation is no longer applicable due to changes in the system, or alternative action has been taken to address the risk.
Not implemented – the recommendation has not been addressed, alternative action has not been taken.
In Progress – officers have started implementation of recommendations

Detailed Progress Report – Outstanding Recommendations 2012/13

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
			CHIEF EXECUTIVE	
Declarations of Interest				
1	Management should consider amending the Code of Conduct to include the requirement for a nil return to be completed and submitted by officers in high risk services within the Council. As an indication, the requirement could include, but not be limited to, the following areas: • Adult Services; • Housing; • Commissioning; • Procurement; • Property Services; • Single Frontline; • Building Services; • Planning and Regeneration; Benefits and Local Taxation.	2	March 2013.	**In Progress** ***Human Resources Update – August 2013*** A review of the Code of Conduct has been undertaken in relation to this issue and a decision was taken that an amendment was not required. It was also decided that rather than identifying only those high risk officers, that it would be more appropriate to issue an HRM (HR Memo) to all senior managers across the council to remind them of their responsibility to declare conflict of interests. The HRM will be issued on 9 September with a copy of the Declaration form (a copy of which is also available on the staff intranet). Managers will be required to send either a completed form or a nil declaration to HR by **30 September 2013**. ***Internal Audit comment:*** *We will complete a follow-up of the above actions and the results will be incorporated in our next report to the Corporate Committee.*
2	A process should be implemented for HR to monitor the number of declarations of interests made throughout the year and where appropriate, to issue regular reminders to officers and senior managers across Council	1	Ongoing.	**In Progress** As and when the completed declaration forms are returned from individuals, they will be recorded in a spreadsheet and then placed on their personnel record.

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
	services (or high risk services only) regarding completion and submission of declarations. The reminder could be issued as part of the HR Memorandum. The monitoring process should also cover the completion of nil returns within high risk services, as recommended above.			***Human Resources Update August 2013*** An amended process for monitoring the Declarations of Interest received will be in place by 30 September. • The form will be revised and included in the Welcome Pack sent to all new starters. • The completed form will form part of the pre-employment checking process. • The amended form will stress that the responsibility to complete and submit a new form when their circumstances change lies with each employee. As part of the ongoing monitoring process, a new form will be sent to senior managers every two years so that up to date details or a nil return can be kept on file. Where individuals identify that their circumstances changed during the period but did not notify HR at the time, the case will be followed up with the individual and their manager. A summary report of declarations received during the year will be available annually for Directors in March. ***Deadline:*** *September 2013*
Gifts and Hospitality				
3	A process should be implemented for HR to monitor the number of gift and hospitality declaration forms received throughout the year and where appropriate, to issue regular reminders to officers and senior managers across Council services (or high risk services only) regarding completion and submission of declarations. The reminder could be issued as	1	Ongoing.	**In Progress** ***Human Resources Update August 2013*** The process currently in place is that Gifts and Hospitality forms are authorised in the Directorate and a copy is sent to HR to be logged and filed electronically. A copy of the form is readily available on the staff intranet. Reminder HRMs are sent periodically and the next reminder will be

Ref	Recommendation	Priority	Original Implementation Deadline	Progress/Status
	part of the HR Memorandum.			sent to all senior managers to cascade to their staff on 1 December to cover the Christmas/New Year period. Completed forms will be required to be returned to HR by 15 January. A mid-year HRM will be sent to remind managers of their responsibility to declare gifts/hospitality in June 2014 and to cascade this to all their staff. ***Internal Audit comment:*** *We will check communication of the periodic HRMs and we will provide an update in our next report to the Corporate Committee.*
Data Quality				
4	The Data Quality Policy should be reviewed annually, updated where necessary and made available to staff. Evidence of this should be retained e.g. through the use of version control.	2	7 September 2012.	**In Progress** The Performance Manager has confirmed that while work has been undertaken to review the Data Quality Policy, this has not yet been completed due to the service waiting on the results of the Government consultation on transparency which it expected to incorporate within policy, and the requirement to complete Children Service statutory returns by the end of July 2013. The results of the Government review are expected to be produced soon, and following this, it is anticipated that the policy will be updated by the end of September 2013. **Revised deadline 30 September 2013.**

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

London

August 2013

APPENDIX B

IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/13- 31/03/14 & B/F FROM 2012/13

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 30/06/2014	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
Children and Young People's Service	Allegation of Benefit Fraud	5	5	5	1 x Final Written Warning 4 x Pending Disciplinary Action	£13,568 £94,752
Adults and Housing	Allegation of contribution to irregular benefit claim B/F 2013/14	1	1	1	Dismissed Appeal Lodged	
	Allegation of Irregular Time Keeping B/F 2013/14	1	1	1	Standard Setting to be undertaken	
Place and Sustainability	Allegation that right to remain in the UK has expired	1	1	1	Contract Withdrawn	
TOTAL		8	8	8		£108,160

Haringey Council – Corporate Committee

Disciplinary Case Analysis April 2013 to June 2013

Introduction

The information in this report is taken from SAP, covering the period **April 2013 – June 2013**.

The data is based on Haringey Council employees who

- hold Permanent, Temporary or Fixed Term Contracts

Note that this data excludes:

- Casual or Sessional Workers
- Schools
- Agency Workers

Legend	
Adults & Housing	AS
The Children & Young People's Service	C
Chief Executive	CE
Corporate Resources	CR
Public Health	PH
Place & Sustainability	PS
Strategy & Performance	SP
Haringey Council	HGY

The Council's Disciplinary Procedure is considered as a tool to assist in good management and not solely as a means of imposing sanctions or setting out procedures leading to dismissal.

The procedure aims to:

- Allow managers to address issues of unsatisfactory conduct and seek improvements in behaviour
- Ensure that employees covered by the procedure are treated fairly and consistently
- Ensure that proper and adequate procedures are observed before any disciplinary decisions are taken
- Help and encourage all employees to achieve and maintain standards of conduct, attendance and job performance
- Maintain discipline essential to the delivery of high quality services
- Protect the health, safety and well being of staff, service users and members of the public
- Safeguard the integrity and good reputation of the Council
  (Disciplinary Procedure September 2012)

Disciplinary Cases

This section looks at the number of formal actions taken against employees under the disciplinary procedure.

Disciplinary Cases by Directorate				
Directorate	Cases Open	Cases Closed	No of cases	No of employees
AS	7	13	20	16
C	5	4	9	9
CE	2	0	2	2
CR	0	0	0	0
PH	0	0	0	0
PS	4	7	11	9
SP	1	0	1	1
Total	19	24	43	37

Please note that the total number of cases is **43**, but this only represents **37** employees. The reason being is that one employee can have more than one case in the same period. For example, an employee's dismissal could count as one case and their appeal as another.

- **Adults & Housing** has the highest percentage of disciplinary cases against its workforce at **2.4%** in this quarter
- **19** cases remain **'open'** at the end of this period

The following table looks at the stages of Disciplinary cases.

Stages of Disciplinary Cases				
Stage	Cases Open	Cases Closed	Total	%
Invest. - not suspended	5	6	11	26
Invest. - suspended	10	12	22	51
ET	2	1	3	7
Appeal	2	5	7	16
Total	19	24	43	100

The following table identifies the outcomes of the **24** cases that were closed in this period.

Disciplinary Case Outcomes						
Outcome	Invest. - not suspended	Invest. - suspended	Invest. - appeal	Invest. - ET	Total	%
Compromise agreement	0	1	0	0	1	4
Dis. Appeal Dismissed	0	0	1	0	1	4
Dis. Appeal Part Upheld	0	0	1	0	1	4
Dis. Appeal Upheld	0	0	2	0	2	8
Dis. Appeal Withdrawn	0	0	1	0	1	4
Dis. Dismissal	0	4	0	0	4	17
Dis. ET Dismissed	0	0	0	0	0	0
Dis. ET Withdrawn	0	0	0	1	1	4
Dis. Final Written Warning	0	1	0	0	1	4
Dis. No Action	2	4	0	0	6	25
Dis. Other	0	0	0	0	0	0
Dis. Relegation/Demotion	0	0	0	0	0	0
Dis. Resigned	0	0	0	0	0	0
Dis. Verbal Warning	1	0	0	0	1	4
Dis. Warning & Sanction	0	1	0	0	1	4
Dis. Written Warning	3	0	0	0	3	13
Escalated to next stage	0	0	0	0	0	0
Suspension Lifted	0	1	0	0	1	4
Total	6	12	5	1	24	100

This table displays reasons for Disciplinary action against employees.

Reasons for Disciplinary Cases				
Reason	Cases Open	Cases Closed	Total	%
Assault	1	0	1	2
Attendance	0	1	1	2
Behaviour	6	9	15	35
Fraud / Theft	2	4	6	14
Misuse of resources	2	1	3	7
Negligence	4	1	5	12
Other	4	8	12	28
Total	19	24	43	100

- The highest cause for disciplinary action was for **Behaviour** at **35%** and **Other Reasons** at **28%**

This table looks at the ethnic breakdown and gender split for Disciplinary cases

Disciplinary Case employee representation by Ethnicity and Gender						
	Female		Male		All	
Ethnic Class	Total	%	Total	%	Total	%
B A M E	15	54	13	46	28	76
White	3	38	5	63	8	22
Not Declared	1	100	0	0	1	3
Total	19	51	18	49	37	100

- **32%** of the workforce is male, but the male representation with disciplinary cases is higher at **49%**

The following table looks at the ethnic breakdown per Directorate and across grade bands.

Disciplinary Case employee representation by Ethnicity and Grade Band (T = Total no. in grade band, WF = % of total disciplined employees in Directorate)													
Dir	Ethnic Group	SC1-SC5		SC6-SO2		PO1-PO3		PO4-PO7		PO8+		TOTAL	
		T	WF	T	WF	T	WF	T	WF	T	WF	T	WF
AS	B & ME	6	38	6	38	0	0	0	0	0	0	12	75
	White	3	19	0	0	1	6	0	0	0	0	4	25
	Total	9	56	6	38	1	6	0	0	0	0	16	100
C	B & ME	1	11	0	0	1	11	5	56	0	0	7	78
	White	0	0	1	11	0	0	1	11	0	0	2	22
	Total	1	11	1	11	1	11	6	67	0	0	9	100
CE	B & ME	0	0	1	50	0	0	0	0	0	0	1	50
	White	0	0	0	0	0	0	1	50	0	0	1	50
	Total	0	0	1	50	0	0	1	50	0	0	2	100
CR	B & ME	0	0	0	0	0	0	0	0	0	0	0	0
	White	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0
PH	B & ME	0	0	0	0	0	0	0	0	0	0	0	0
	White	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0
PS	B & ME	6	75	1	13	1	13	0	0	0	0	8	100
	White	0	0	0	0	0	0	0	0	0	0	0	0
	Total	6	75	1	13	1	13	0	0	0	0	8	100
SP	B & ME	0	0	0	0	0	0	0	0	0	0	0	0
	White	0	0	0	0	0	0	1	100	0	0	1	100
	Total	0	0	0	0	0	0	1	100	0	0	1	100
HGY	B & ME	13	36	8	22	2	6	5	14	0	0	28	78
	White	3	8	1	3	1	3	3	8	0	0	8	22
	Total	16	44	9	25	3	8	8	22	0	0	36	100

* 1 employee in grade band SC1-SC5 did not declare their ethnicity

Suspensions

This table shows a summary of suspension cases.

Summary of Suspension Cases	
Case status	Total
No. of cases heard	12
No. of cases not concluded	10
No. of cases not concluded - leaver	0
Total	22

Timescales (no of days) of Suspension Cases

The table below looks at the **22** suspension cases and identifies the no. of working days each case has taken. If a case has not concluded by the end of the quarter, the number of working days is calculated from the start date of the suspension to the end of the quarter.

The table also identifies by directorate, the average number of days suspension for all cases, the maximum days for a single case and the number of cases heard within that period.

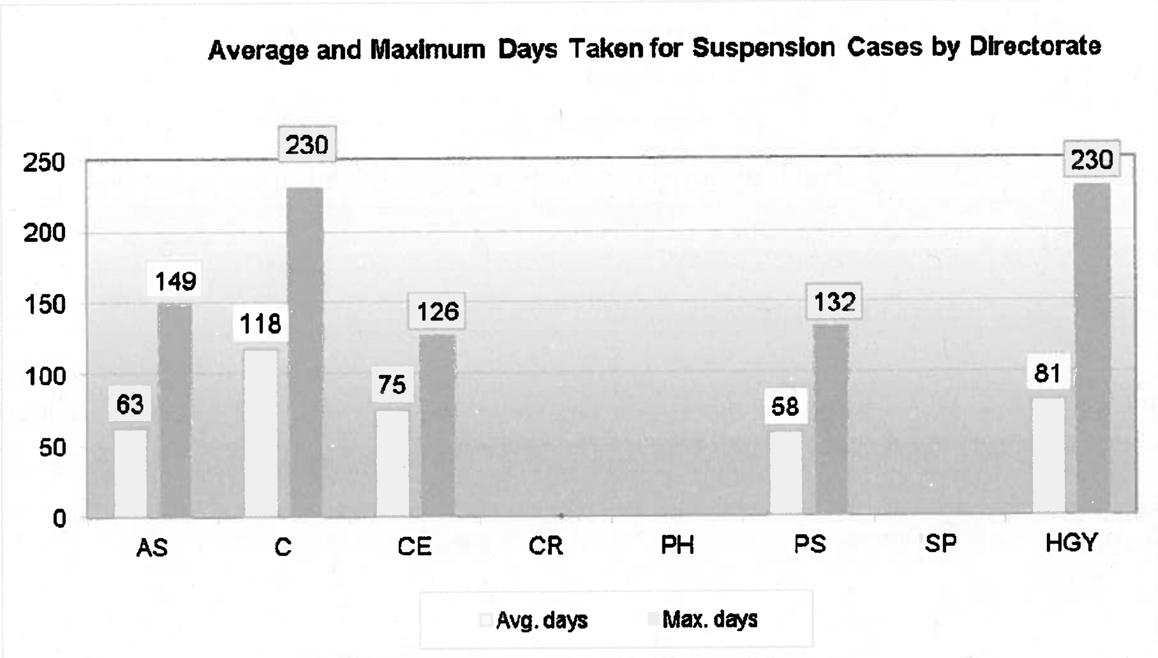
Timescales (no of days) of Suspension Cases

Directorate	1-60	61-120	121-180	181-240	240+	Total cases	Total days	Avg. days of total cases	Max. Days	Total cases heard
AS	5	4	1	0	0	10	627	63	149	7
C	2	2	2	1	0	7	827	118	230	3
CE	1	0	1	0	0	2	150	75	126	0
CR	0	0	0	0	0	0	0	0	0	0
PH	0	0	0	0	0	0	0	0	0	0
PS	2	0	1	0	0	3	175	58	132	2
SP	0	0	0	0	0	0	0	0	0	0
HGY	10	6	5	1	0	22	1779	81	230	12
Total cases closed	2	4	0	0	1	7				

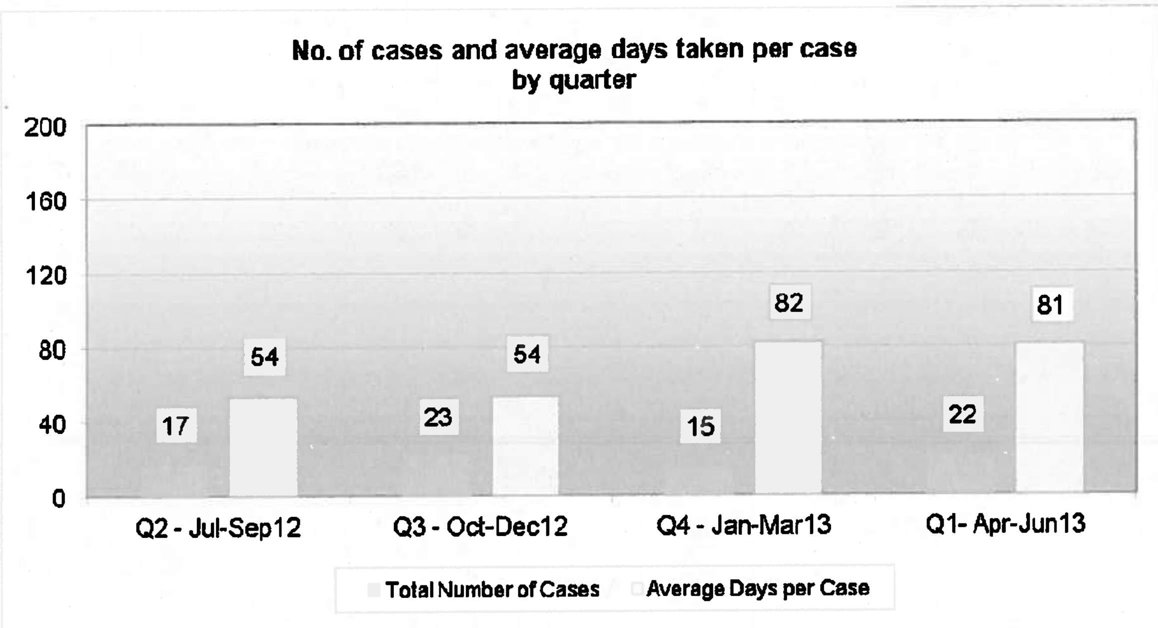
On average, **81** days were spent on each suspension case within the quarter.

Suspensions (continued)

The chart below illustrates the average and maximum number of days taken for a suspension case by Directorate for the quarter.



The chart below looks at the number of suspension cases per quarter for a rolling year and highlights Haringey Council's average number of days per case.



The average number of days suspended for the quarter was **81** with a total of **22** cases. **10** of these cases remain open at the end of **Quarter 1**.

Appendix D

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
CYPS	PEI	Consultant	Mindstretchers Recruitment Agency	31/05/2012	30/03/2013- waiting for update	£550 +£22.50 travel	3	Revenue	To deliver statutory work on 2 year expansion project to develop and increase provision for 2 year olds
CYPS	PEI	Interim	Gatenby Sanderson Recruitment Agency	04/04/2013	30/08/2013	£640	2 to 3	Revenue	Interim Head of Governor Support and Training
CYPS	PEI	Consultant	Ameo Recruitment Agency	21/02/2013	30/08/2013	£630	2 to 4	Revenue	Assist with preparing Youth, YOS and Alternative Provision to move to a commissioning approach.
CYPS	PEI	Interim	Gatenby Sanderson Recruitment Agency	18/02/2013	31/05/2013	£650	2	Revenue	Interim Head of Integrated Working & Family Support
CYPS	PEI	Interim	Green Park Interim & Exec search	08/07/2013	06/12/2013	£675	4	Capital	Interim Head of Integrated Working & Family Support
CYPS	PEI	Consultant	Ameo Recruitment Agency	03/07/2013	27/09/2013	£595	2	Capital	To review the YOS and prepare them for the regulatory inspection.
CYPS	PEI		Woodrow Mercer Recruitment	13/02/2013	30/09/2013	£515	3	Revenue	Performance Management

Appendix D

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
CYPS	PEI		Self Employed	07/11/2012	28/06/2013	£450	2	Revenue	Carry out West Green Primary investigation
CYPS	PEI	Interim	Self Employed ESI Ref. confirmed	01/07/2013	04/10/2013	£460	5	Revenue	Head of Youth and Community Participation
CYPS		Interim	Penna Recruitment Agency	01/07/2013	31/12/2013	£600	5	Revenue	Interim head of Schools HR
CYPS	School Standards & Inclusion	Interim	Self Employed ESI Ref. confirmed	01/09/2011	31/07/2013	£500	5	Revenue	School Improvement Advisor
CYPS	Children & Families	Interim	Ameo Recruitment Agency	30/03/2013	31/07/2013	£615	2	Revenue	To provide additional capacity as Principal Social worker
CYPS	Children & Families	Consultant	Woodward Lewis Associates	01/08/2012	31/07/2013	To be paid a total not exceeding £86,250 for total assignment	as required	Revenue	To provide training around Positive Deviance for the Haringey Families First (Troubled Families) project
CYPS	Children & Families	Interim	Green Park Recruitment Agency	15/01/2013	31/07/2013	£575	5	Revenue	To Provide additional capacity as Principal Social worker
CYPS	Children & Families	Interim	Sanctuary Personnel Ltd	29/04/2013	31/03/2014	£518	5	Revenue	Interim cover for HoS Commissioning & Placements (Adoption &

Appendix D

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
									Fostering)
CYPS	54K	Consultant	Ameo Recruitment Agency	16/01/2013	31/10/2013	£650	5	Revenue	Added capacity for short term to accelerate the work of the Haringey 54,000 project
CYPS	54K	Consultant	Penna Recruitment Agency	24/04/2013	04/08/2013*	£750	5	Revenue	People & Change Lead for H54K Transformation Programme. *NB Interim Head of HR w.e.f. 12/08/2013
CYPS	54K	Consultant	Green Park Recruitment Agency	28/05/2013	12 weeks with option to extend for further 4 weeks	£625	5	Revenue	OD Consultant for H54K Transformation Programme
CYPS	54K	Consultant	Penna Recruitment Agency	20/05/2013	8 weeks with option to extend for further 4 weeks	£500	5	Revenue	Business Analyst for H54K Transformation Programme
CYPS	54K	Consultant	Penna Recruitment Agency	20/05/2013	23/08/2013	£500	5	Revenue	Financial Modeller for H54K Transformation Programme

Appendix D

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
CYPS	Children & Families	Consultant	Self Employed ESI Ref. confirmed	01/06/2011	31/12/2013	£245	1 to 2	Revenue	Independent assessor supporting Adoption team in the assessment of relatives and fosters carers as Special Guardians and prospective adopters
CYPS	Children & Families	Consultant	Self Employed ESI Ref. confirmed	01/06/2011	31/12/2013	£245	1 to 2	Revenue	Independent assessor supporting Adoption team in the assessment of relatives and fosters carers as Special Guardians and prospective adopters
CE	BLT	Consultant	Self Employed ESI Ref. confirmed	01/12/2011	30/11/2013	£432	as & when	Revenue	Works on an occasional basis only. Monitors our HB Subsidy claim and advises on areas where we can further increase our income through subsidy.
CE	BLT	Consultant	Indigo Edge Management Consultancy Agency	01/09/2012	31/03/2014	£500	2	Revenue/Grant	Project Manage the Welfare

Appendix D

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
CE	BLT	Consultant	Indigo Edge Management Consultancy Agency	01/09/2012	31/03/2014	£500	2	Revenue/Grant	Project Manage the Welfare
CR	Corporate Finance	Interim	CIPFA	01/03/2012	28/02/2014	£595	4	Revenue	Interim Head of Corporate Finance - covering vacancy
CR	Corporate Finance	Interim	Allen Lane Interim Recruitment Agency	12/12/2012	04/10/2013	£300	5	Revenue	Senior Capital Accountant
CR	Corporate Finance	Interim	CIPFA	05/11/2012	31/01/2014	£495	4.5	Revenue	Interim Head of Finance (CYP) - covering vacancy
CR	Corporate Finance	Interim	CIPFA	12/04/2013	30/09/2013	£520	5	Revenue	Interim Head of Finance (Treasury & Pensions) - covering vacancy
CR	Corporate Finance	Interim	Allen Lane Interim Recruitment Agency	03/06/2013	29/08/2013	£340	3	Revenue Grant (DSG)	Covering a vacant accountant's post assisting with the reconfiguration of the DSG, supporting Schools Forum and completion of the S251 outturn report.

Appendix D

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
CR	Corporate Finance	Interim	CIPFA	28/01/2013	30/09/2013	£460	5	Revenue	Interim Finance Manager (BAS) - covering vacancy
P&S	Director	Consultant	RESPECT Recruitment Agency	06/08/2012	31/12/2013	£400	10 days over 6 months	Revenue	Chair of Domestic Homicide Review
P&S	Director	Consultant	Penna Recruitment Agency	27/05/2013	27/11/2013	£800	4	Revenue	Growth & Regeneration project. Overseeing economic growth strategy for borough: Review HALS: Help develop Council's approach to housing investment & renewal
P&S	Director	Consultant	Gatenby Sanderson Recruitment Agency	27/05/2013	27/06/2014	£855	4	Revenue	To develop a strategy to set out Haringey's housing regeneration approach
P&S	Director	Consultant	Odgers Interim Recruitment Agency	25/03/2013	31/09/2013	£675	5	Revenue	Regenerating Tottenham Programme Manager
P&S	Director	Interim	Odgers Interim Recruitment Agency	15/04/2013	31/12/2013	£640	5	Revenue	Interim Head of Development Management
P&S	Director	Interim	Odgers Interim Recruitment Agency	07/01/2013	05/07/2013	£750	5	Revenue	Interim AD Major Projects

Appendix D

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
P&S	Corporate Property Services	Consultant	Self Employed ESI Ref. confirmed	01/11/2008	30/09/2013	£450	2	Capital	Specialist property skills, advice and support related to Spurs project and 639 High road
P&S	Corporate Property Services	Consultant	Self Employed ESI Ref. confirmed	01/10/2011	30/09/2013	£380	3	Revenue	Assist with priority work streams of the Haringey Property review and provide strategic advice.
P&S	Corporate Property Services	Consultant	CPC Solutions UK	01/04/2013	31/12/2013	£385	1	Revenue	To provide expert advice on options to improve financial performance at Technopark
P&S	Single Frontline Services	Consultant	Odgers Interim Recruitment Agency	05/01/2009	31/08/2013	£530	3	Revenue	Finalising the mobilisation of the Highways Contract and a review of Veolia Contract, due to end Aug 2013.

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
P&S	Single Frontline Services	Consultant	Penna Recruitment Agency	05/05/2007	31/03/2014	£290	3	Revenue	Provides specialist advice and support for software (Confirm), building asset database, IT solution for NAT and training team. Mobilisation of Highways contract and mobile working support.
P&S	Single Frontline Services	Consultant	Aurecon Group - Career Agency	01/04/2012	31/10/2014	£207	5	Funded	Providing specialist Flood Water Management advice so the Council can meet it's statutory requirements - We are in discussions with Defra in regards to additional grant funding and this will inform the next steps of resourcing.

Appendix D

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
P&S	Single Frontline Services	Interim	Gatenby Sanderson Recruitment Agency	13/08/2012	30/09/2014	£600	5	Revenue	Provide strategic lead for Community Safety within Haringey and establish a revised structure. Advert out for post, interviews planned for end of September. Head of Community Safety post 50214075
	Single Frontline Services	Interim	Odgers Interim Recruitment Agency	07/05/2013	30/04/2014	£600	5	Revenue	Backfill parts of AD SFL post: Traffic Management, Neighbourhood Action Team, Regulatory Services post 50011230

Appendix D

Consultants employed by the Council as at 30 June 2013

Dir	Business unit	Status	Name of consultancy, agency, or 'Self Employed'	Start date	End date/ Likely end date	Daily Rate	Days per week	Funding from Revenue, Capital, or Grant	Reason for engagement & benefits
	Single Frontline Services	Consultant	Gatenby Sanderson Recruitment Agency	24/06/2013	31/12/2013	£380	5	Revenue	As part of the Community Safety Review this area of work was identified as a significant gap and it is intended to create a role as part of the proposed revised Community safety Structure. This is planned to be consulted on during Aug / Sept with planned implementation in October, permanent filling of the role will depend on availability of successful candidate.
P&S	Planning, Regeneration & Economy	Consultant	Penna Recruitment Agency	15/01/2009	31/03/2013	£675	2 to 3		
PH		Consultant	Self Employed ESI Ref. confirmed	02/04/2013	31/05/2013	£475	5	Revenue	Supporting Co-Chairs of London Network of Directors

Agenda Item 16

Haringey Council

Report for:	Corporate Committee 19 September 2013	Item number	

Title:	Corporate Risk Register

Report authorised by :	Director of Corporate Resources J. Parker 10/9/13

Lead Officer:	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk

Ward(s) affected: ALL	Report for: Non-Key Decision

1. Describe the issue under consideration

1.1 A copy of the current corporate risk register is provided for review by Members. The Corporate Risk Management Policy and Strategy is also provided for review and approval.

1.2 The Corporate Committee is responsible for approving the Council's Risk Management Policy and Strategy as part of its Terms of Reference. In order to facilitate this and provide information on its implementation across the Council, reports are provided to members on a regular basis.

2. Cabinet Member Introduction

2.1 Not applicable

3. Recommendations

3.1 That the Corporate Committee reviews the current version of the Corporate risk register and provides comments as appropriate; and

3.2 That the Corporate Committee approves the current corporate Risk Management Policy and Strategy.

4. Other options considered

4.1 Not applicable.

Haringey Council

5. Background information

5.1 Risk management is included within the Corporate Committee's terms of reference. In order to demonstrate that the terms of reference are fulfilled, the Council's Risk Management strategy and policy is reviewed on an annual basis to ensure that it reflects current operational requirements and best practice. The corporate risk register is also presented for review by Members on an annual basis.

5.2 The Corporate risk register was last presented to the Corporate Committee for review on 28 June 2012. The risk management policy was last reviewed and approved by the Corporate Committee at its meeting on 21 July 2011.

6. Corporate Risk Register

6.1 The Council uses an electronic system (Covalent) to record the risks faced by business units, departments and at a corporate level in a consistent manner. The output from Covalent is in the form of risk registers for business units, directorates and at the corporate level.

6.2 Directors Group consider that the risks included in the corporate risk register are those areas which present the highest risks to the Council not achieving its objectives. These areas have been assessed as either having a very high impact on the Council if the risk should materialise, or having a high likelihood of the risk occurring in the next 12 months. As a consequence, Directors Group will focus on ensuring that the Council has appropriate controls and planned actions in place to manage these risks and will keep the corporate risk register under review on a quarterly basis.

6.3 The latest review of the corporate risk register was undertaken at the Directors Group meeting on 3 September 2013 and this version of the corporate risk register is attached as Appendix 1 to this report.

7. Risk Management Policy and Strategy

7.1 The corporate risk management policy and strategy brings together all key processes involving risk, including business planning, health and safety, business continuity planning, emergency planning, performance management and project management. A corporate Risk and Emergency Planning Steering Group is in place, with representatives from all directorates, which reviews key risk issues on a regular basis and ensures implementation of the risk management policy and strategy across the Council.

7.2 The risk management strategy and policy has been reviewed to ensure that it reflects current operational practices and best practice requirements. The policy was updated extensively in 2011 to take account of organisational changes and it was reported to Corporate Committee as requiring no changes in 2012.

Haringey Council

7.3 Some minor changes have been made to appendices C and D to update the terminology e.g. to include the current Council Plan priorities, but no further changes are recommended to the substantive part of the policy at present. However, it is good practice to obtain Member approval for policies on a regular basis to confirm their continued application.

7.4 The policy is kept under review and as changes to the organisation's processes and procedures take place, the Corporate Risk Management Policy and Strategy will be updated to reflect agreed practice and presented to the Corporate Committee for review and approval. The policy is published on the Council's intranet.

8. Comments of the Chief Financial Officer and Financial Implications

8.1 There are no direct financial implications arising out of this report as the work associated with updating and monitoring the Council's corporate risk register is included within service revenue budgets.

8.2 The risks included in the corporate risk register could have significant financial implications for the Council if they were to materialise. Regular review and monitoring of existing and emerging risks helps to mitigate any potential financial implications.

9. Legal Implications

9.1 The Head of Legal Services has been consulted in the preparation of this report, and makes the following comments.

9.2 In view of the fact that the various policy and strategy documents reported on continue to follow industry best practice, means that there are no direct legal implications arising out of the report

10. Equalities and Community Cohesion Comments

10.1 There are no direct equality or community cohesion implications arising out of this report.

11. Head of Procurement Comments

11.1 Not applicable.

12. Policy Implications

12.1 There are no direct implications for the Council's existing policies, priorities and strategies.

13. Use of Appendices

13.1 Appendix A – corporate risk register September 2013
Appendix B – corporate risk management policy and strategy 2013

Directors Group - Corporate Risk register

Generated on: 06 September 2013

Risk Code	Risk Title	Internal Controls	Risk and Control Ownership	Date of last review	Residual Impact	Residual Likelihood	Residual Risk Score	RAG status	Further Action Code	Further Action(s)	Progress (% complete)	Further Action Completion Date
DG_R001	Failure to maximise the regeneration opportunities afforded by significant government investment in Tottenham	Programme Team in place. Programme Delivery Board overseeing the Tottenham Regeneration Programme in place. Theme groups established to own and manage the projects within the identified ten key themes. Risk strategy and risk registers in place. High level programme established, including budget management, and list of candidate projects, some of which are already in delivery phase. Reporting arrangements in place - monthly to Programme Delivery Board, to Cabinet and to Joint Strategic Forum. Established a network of stakeholder groups e.g. landowners forum with regular communications in place.	Risk Owner: Director of Place & Sustainability Control Owner: Interim Director - Tottenham Regeneration	28-Aug-2013	9	5	45		DG_R001_F001	Undertake additional targeted research to allow strategic investment decisions specifically around growth anf employment opportunities	0%	31-Dec-2013
									DG_R001_F002	Theme Groups to produce key outcome and output performance measures for each strategic theme.	0%	31-Dec-2013
									DG_R001_F003	Establish support services, including financial, engagement, legal, procurement and property for the programme and the projects	0%	31-Mar-2014
									DG_R001_F004	Project dossier review to be undertaken alongside resource aliignment planning	0%	31-Dec-2013
DG_R002	Failure to ensure that every child in	Continued investment in support to achieving school	Risk Owner: Director of	20-Aug-2013	5	5	25		DG_R002_F001	Review the In Year Fair Access panel to improve its impact	0%	31-Mar-2014

	Haringey has an outstanding start in life	standards; Greater concentration of school improvement resource on the EYFS; Childrens Centres Review to be implemented and early help offer to be revised to increase its impact; Separation of Commissioning role from provider and improvement roles The outstanding for all project is in place and on track School admissions has moved to the commissioning service	Chidren's Services Control Owner: Deputy and Assistant Directors of Children's Services						DG_R002_F002	Establish 14-19 partnership	0%	31-Mar-2014
									DG_R002_F003	Obtain Big Lottery Funding to support 0-3s in targeted areas.	0%	31-Mar-2014
									DG_R002_F004	Draft Early Help Policy on Forward plan	0%	31-Mar-2014
									DG_R002_F005	Implement a model of accountability for Early Years settings	0%	31-Mar-2014
DG_R003	Failure to manage the impact of Welfare Reform Act and Benefits Cap on Council resources, residents, and applicants for support	Outer London Placements for families unable to afford local rents. Robust Temporary Accommodation allocations policy. Multi agency 'Hub' in place to provide advice to affected households. Plan agreed between Housing and Childrens Services for families displaced by Welfare Reform. Proof of affordability. Spend monitoring of DHP, Support Fund and CTRS and reported monthly. Support days available for residents facing difficulties with the changes. Signposting residents to other sources of support, predominantly the third sector. Impact being monitored through a project and programme board.	Risk Owner: Director of Adults & Housing; Assistant Chief Executive Control Owner: Deputy Director - Housing; Head of Revenues, Benefits & Customer Services	03-Sep-2013	6	7	42		DG_R003_F001	Work to discharge duty to the Private Rental Sector. Determine rent policy.	40%	31-Mar-2014
									DG_R003_F002	Universal Credit implementation preparation	10%	31-Mar-2014
									DG_R003_F003	Council Tax Reduction Scheme Year 2 report to Full Council	0%	31-Jan-2014
									DG_R003_F004	Support Fund procurement	85%	31-Dec-2013
DG_R004	Non-accidental death or serious injury to a child	Target of 85% of staff are permanent and key positions are covered securing sufficient	Risk Owner: Director of Children's	03-Sep-2013	9	7	63		DG_R004_F001	The QA Board has a target set of audited practice to be 60% of higher good or better against	0%	31-Mar-2014

	for whom the Council owes a duty of care due to inconsistent social work practice	well trained and supported staff; Dedicated OD professional supports practice development; Multi agency safeguarding arrangements are in place which identify children at risk and support plans to reduce risk and support families to safeguard children; LSCB provides clear governance arrangements which challenge and support the partnership in its safeguarding duties; Multi Agency Safeguarding Hub (MASH) arrangements are embedded; Performance management approach identifies individual, service and partnership performance issues; Our performance data compares our rates of performance against that of good or outstanding statistical neighbours; Ofsted grade descriptors for good and outstanding practice are used in case file audits and supervision to improve the consistency of practice; Principal Social Worker in place to support practice development.	Services Control Owner: Assistant Director of Children's Services							Ofsted standards in order to reduce likelihood.		
DG_R005	Failure to manage significant future reductions in local and national income streams	Medium Term Financial Plan is in place and is subject to review by officers and members on a regular basis. Corporate Plan in place for 2013/14. Savings plans in place for 2013/14 and monitored by Directors and senior managers on a monthly basis. Savings plans for 2014/15	Risk Owner: Director of Corporate Resources Control Owner: Assistant Director - Finance	21-Aug-2013	9	4	36		DG_R005_F001	Ensure there is a focus on responding to central government announcements as they affect LB Haringey.	50%	31-Mar-2014
									DG_R005_F002	Consider the reporting arrangements for the monitoring of savings plans.	75%	31-Mar-2014
									DG_R005_F003	Progress the actions to identify the service changes needed for 2015/16.	20%	31-Mar-2014

		(£20m) considered by June 2013 Cabinet. Monitoring of the implementation of the plans undertaken monthly by Directors and senior managers. New legislation is considered for potential financial impact. Implications of the localisation of business rates and the localisation of council tax benefit monitored. Preparations for the service modelling for the setting of the 2015/16 budget in place. Budget proposals are risk assessed prior to approval. Contingency and reserve levels are reviewed. Estimates of future funding levels within the MTFP reviewed by officers after each spending announcement. Service and financial planning process enhanced to ensure continued focus on targeting resources to service priorities as set out in the corporate plan.									
DG_R006	Failure to manage increased service demands - and resultant budget pressures - from residents impacted on by deteriorating economic conditions	Demand led forecasts are employed by in services to enable the profiling of budgets to meet demands Contingency plans are in place to address situations where demand exceeds the available resources. Multiagency advice and guidance services are provided and facilitated by the council. E.g. Hub provision for delivery of the benefit cap. Budgets are monitored monthly on a risk basis by Directors and senior managers. Quarterly budget monitoring report to cabinet.	Risk Owner: All Directors. Control Owner: All Deputy/Assistant Directors	21-Aug-2013	8	4	32		DG_R006_F001	Develop regeneration plans that open up work opportunities to the residents,	0%	31-Mar-2014

		Finance and procurement training provided to budget holders. Monthly monitoring of revenue collection (NNDR, Council tax, rents, other income) Completion of business cases for new activities, with identification of funding sources. Contingency sums are included in the budgets that are set.										

Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

UNCLASSIFIED

London Borough of Haringey
The Management of Risk
Corporate Policy and Strategy

Author:	Anne Woods
Owner:	Anne Woods
Version:	7.3
Classification:	UNCLASSIFIED
Issue Status:	FINAL
Date of First Issue:	2004
Date of Latest Re-issue	20/09/13

Contents

RISK MANAGEMENT POLICY

Haringey is committed to implementing a Risk Management Strategy, framework and the necessary supporting processes as part of the Council's on-going improvement programme. This will help to improve and strengthen corporate governance and front-line service delivery throughout the Council. The aim is to minimise the incidence and impact of risk taking activity, improve decision making and increase opportunities for innovation.

The Council undertakes that this policy will promote and ensure that:

1. The management of risk is linked to performance improvement and the achievement of its priorities and service objectives.

2. Members, the Council's Directors' Group and senior management own, lead on and support risk management.

3. Ownership and accountability are clearly assigned for the management of risks throughout the Council.

4. There is a commitment to embedding risk management into the Council's culture and organisational processes at all levels including strategic, programme, project and operational.

5. All Members and officers acknowledge and embrace the importance of risk management as a process, by which key risks and opportunities are identified, evaluated, managed and contribute towards good corporate governance.

6. Effective monitoring and reporting mechanisms are in place to continuously review the Council's exposure to, and management of, risks and opportunities.

7. Open and inclusive processes are established and maintained by involving all those associated with the planning and delivery of services, including stakeholders and partners.

8. Best practice systems for managing risk are used throughout the Council, including mechanisms for monitoring and reviewing effectiveness against agreed standards and targets.

9. Accountability to stakeholders is fully demonstrated through periodic progress reports and an annual statement on the effectiveness of and the added value (benefits) from the Council's risk management strategy, framework and processes.

10. The Council's approach is regularly benchmarked against high performing public and private sector organisations.

11. The Risk Management Strategy is reviewed and updated (where appropriate) annually, in line with the Council's developing needs and requirements.

1. BACKGROUND

1.1 It is now recognised that all organisations face a range of risks which may affect the achievement of their objectives. Risk management is therefore an essential part of securing the 'health' of an organisation. Risk management is an important element in the running of any business: ensuring that threats to corporate objectives and service delivery are minimised; and that business opportunities are exploited to maximise resources or revenue.

1.2 Risk management is part of the overall arrangements for securing effective corporate governance. Corporate governance can be described as the systems which local authorities use to direct and control their operations and relate to their communities.

1.3 Good corporate governance can provide the authority's various communities, partners and other organisations, with confidence that the council maintains the highest possible standards in delivering their services. It is impossible for any organisation to achieve effective corporate governance arrangements without an effective risk management framework.

1.4 The council also has to comply with various statutory requirements which include issues relating to corporate governance or risk management. The Accounts and Audit (Amendment) (England) Regulations 2011 require local authorities to review, at least once a year, systems they have in place to control and manage the services they provide. The Council must also publish an Annual Governance Statement, which represents the end results of its annual review, with its financial statements.

1.5 Other key statutory issues for the council in relation to risk management include the requirements of the Civil Contingencies Act 2004 and the Health and Safety at Work Act 1974 and its related legislation. Internally, the council has developed various business planning, performance and project management frameworks, including business continuity and emergency planning - which all require risk management to be considered.

1.6 Everyone within the council has a role to play in managing risk. In order to put this in context and provide an explanation of how the various statutory and local requirements should be met, this corporate policy and strategy has been developed. This builds on the Council's previous risk management strategies to indicate where the various statutory and key corporate requirements fit in.

2 INTRODUCTION

2.1 This strategy provides an overview of Haringey's risk management position and what the council needs to do to assist in recording, managing and reporting its significant risks and clarifies the various roles, responsibilities and governance structures.

2.2 Haringey Council, via statutory requirements and corporately set objectives, must balance the demands of service users and tax payers; involve communities in service provision; deliver, commission and regulate services; and enter into strategic and local partnerships, often involving complex funding arrangements.

2.3 Balancing all of these, sometimes conflicting, objectives means that the council needs a framework which ensures that a pro-active approach is taken and risks are considered before decisions are taken by the appropriate body.

2.4 The aim of this strategy is to ensure that risks are identified at the right time to enable good decisions to be made, including:

- reducing the impact and/or number of risks which could prevent the council achieving its objectives;
- ensuring that the council takes advantage of opportunities to improve its performance; and
- working with third sector, other public sector organisations, and other key external partners, to maximise opportunities available.

2.5 Risk management can make a difference and enhance the performance of the council by:

- Identifying and preventing the bad things from happening; and
- Ensuring that all the good things we want to do actually happen.

2.6 The aim of this strategy is to ensure that everyone responsible for managing and taking decisions is aware not only of the key risk management functions, but also their responsibilities in relation to them.

2.7 From departments' and business unit managers' perspectives, the emphasis should be to achieve their objectives and deliver their services. Risk management should be used to facilitate this in the most effective way possible. By using a systematic approach, managers will ensure that they consider all the options available to them, and be in a better position to anticipate and respond to changing social, environmental and legislative requirements.

3 WHAT IS RISK?

3.1 For a public body such as Haringey Council, risk can be defined as:
Anything that poses a threat to the achievement of our objectives, programmes or service delivery to the residents, businesses and communities of Haringey.

3.2 Risks can come from inside or outside the council, and may include financial loss or gain, physical damage to people or buildings, client dissatisfaction, unfavourable publicity, failure of equipment, or fraud. Failing to take advantage of opportunities may also have risks for the Council, for example not bidding for external funding, or not publicising successes.

3.3 Taking advantage of new opportunities, for example working with the voluntary sector or other councils and organisations to deliver services, can also mean the Council has to deal with different types of risks. However, not taking advantage of these opportunities may leave the Council facing bigger risks in the future.

3.4 Therefore, some risks should not necessarily always be avoided. However, this means the Council should always carefully think through decisions which may cause losses of confidence, finance, or reputation. If risks are identified and managed effectively, they can allow the council to take opportunities for improving services.

3.5 Risks can be classified according to how they may affect the council as it delivers its services:

- **Corporate (strategic) risks** - risks which may affect the council's ability to achieve its plans.
- **Reputational risks** - risks that may undermine the confidence that the council's partners, customers, staff and the public have in it, e.g. adverse news articles.
- **Service (operational) risks** – risks which may prevent the council delivering its core services, e.g. lack of staff, damage to buildings, equipment failure.
- **Financial risks** – risks which may cause a breakdown in the council's financial systems e.g. fraud. Alternatively, risks arising from an economic downturn, e.g. on investments, debt management, etc.

4 WHAT IS AN ACCEPTABLE RISK?

4.1 As a general principle, the Council will seek to eliminate and control all those risks which:

- have a high potential for incidents to occur;
- would have a substantial adverse financial or reputational impact;
- would cause loss of public confidence in the Council and/or its partner organisations; or
- may stop the Council from carrying out its statutory functions or achieving its strategic objectives.

4.2 The Council recognises that it is impossible to eliminate all risks, especially those which it has no control over e.g. the UK economy, changes to legislation, climate and weather influences, or external power failure. This is not an exhaustive list, but provided for illustrative purposes only.

4.3 The Council will always try to reduce or eliminate risks wherever possible, but it needs to strike the right balance between how much it costs to manage or eliminate risks and taking no action. For example, the costs of eliminating risks in a system may be more than the amount of money the Council may lose if the system were to fail. In these circumstances, the Council would want to ensure that there were sensible precautions taken to manage the risks, but that these were balanced against what it would cost if the system were to break down.

4.4 Systems that the Council puts in place should therefore be flexible enough to encourage innovation and imaginative use of its limited resources, subject to any legal requirements, in order to deliver better services to its residents.

4.5 All projects and change programmes carry with them some risk of failure. The willingness to take advantage of opportunities or new innovation, in a managed way, is a sign of an ambitious organisation. It is important that risks associated with opportunities and innovation are identified and effectively managed, to ensure that the strategic objectives of the Council are achieved.

5 WHAT IS RISK MANAGEMENT?

5.1 There is no such thing as a risk-free environment, but many risks can be avoided, reduced or eliminated through good risk management. Good risk management also takes advantage of opportunities while analysing and dealing with risks.

5.2 Risk management is something that managers do every day as part of their normal work, although it may not always be written down, and managers may not use a formal procedure to make their final decision. Risk management can be explained as a tool for managers to use so that they are able to identify, evaluate and manage both risks and opportunities in a logical and consistent way.

5.3 Good risk management is forward looking and helps to improve business decisions and manage performance. It is not only about avoiding or minimising losses, but also about dealing positively with opportunities.

5.4 In addition to fulfilling statutory requirements, it should be recognised that there are many benefits to making sure that risk management is considered and applied at all levels in the Council, including:[1]

- Allowing managers to focus on the issues that really matter;
- Spending less management time on operational issues;
- Fewer surprises;
- Managers are focused on doing the right things, in the right way;
- Better chance of achieving business objectives;
- Better chance that new developments can be delivered on time, in accordance with the planned programme and within budget; and
- More informed risk taking and decision making.

5.5 Risk management should be considered as a continuous process, which evolves as the Council gains more understanding of the risks and opportunities facing it and how to manage these effectively.

5.6 Risk management consists of a number of elements, which should be considered and applied regularly during the course of the year, as part of the Council's cycle of performance management and improvement processes:

- Understanding the Council's, department's, or business unit's objectives;
- Identifying and assessing the risks facing it;
- Assessing the actions in place to manage the risks;
- Taking action to improve, monitor and learn from experiences.

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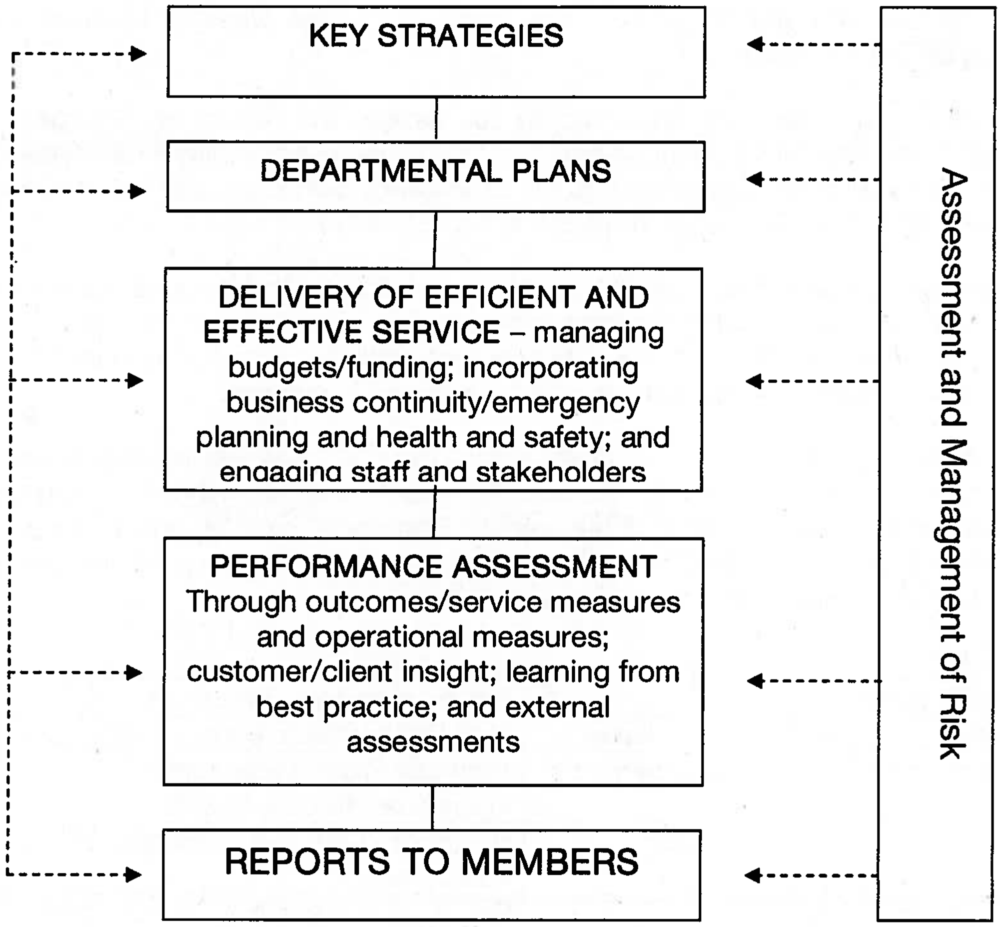
[1] *Source: 'Embedding Risk Management into the Culture of your Organisation' The Institute of Internal Auditors – UK and Ireland, October 2003.*

6 WHO IS RESPONSIBLE FOR RISK MANAGEMENT?

6.1 Directors and senior managers are responsible for managing their services. They are therefore responsible for identifying, assessing and managing the risks associated with planning, delivering and monitoring each of their services.

6.2 The following diagram illustrates the key processes in the council's overall approach to the provision of its services. The assessment and management of risk is essential to all aspects of this approach and is shown as an overarching aspect of service delivery.

Figure1



6.2 Additionally, the Chief Financial Officer has a specific statutory responsibility, under section 151 of the Local Government Act 1972, to ensure that the Council maintains high standards in managing its financial systems and that its procedures comply with all relevant legislation and local procedures.

6.4 The Council's Directors' Group is responsible for approving the Council's risk management policy and strategy at officer level and for ensuring that this is reviewed and updated on a regular basis. The Directors' Group is also responsible for reviewing and approving the corporate risk register, business continuity plan and health and safety policy on a regular basis.

6.5 The Council's Corporate Committee has responsibility for approving the risk management strategy at member level and is also responsible for reviewing, on an annual basis, the implementation of risk management across the Council. Risk management is included as part of the portfolio for the Cabinet Member for Finance and Carbon Reduction.

6.6 The Council has a statutory responsibility to "assess the risk of an emergency occurring" under the Civil Contingencies Act 2004. This responsibility is undertaken in partnership with other agencies (e.g. the Emergency Services), and the resulting Community Risk Register is signed off at the Local Resilience Forum.

6.7 The Council also has a responsibility, which is statutory in some cases, to ensure that the strategy covers bodies working in partnership with the Council. It is critical that both the risk appetite and risk management arrangements for all parties are discussed and clearly understood before a partnership is created.

6.8 Figure 1 above sets out the various areas across the council where managers need to consider the risks in relation to their business, and how these should be addressed. In practice, the council has various corporate systems and processes which should be completed in order to ensure that risks are appropriately considered. These are set out below in Table 1 below:

Table 1

Area/Process	**Action required/Response**
Strategic and Departmental Planning	Risk Register(s) to be completed
Project & Programme Management	Haringey Project Management Framework to be followed
Business Continuity/ Disaster Recovery	Business Continuity Plan(s) to be completed
Health and Safety	Risk Assessment(s) to be completed
Performance Management	Outcomes, service measures and operational measures to be monitored

7 RISK MANAGEMENT – THE FRAMEWORK

7.1 Our vision is that all significant risks which may prevent the Council from achieving its objectives and all appropriate opportunities are identified, assessed and cost effectively managed, as part of the whole Council performance management process.

7.2 The key objectives of the framework are to ensure that the Council has a consistent approach and basis for measuring, controlling, monitoring, follow-up and reporting of risk that is based on what the Council, not any individual, judges to be acceptable levels of risk.

7.3 The framework demonstrates how the management of risk is embedded in the various business processes across the council, including business planning, financial planning, business continuity, performance management and project management.

7.4 Table 2 below provides a summary of the council's business planning cycle and how the business processes operate within this.

Table 2

Timing	Activity	Completed by	Key Contact
April	Finalise Departmental Plans	Business Unit Head	Policy Intelligence and Partnerships Team
April, June September, December	Review and update of risk registers (key risks) and progress against departmental plans – activity and key milestones	BU Head/ DMT/ Directors' Group	Head of Audit & Risk Mgmt/Policy Intelligence and Partnerships Team
April and September	Review and update of Business Continuity Plans and risk registers (all risks)	BU Head/ DMT/ Directors' Group	Emergency Planning and Business Continuity Manager
April - March	Collate and monitor outcomes, service measures and operational measures	BU Head	Policy Intelligence and Partnerships Team
April - March	Completion of Project Management Highlight reports in accordance with project requirements	Project Lead	Policy Intelligence and Partnerships Team
April	Undertake required risk assessments	BU Head/ DMT	Health & Safety Manager

7.5 **Education, training & awareness** is achieved by:

- Facilitated workshops, training sessions and meetings with Members, managers and staff at various levels.
- A developing framework of standards, practical guidance notes and briefings.
- Regular meetings with managers and staff to heighten awareness and share views, ideas and experiences.

7.6 The Council uses Covalent as part of its corporate performance management framework. This electronic interactive database is used for the following:

- Departmental plans, including key outcomes, service measures and operational measures that will be reviewed in accordance with the Council's performance framework.
- Corporate, departmental and business unit risk registers that will be updated, based on risk, in accordance with the agreed framework.
- A database of risk data and information for analysis and reporting.
- The identification of control areas that need to underpin the Strategic and Annual Internal Audit Plans.
- Further integration with outcomes from value for money reviews; outstanding high risk audit recommendations; corporate health and safety risks; business continuity management; Civil Contingencies Act; Crime and Disorder; and Equalities.
- Effective links between risk management, performance management and business planning.

7.7 Previous sections of this strategy have listed the areas where the council requires managers to complete corporate processes. Table 3 below details the appendices which set out how the framework operates in practice for each of these areas:

Table 3

Area	Appendix
Completion of Risk Registers	A
Project & Programme Management	B
Business Continuity Plans	C
Performance Management Framework (Overview)	D

8 HOW ARE RISKS REVIEWED AND REPORTED?

8.1 The council has various means of measuring and recording risks. The reporting of each of these areas, together with the links between each process, is set out below.

8.2 Risk registers are subject to regular review and update on a six monthly or quarterly basis, depending on risk, by business units, departments and the Directors' Group. The timing for the reviews coincides with and forms part of the annual business planning process. Key risks are escalated from business unit registers to departmental registers (where applicable) and ultimately on to the corporate register where the realisation of the risk may impact on the ability to achieve corporate or statutory objectives.

8.3 The Corporate Business Continuity Plan (BCP) is reviewed and subject to test on an annual basis. The Emergency Planning and Business Continuity Planning team maintain the corporate plan, incorporating lessons from incidents and exercises. Business Unit BCP's should be reviewed twice a year in line with the business planning cycle (in September and April). Reports are provided to the Directors' Group and members detailing the implementation and management of the Council's BCP's. Key BCP risks are included on business unit, departmental and the corporate risk register as appropriate.

8.4 The council's project management framework requires risks affecting each project to be reviewed prior to the completion of each project highlight report and reported to the relevant project board. Reports to the Directors' Group and members are provided on a regular basis as part of the reporting cycle. Projects which carry significant risks to the achievement of business unit or departmental objectives should be included in business unit or departmental risk registers, with escalation to the corporate risk register in cases where the failure of the project may impact on the ability to achieve corporate or statutory objectives.

8.5 Health and safety risks are addressed based on the Health and Safety Executive's 'Sensible Risk Management' strategy, which the council has adopted. Managers at all levels are required to ensure that key assessment processes e.g. display screen assessments and safe working practices are completed on a regular basis. Reports to the Directors' Group and members detailing compliance with the council's policies are provided on a regular basis.

8.6 Quarterly performance assessments against key service indicators and progress monitoring against departmental plans takes place in addition to reviews of performance monitoring and quality assessments within departments. The Council uses a dashboard reporting and RAG status format to highlight key risk areas.

8.7 The Council has to produce an Annual Governance Statement every year, which is an assessment of the systems the Council has in place to control and manage the services they provide. Compliance with this risk management strategy and framework will provide assurance to the Directors' Group and members that risks are being properly managed.

APPENDIX A

The completion of risk registers

1. Identification of risks

1.1 Risk registers should allow Business Unit Heads, Directorate Managers and members of the Directors' Group to record those risks and controls which have been identified as the most important in making sure that the Council delivers its services effectively.

1.2 The first stage of the process is to identify the risks (including opportunities) facing the Business Unit/Directorate/Council. In line with the CIPFA/SOLACE guidance, Haringey's risk management framework is linked to business and service delivery objectives. These business objectives are identified by departments and business units as part of the annual planning process.

1.3 The Council has a corporate risk register which identifies the most significant risks facing it. Each department has its own risk register (where appropriate) which identifies the key high level risks which could impact on the directorate or the Council as a whole. All business units within the Council also have their own risk registers which should focus on the key risks affecting each individual service, although some of the risks may have an impact on whether the department or the Council meets its objectives.

1.4 Business Units may choose to include only the key (high level) risks facing them on their risk register and to set up subordinate risk registers within Covalent, which can be cross-referenced to the business unit register. This would allow specific projects or risks to be allocated to service managers to monitor and report on and allow the business unit and departmental management teams to focus on managing and reviewing the key risks.

2. Assessment of risks

2.1 When all the relevant key risks have been identified, a numerical scoring system is used to determine which are the key risks to the department or business unit. Risks are scored using two factors:

- *Likelihood.* An assessment is made of how likely the risk is to occur in practice; and
- *Impact.* An assessment is made on if the risk did occur, what would be the impact on the department, business unit, or system.

2.2 Managers decide on the likelihood and impact of each of the risks identified for their department or business unit as they are in the best position to be able to assess the likelihood and impact of each of the risks on their specific departments.

2.3 In order to ensure a consistent approach across the Council, specific criteria have been agreed for the likelihood and impact scores. The Impact and Likelihood Scales are attached at Appendix A1, which also provides further detail on when the relevant managers should take action, or further action, to manage risks effectively and consistently.

2.4 The impact/likelihood scores are based on a 12 month assessment period, in line with the Council's business planning process, although with review of risk registers on a quarterly basis this is effectively a rolling 12 month assessment. The impact and likelihood of individual risks may change over time, depending on changing circumstances, therefore it is important to review the assessments which have been made on a regular basis.

APPENDIX A

The completion of risk registers

2.5The identified control in place to manage each risk should either reduce the likelihood that a risk will occur, or the impact if it were it to occur. If the score is still at an unacceptably high level having considered the controls in place, additional actions may be required in order to reduce the risk level further.

2.4The Council's objective is to make sure that the most cost-effective controls are in place for each risk, and that managers have considered the cost against the benefit of the control. This may mean that certain risks have a high residual score because the cost of reducing the risk may be higher than the potential cost, if the risk actually happens.

2.5The risk registers therefore contain the following:

- key risks and which officer is responsible for managing those risks;
- controls in place to manage the risks, and who is responsible for implementing and managing those controls;
- risk scores; and
- any further actions required, and who is responsible, together with a timescale for completion.

3. Assurances on the effectiveness of key controls

3.1 The Council wants to ensure that the controls which managers say are in place to manage the key risks are both in place and working effectively. The annual programme of internal audit work includes resources to test the key controls specified within the risk registers, based on the level of risk involved.

4. Monitoring of risks

4.1Setting up the risk registers is only one part of the risk management process. In order to achieve real benefits from implementing risk management, it is important that the risk registers are reviewed and kept up to date in accordance with the corporate risk management strategy. Managers should review all risks with a risk score of 32 or above on a quarterly basis. All other risks should be reviewed on a six monthly basis.

4.2 The Directors' Group will review and update the corporate risk register on a quarterly basis. The update may take the form of new risks, changes to or additional controls, and changes to risk scores. Key triggers for significant changes to risk registers will be new or changing regulations, implementation of new departmental or corporate projects, high staff turnover, changes in the external environment, and Internal Audit reviews.

4.3The Corporate Committee will, on an annual basis, review the corporate risks identified and confirm their acceptance of both the risks which have been identified, and the actions in place to manage them.

4.4Using the framework, a consistent methodology for measuring and scoring risks is applied throughout the Council. What managers need to do to deal appropriately with risks at various levels, is detailed at Appendix A1.

APPENDIX A

The completion of risk registers

APPENDIX A1 – Impact and Likelihood Scales

To be used as a guide in assessing risk ratings:

Descriptor	Impact Guide	Likelihood Guide
1	No impact	<1% likely to occur in next 12 months
2	Financial loss up to £5,000 or no impact outside single objective or no adverse publicity	1%-5% likely to occur in next 12 months
3	Financial loss up to £10,000 or no impact outside single objective or no adverse publicity	5%-10% likely to occur in next 12 months
4	Financial loss up to £50,000 or minor regulatory consequence or some impact on other objectives	10%-20% likely to occur in next 12 months
5	Financial loss up to £100,000 or impact on other objectives or local adverse publicity or strong regulatory criticism	20%-30% likely to occur in next 12 months
6	Financial loss up to £300,000 or impact on many other processes or local adverse publicity or regulatory sanctions (such as intervention, public interest reports)	30%-40% likely to occur in next 12 months
7	Financial loss up to £500,000 or impact on strategic level objectives or national adverse publicity or strong regulatory sanctions	40%-60% likely to occur in next 12 months
8	Financial loss up to £1 million or impact at strategic level or national adverse publicity or Central Government take over administration	60%-80% likely to occur in next 12 months
9	Financial loss above £1 million or major impact at strategic level or closure/transfer of business	>80% likely to occur in next 12 months

APPENDIX A

The completion of risk registers

Measuring what is an acceptable risk

Impact	9	9	18	27	36	45	54	63	72	81
	8	8	16	24	32	40	48	56	64	72
	7	7	14	21	28	35	42	49	56	63
	6	6	12	18	24	30	36	42	48	54
	5	5	10	15	20	25	30	35	40	45
	4	4	8	12	16	20	24	28	32	36
	3	3	6	9	12	15	18	21	24	27
	2	2	4	6	8	10	12	14	16	18
	1	1	2	3	4	5	6	7	8	9
		1	2	3	4	5	6	7	8	9
		Likelihood								

Red

Amber

Green

Risk Score	Value	Action required
12 or less	Up to £50k	No further action is required to reduce risks, but managers should ensure that the specified controls are operating effectively. Managers should review the controls for low risk areas to ensure there are not too many controls in place, or the controls outweigh the cost of any potential system failure.
14 – 30	£5k - £300k	Implementation of further action and additional controls may be required. The costs and benefits of additional controls should be considered. The relevant departmental management team may agree that no further action should be taken. This decision must be recorded on the risk register within the relevant 'controls' section.
32 or more	£50k – £1m and over	Implementation of additional controls is required for any new risk with a risk score of 32 or higher. If the Business Unit or Department does not want to introduce any more controls, the Directors' Group must consider and agree their approach. The approval should be recorded on the risk register. If the impact of the risk is considered significant (impact score of 5 or 6) and/or the likelihood of the risk happening is thought to be high (likelihood score of 8 or 9), the relevant departmental management team must review them and agree the approach to manage them. If the impact of the risk is considered substantial, major or catastrophic (impact score of 7, 8 or 9), the Directors' Group must review them and agree the approach to manage them.

Appendix B

Project and Programme Management

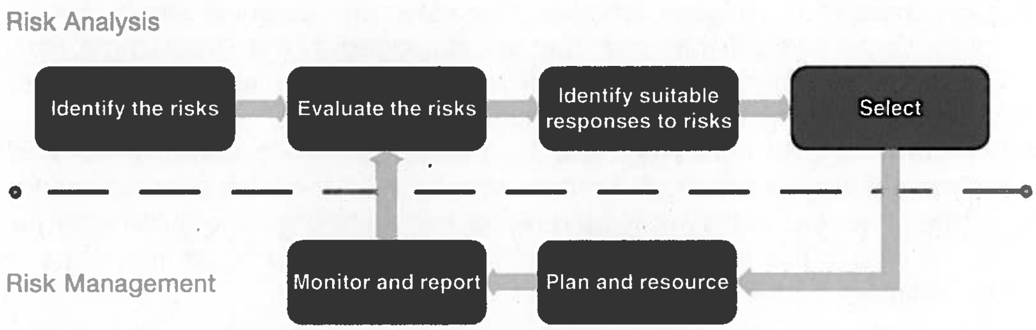
Projects are one-off activities which bring about change. Projects tend to be risky for two reasons, because:
1. the organisation has limited, if any, experience of undertaking the work before; and
2. the impact of change cannot always be predicted from the outset.

To minimise risk to work done in a project environment project managers follow Haringey's Project Management Framework (PMF). The PMF outlines:
- set project management processes;
- roles and responsibilities;
- guidance on governance; and
- the monitoring structure, sign-off procedures, and quality assurance provided by the Programme Management Office.

It also contains standard templates for all key documents and guidance on how they should be completed.

The Council also has a Corporate Programme Management Office (PMO) to oversee compliance with the PMF and to manage risk at a programme level.

The Risk Management Cycle
All risks within the project environment, whether programme or project level, are handled according to the standard risk management cycle. See diagram below:



Risk Management at Programme vs. Project level
<u>Programme-level risks</u> are those risks which affect the intended benefits of a programme. There are two main types of programme level risks:
a) those risks which affect all or a number of projects within the programme; and
b) those risks which so substantially affect the benefits of a key project that they put the programme benefits at risk.

These risks are held by the Corporate PMO in the Programme Risk and Issue Log. The Corporate PMO manages the log by:
- Horizon scanning for risk;
- Holding and updating the log, whether risks are raised inside or outside the PMO;

Appendix B

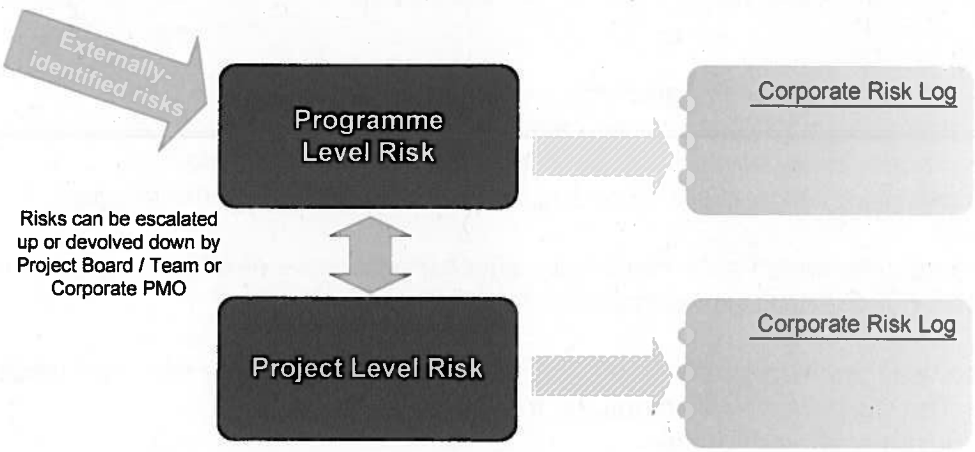
- Circulating the log to the Programme Boards and through the Chairs of the Boards to the Directors' Group and other key stakeholders to ensure that there is an awareness of risks; and
- Monitoring whether risk owners are undertaking management action as assigned.

Project-level risks are those risks which affect the intended outputs or benefits of the project. Project managers are responsible for managing and logging project level risks. Project managers may delegate the management of risk to appropriate risk 'owners', but they retain accountability for the management of risk. Project managers are expected to keep unwanted outcomes to an acceptable minimum.

Project managers should review the project risk log every time they submit a Project Highlight Report. A full risk review of the project should be undertaken at the end of every project stage.

Link with Corporate Risk Management Processes

The steps in project and programme risk management are as follows:
1. Risks which are identified at project level are logged by the project manager in the project risk log, and if this places the directorate's objectives at risk, it should also be logged on the Corporate Risk Register for the Business Unit.
2. Corporate PMO receive a copy of each project's risk log as part of the monthly Project Highlight Report.
3. Corporate PMO assess whether the risks are deemed significant at programme level. If they are, the risk is logged in the Programme Risk Log. The Programme Risk Log is circulated to all project managers, sponsors, and the senior management team.
4. Programme-level risks may also be picked up by Corporate PMO and other stakeholders through horizon-scanning. If they are also significant at the project level they may be devolved down to the project manager for monitoring within the project environment too. This process is shown in the diagram below:



APPENDIX C

Business Continuity Plans

1. Overview

1.1 Business Continuity Plans allow Business Unit Heads, Departmental Managers and members of the Directors' Group to manage threats or incidents that have the potential to disrupt the delivery of services or the conduct of Council business.

1.2 By focusing on the impact of disruptive events, BCM identifies the critical services and function the organisation depends on, and what is required for the organisation to continue to meet its obligations to its many stakeholders. This allows the organisation to:

- Take steps to protect its people, premises, IT, supply chain, reputation etc
- Plan to respond effectively to disruptive events and challenges

1.3 Business Continuity Management is a cyclical process, and is designed to manage and control risks which can be described as "low probability, high impact" events. It involves four stages:

- Understanding the organisation
- Determining the Business Continuity Strategy
- Developing and implementing the BCM Plans
- Exercising maintaining and reviewing

1.4. It requires both leadership and ownership from senior management, and understanding and support throughout the organisation. For this reason, Business Continuity Management is a mainstream activity that is required of all Business Units.

2 Roles and responsibilities

2.1 The Emergency Planning and Business Continuity Team are responsible for :

- maintaining the corporate Business Continuity Plan, and advising the Directors' Group of key Business Continuity risks, and mitigation strategies.
- providing advice and training to Business Units to support their Business Continuity planning.
- Providing a programme of exercising to validate corporate and Business Unit plans.

2.2 Heads of Business Units are responsible for:

- Considering the risk of business continuity disruption in their Risk Register
- Ensuring Business Continuity Plans are in place and reviewed twice a year.
- Providing data to the Emergency Planning and Business Continuity Team to inform the corporate Business Continuity strategy.

2.3 Each Directorate should appoint a Tier 2 lead on Business Continuity who will:

- Lead on and champion Business Continuity within the Directorate
- Represent the Directorate on the corporate Business Continuity Management team in the event of an incident requiring a corporate response.

3 Understanding the organisation

3.1 There are two aspects to this stage of Business Continuity Planning:
- Identification and assessment of Business Continuity risks
- Analysis of the criticality of services and functions, and the resources required to support them.

3.2 Business continuity risks are identified by the Emergency Planning and Business Continuity Team, based on the Community Risk Register compiled in conjunction with the Emergency Services. Other Business Continuity Risks are identified by the IT Services.

3.3 Guidance on the likelihood of these risks occurring is provided centrally to Business Units, who must then consider the impact of these risks on their own operations and services. Business Units are expected to enter into their Risk Register any individual BC risks that are of particular significance to them, or a generic BC risk if no individual risk is significant.

3.4 Analysis of the criticality of services and functions of a Business Unit is undertaken on the basis of the length of time the service could cease to function for, before a "Level 5" impact was felt on the Council Risk Management Framework Impact scale (see Appendix B1). Since this prioritisation of services will determine the order in which the Council recovers its services in the event of an incident, these priorities should be agreed with the responsible Cabinet Member.

3.5 Each service is also required to identify and report to the Emergency Planning and Business Continuity Team annually on the resources they would require to maintain their service, considering:
- People
- Premises / workspace
- Resources
- Suppliers
- IT
- Vehicles

4 Determining the Business Continuity Strategy

4.1 The Councils Business Continuity Strategy operates at two levels: local strategies developed by Business Units and services managers, and the corporate strategy for dealing with larger events.

4.2 Each Business Unit is required to identify local actions they can take to maintain services in an incident. These can include remote working, temporary suspension of non-key functions, supplier management strategies etc. Business Units should also consider what actions they can take to improve the resilience of their operations – for example by changing operational processes, identifying alternative suppliers of goods and services, identifying changes to the configuration of premises or infrastructure.

4.3 Corporate Business Continuity strategy focuses primarily on larger disruption of access to premises, and major workforce disruption. This strategy is developed based on an analysis of the data provided by the Business Units (see 2.5).

4.4 This plan is linked to the IT Business Continuity Plan, and provides the priority order for recovery of IT Services in aftermath of an incident affecting IT Services.

5 Developing the Business Continuity Plans

5.1 The Business Continuity Response is again split into corporate and local actions. The Corporate Business Continuity Plan sets out the incident management framework for the Council as a whole, roles and responsibilities, notification and escalation processes.

5.2 Business Unit or service Business Continuity Plans are produced according to a corporate template, and include local notification and incident management arrangements and checklists, along with the recovery requirements and actions plans for restoration of services.

5.3 Every Business Unit must have a Business Continuity Plan or plans covering every aspect of their service.

5.4 Business Units are also required to verify the Business Continuity arrangements of their key suppliers and partners.

6 Exercising, maintaining and reviewing

6.1 The Corporate Business Continuity Plan is reviewed and exercised annually. The Emergency Planning and Business Continuity Planning team maintain the plan, incorporating lessons from incidents and exercises.

6.2 Business Unit plans are required to be reviewed twice a year (in October and April). These reviews should take account of lessons from incidents and exercises, and organisational and operational changes that have occurred since the last review.

6.3 In addition, the Emergency Planning and Business Continuity Team will audit a number of Business Unit plans each year on a risk basis.

6.4 Business Units plans will be exercised at least every three years, based on a corporate programme developed by the Emergency Planning and Business Continuity Team.

APPENDIX C1: Service Prioritisation Guide

What are your priorities for Business Continuity, in the event of an incident, and the target recovery time?

Emergency Response (Immediate)	Critical Services (Recover within 4 hours)	High Priority (Recover within 24 hours)	Medium Priority (Recover within 3 days)	Low Priority (1 week +)
	List individual services	*or aspects of services*	*in these boxes according*	*to their priority.*
At what point would service disruption have a "Level 5" Impact: i.e. Financial loss up to £100,000 or impact on other objectives or local adverse publicity or strong regulatory criticism				
				Likely to be project work, consultation, strategy development etc.
			Likely to be services with a public-facing element, but not immediately time-critical. For example, street cleansing can be delayed for a few days, without serious consequences.	
		Services which are very visible to the public may well fall into this category. Services like IT, on which many other services depend, may also fall into this category.		
	In general, the only services that fall into this category are those where the welfare of the public is immediately affected. For example, Home Care Services – if this was suspended, clients who were not visited may well be at a serious health risk.			
The Council will prioritise services needed to respond to the immediate needs of the public in an emergency. If no emergency response is required – for example if the incident is purely internal to the Council – then these services will not be prioritised.				

APPENDIX D

Performance Management Framework

An overview

Haringey has an outcome based performance framework. A sharper focus on achieving key council outcomes and priorities is at the heart of this approach which is crucial in ensuring the Council is on track to achieve the outcomes and priorities set out in the **Corporate Plan 2013-15**.

These are:

Corporate Plan outcomes	Priorities
Outstanding for all: *Enabling all Haringey children to thrive*	1. Work with schools, early years and post 16 providers, to deliver high quality education for all Haringey children and young people 2. Enable every child and young person to thrive and achieve their potential
Safety and wellbeing for all: *A place where everyone feels safe and has a good quality of life*	3. Make Haringey one of the safest boroughs in London 4. Safeguard adults and children from abuse and neglect wherever possible, and deal with it appropriately and effectively if it does occur 5. Provider a cleaner, greener environment and safer streets 6. Reduce health inequalities and improve wellbeing for all
Opportunities for all: *A successful place for everyone*	7. Drive economic growth in which everyone can participate 8. Deliver regeneration at priority locations across the Borough 9. Ensure that everyone has a decent place to live
A better Council: *Delivering responsive, high quality services and encouraging residents who are able to help themselves to do so*	10. Ensure the whole Council works in a customer focussed way 11. Get the basics right for everyone 12. Strive for excellent value for money

Targets for improvement are set out in the Corporate Plan and directorate business plans. The Council's Directors' Group and Cabinet review performance against these targets quarterly alongside activity to address underperformance.

Departmental Management Teams review performance including local and operational data on a monthly basis to ensure timely intervention where necessary.

At the end of each year we complete a self evaluation across the Council assessing our progress towards achieving the agreed outcomes. We publish this on the Council's website.

Agenda Item 17

Haringey Council

Report for:	**Corporate Committee**	**Item Number:**	

Title:	**Proposals to Review and Restructure of the Senior Management Team Arrangements**

Report Authorised by:	N. Walkley.

Lead Officer:	**Nick Walkley, Chief Executive and Head of Paid Service**

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

1. Describe the issue under consideration

1.1. At Corporate Committee on 22nd January 2013 and 27th June 2013 I, as Head of Paid Service, signalled an intention to bring forward a reorganisation of the Council's structures. This report continues the process by:

- Detailing a proposed reorganisation of senior management at Director and Assistant Director level
- Providing background on pay and grading
- Initiating a review of senior managers' contracts of employment
- Initiating consultation on the above
- Setting out proposals for assessment and development of the management posts that report to posts covered by this report.

1.2. The proposed new structure responds to the strategic challenges set out in Section 3 by proposing:

- The creation of a smaller Strategic Leadership team accountable to Members for the overall organisation performance and the delivery of agreed outcomes.
- The creation of functional service areas with clear responsibility for delivery of specific functions.

Haringey Council

- Proposing a further rationalisation and reorganisation at the Head of Service level to provide clarity and accountability for delivery.

1.3.The reorganisation is dealt with at Section 3 and proposes significant changes to:
- The post of Director of Corporate Resources
- The post of Director of Children's Services
- The post of Director of Adult and Housing Services
- The post of Director of Place and Sustainability
- The post of Assistant Chief Executive
- The post of Chief Executive of the ALMO
- The post of Deputy Director – Community Housing Services
- The post of Deputy Director Commissioning –Adults
- The post of Head of Legal Services
- The post of Assistant Director – Front line services
- The post of Haringey Efficiency and Savings Programmes Director
- The post of Head of Business Strategy and Information
- The post of Head of Local Democracy
- The post of Head of IT
- The post of Head of Organisation Development

2. Recommendations

That Members agree:
- For the Head of Paid Service to implement consultation, in line with the Council's Restructure Policy, with Councillors, staff, Trade Unions and partners on the proposals;
- For the Head of Paid Service to implement the proposals including any changes that were accepted as a result of consultation;
- Notwithstanding the above point to provide a progress report back to the Committee in November;
- That following consultation and compliance with the Council's Restructure Policy the Head of Paid Service will arrange for redundancy letters to be issued to those employees who have not secured a role in the new structure or been redeployed as a result of the process;
- Open engagement with Homes for Haringey on the proposals set out in the paper;
- The approach to development of Heads of Service set out below;
- Accept the findings of the Pay and Reward review and agree its recommendations for future consultation. See exempt report;
- A review of the senior managers employment contract and for a report to come back to this committee in November 2013.

3. Detailed Proposals

3.1.The Council faces a series of significant challenges and opportunities over the medium term. Responding to these will require a Council structure that is flexible,

Haringey Council

has the capacity to develop strategic options and also ensure excellent outcomes and service delivery.

3.2. A new Council officer structure provides only part of the necessary response to these challenges. The structure will need to be matched by significant system changes, particularly in the area of customer services, and a programme of cultural change primarily aimed at enhanced cross council and partner working. The new officer leadership team will need to secure the delivery of the organisational improvement priorities set out in the 27 June report to this Committee and the outcomes contained in the Corporate Plan. However this provides only a starting point for the development work the team will need to undertake on the medium term financial plan and strategic response to the challenges the authority faces.

3.3. I would advise that the significant challenges facing Haringey are:

3.3.1 Financial
The authority must further reduce its operating costs if it is to sustain improved public services. Any proposed restructure must respond to this by further integrating back office functions, adding capacity to support necessary change and minimising duplication within the Council and with partners. This proposed restructure responds to this challenge through new arrangements for policy and strategy, new arrangements for the management of a range of frontline delivery functions and supporting programme and project management.

3.3.2 Children's Services
There have been undoubted improvements in Children's Social Care but this has required additional investment which has been primarily focused on acute need rather than prevention. There remain on-going challenges in Education, Youth, Early Years and Early Help services. Any reorganisation must ensure sufficient capacity to address these issues whilst also leading wider changes to the delivery of Children's services as envisioned by the Haringey 54,000 programme. This restructure seeks to address these issues by reconfiguring the responsibilities of the Children's Service Director and through new commissioning structures.

3.3.3 Regeneration and Development
The Tottenham programme, other borough schemes and addressing wider housing needs are challenges as significant as any in any place in the country. It is already evident that the concept of a Place Directorate is too broad to ensure sufficient attention on the critical programmes that will drive regeneration and economic growth in the borough. This restructure responds with proposals to create a new Regeneration, Planning and Development function with responsibility for these issues alone.

3.3.4 Delivery
Haringey's services are improving but they need to quicken that rate of improvement and the current structure carries risks associated with a potential

Haringey Council

lack of focus in this area. This restructure responds to this challenge with revised arrangements for policy and performance alongside.

3.3.5 Wider Environmental Change

Whilst addressing the above the Council also needs to design structures capable of responding to a diverse set of wider changes that will impact on service demand and the way services are delivered. These include:

- As people live longer the proportion of elderly residents will grow rapidly;
- Significant increases in the numbers of young people;
- Legislative changes in areas such a Benefits and Health and Social Care;
- Technological change; and,
- A mobile and rapidly changing population in London and Haringey.

3.4.The new Senior Officer Leadership Team

These proposals create a smaller strategic officer group at the top of the organisation, to be known as the Senior Leadership Team. Whilst individual post holders in this group have connected in the past, given the wide ranging activities they are involved in, the intention is that this group collectively implement the policy direction of the authority.

To be able to do this strategic work, the direct reports to this new leadership team need to focus on the day-to-day leadership and management of the authority. The restructure seeks to achieve this by moving away from existing Directorates to smaller functional units.

For such an approach to succeed the Senior Leadership Team will need to be 'porous' with meetings having regular attendance from their direct reports in support of decision-making. Likewise, that tier of direct reports will need significant delegated authority and be an identifiable cohort with their own business plans and corporate responsibilities.

To exemplify this the Senior Leadership team will set, in consultation with Cabinet, the strategic direction and broad financial envelope for the budget by developing a Medium Term Financial Strategy. It will be for the next tier to develop the detailed proposals and delivery plans that make up individual budgets.

3.4.1 Chief Operating Officer (COO)

This role will provide leadership for the day-to-day business of the council and the universal functions we or our partners provide. The COO's management team will have a focus on service efficiency, quality and customer service.

The COO will preferably be the S151 Officer and will lead the budget making process for the authority.

Reporting to the COO will be:

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- Assistant Director Finance (Deputy 151)
  This is an existing role with increased accountability for procurement. The role will lead all matters relating to budgets, financial control and value for money.

- Assistant Director Customer Services.
  This will be a new role encompassing Revenues, Benefits, Customer Services and the Customer Service Improvement Programme but more importantly providing the cross-council leadership for work on putting customers at the centre of the organisation.

- Assistant Director HR and OD
  A new role bringing together the existing HR and OD teams.

- Assistant Director Environmental Services and Community Safety
  This is an existing temporary post, re-titled from Deputy Director Operations & Community Safety. This post has responsibility for key front line customer facing services.

- Assistant Director for Housing and Chief Executive of Homes for Haringey – This is a new role that proposes sharing leadership and management between HfH and the Council. The post will have accountability across the organisation for delivery of the Council's Housing Management functions and will be charged with reducing duplication and producing more effective working across the organisations. This is dealt with in more detail at 3.5 below and will be the subject of a separate report to Cabinet.

- Assistant Director Corporate Infrastructure – This is a new role bringing together IT, a revised programme management function and change management capacity.

- Anti-Fraud
  This post will be the subject of a further report to this committee and it includes proposals to develop a new Corporate Anti-Fraud function

3.4.2 Deputy Chief Executive

The Deputy Chief Executive will have accountability for, and lead policy to, improve outcomes for Children, Families and People of Haringey. They will do this through management of a mix of directly provided and commissioned services. They will lead work with key partners in schools, health and the voluntary sector.

Reporting to the DCE will be:

- Director of Adult Social Services
  This is revised role responsible Adult Social Care and the Statutory DASS functions. For the purpose of performance monitoring the Chief Executive,

Haringey Council

in conjunction with the DCE and Cabinet Member, will conduct the annual and mid-term performance appraisal.

- Director of Children's Services.
  This is a revised role with the statutory post-holder leading a new service responsible for Children's Social Care, Early Intervention and Prevention. The Chief Executive will assure that the Council's statutory obligations are met through open and visible contact with the Director on a regular basis. For the purpose of performance monitoring the Chief Executive, in conjunction with the DCE and Cabinet Member, will conduct the annual and mid-term performance appraisal.

- Assistant Director for Integrated Commissioning
  This is new role intended to bring together commissioning capacity across Adults, Children's and Public Health in a single function better able to respond to local, community and family needs.

- Director of Public Health – existing post.

- Assistant Director for Schools and Learning – revised role with extended brief for learning and skills.

3.4.3 Director of Regeneration, Planning and Development

As noted in the introduction the challenges and opportunities facing the borough in regeneration, estate renewal housing, jobs and economic growth are as significant as any in the UK. To realise these opportunities will require strong focussed leadership and this post is intended to deal with this.

Reporting to the Director of Regeneration, Planning and Development will be:

- Assistant Director of Planning
- Assistant Director of Regeneration
- Assistant Director Corporate Property and Major Projects
- Tottenham Programme Director

These posts were confirmed in a recent restructure.

3.4.4. Chief Executive Services

The Chief Executive will also directly manage a small group of corporate functions.

Assistant Director for Communications
This is an existing role recently appointed to.

Assistant Director for Corporate Governance.
There are a number of governance challenges facing the authority in the coming years:

- Reducing budgets and the potential impact on services;

Haringey Council

- Further integration of health and social care;
- City deal arrangements; and,
- An election in each of the next three years.

The Assistant Director of Corporate Governance strengthens the role of the Monitoring Officer by bringing these functions together.

Reporting to the Assistant Director of Corporate Governance will be:
- Head of Democratic Services – committee function as existing;
- Existing Legal Services Structure; and,
- Head of Electoral Services.

Policy and Performance
An implication of this restructure will be the need to reorganise the existing policy, performance and associated functions. This will be the subject of a separate review in the coming months and where needed a subsequent report will be brought to this Committee.

Head of Office
To support the work of the SLT and Cabinet it is proposed to create a new Head of Office Post who will work coordinating activity across both teams. This post will also help inform the wider review of policy and performance functions.

3.5. The role of Statutory Officers
As noted above the Director of Children's Services will retain statutory functions. These are set out in Section 18 of the Children Act, 2004 (and subsequent legislation). As part of this the DCS post holder will:

- Be directly accountable to the Chief Executive and Cabinet Member through appraisal and performance monitoring arrangements;
- Attend senior leadership team meetings where there is an item affecting the post-holder's remit; and
- Form an active part of a new Statutory Officers Group that will be created as part of these proposals and will meet six times a year. This will be chaired by the Chief Executive and will also include the Deputy Chief Executive, Director of Adult Social Services, Assistant Director of Corporate Governance (the council's Monitoring Officer) and the Section 151 Officer. This will be established to ensure full and proper consideration of risks and issues relating to the Council's statutory functions.

In making these proposals due regard has been taken of the Statutory Guidance on the roles and responsibilities of the Director of Children Services and the Lead Member for Children's Services. The new structure, incorporated with the proposals above, will ensure there is increased strategic and senior management focus on key priority areas and will put the Council in a far stronger position to meet its objectives for Children and Young people as set out in paragraph 3.3.2.

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3.6.Chief Executive Homes for Haringey

In common with many authorities the creation of an ALMO meant a split of responsibilities between the new body and the Council. This has in turn led to inevitable duplication of effort and responsibility. This proposal seeks to work with Homes for Haringey (HfH) on a new approach that shares the leadership of the Council's housing functions with the leadership of the ALMO, whilst at the same time preserving the arms length nature of the arrangement which currently exists between the two organisations. In so doing the arrangement is intended to:

- Reduce costs through sharing a post;
- Improve connectivity and accountability with the Council; and,
- Provide a focus for advice on further cost reduction through reducing duplication.

This arrangement will need the agreement of the HfH board and will form a specific strand of the consultation should the report be agreed.

3.7.Existing Roles

- Assistant Chief Executive
  If these proposals are agreed this post is deleted and functions will be absorbed by the Chief Operating Officer and Deputy Chief Executive.

- Director of Corporate Resources
  If these proposals are agreed this post is deleted and functions will be absorbed by the Chief Operating Officer and the Assistant Director of Finance.

- Deputy Director - Community Housing Services
  If these proposals are agreed this post is deleted and the responsibilities included in the new Assistant Director of Housing and Chief Executive of HfH.

- Head of Legal
  If these proposals are agreed this post is deleted and the functions absorbed by the new Assistant Director of Corporate Governance.

- The post of Deputy Director Commissioning –Adults
  If these proposals are agreed this post is deleted and the functions absorbed into the new Assistant Director for Integrated Commissioning post.

- The post of assistant Director – Front Line Services
  If these proposals are agreed this post is deleted and the functions absorbed by the Assistant Director for Environmental Services & Community Safety. a further review

- The post of Haringey Efficiency and Savings Programmes Director

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If these proposals are agreed this post is deleted and the functions absorbed by the new Assistant Director for Customer Services who will have accountability for customer improvements and the Assistant Director Corporate Infrastructure post.

- The post of Head of Business Strategy and Information
  If these proposals are agreed this post is deleted and the functions redistributed following a review as set out at paragraph 3.4.4.

- The post of Head of Local Democracy
  If the proposals are agreed this post is deleted and the functions absorbed by the new Assistant Director Corporate Governance.

- The post of Head of IT
  If the proposals are agreed this post is deleted and the functions absorbed by the new Assistant Director for Corporate Infrastructure.

- Head of Organisation Development
  If the proposals are agreed this post is deleted and the functions absorbed by the new Assistant Director of Human Resources and Organisation Development.

To summarise the above proposed changes Appendix 1 to this report shows the current senior management structure, Appendix 2 shows the proposed new structure.

3.8. Pay and Reward

As reported at previous Corporate Committee meetings, Hay Group have been engaged to review Senior Pay and Reward in the authority. The aim of this work was to review the roles and the reward arrangements of the Senior Management team in Haringey which was described to be direct reports of the Chief Executive and their direct reports. The purpose of the study was to:

- Examine the senior management roles through a process of job evaluation;
- Compare their reward arrangements to the wider local government and public sector salary market;
- Recommend an approach to grades and pay for the future; and,
- Provide the Chief Executive with a perspective of the organisation as it is now.

Their report and findings are set out in the exempt report for the committee to discuss and agree the following next steps:

- To recommend a revised pay and grading structure that simplifies the current pay ranges for roles currently graded SM1 and above
- To recommend a revised mechanism for awarding increments

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- Agree a short and medium term objective that the pay range for senior managers will be benchmarked against the London Public Sector Median

The findings can be summarised as follows:

- That pay for senior staff in Haringey is at or around the mid to top quartile and that with recent market reductions new posts should attract a 10-13% saving;
- That the senior structure is confused and needs simplification; and,
- That there are 25 of the 32 roles earning above the London Public Sector median and that responsibilities, budget, spans of control and scope are unevenly distributed amongst this group.

It is proposed that in the short term pay and reward is dealt with as follows:

- New roles created as a result of the proposed restructure are given an indicative evaluation and spot salary. These spot salaries will be broadly positioned within a revised pay structure;
- Any post-holders unaffected by the proposed restructure will remain on their current pay scale pending the approval of a revised pay structure in November;
- A proposed revised pay structure report is discussed at the November committee for approval; and,
- Any revised pay structure would be subject to consultation.

3.9. Review of Employment Contract and Terms & Conditions

This proposed restructure also seeks to formalise the leadership skills and management standards by which the organisation expects the senior management team to achieve. In line with these changes it is also appropriate to review the basis by which the Council contracts with its senior managers. It is proposed that a review of the current contract of employment and terms and conditions is carried out and a report brought back to this committee in November for consideration.

3.10. Development and Assessment of Assistant Directors and Heads of Service

Given the findings of the Hay Group report a more detailed piece of work is required to understand the capacity and capabilities of the Assistant Directors and Heads of Service. It is this group that the organisation expects to provide day-to-day leadership and management of service delivery.

It is proposed to commence work at this level commissioning a programme that will:

- Clearly and simply define what excellent leadership and management looks like in Haringey;
- To identify current and potential talent in the Haringey senior manager cohort

Haringey Council

- To prepare the ground for a robust selection and assessment process for the planned reorganisation;
- To put in place a revised leadership and management framework for future performance management, recruitment and development; and,
- Review the capacity requirement at this level and clarity of role purpose and accountability.

3.11. Consultation

Alongside necessary consultation with affected post-holders it is proposed that this report be the subject of wider consultation:

- With all Councillors;
- With all staff in the authority;
- With the Trade Unions;
- With public, private and voluntary sector partners and
- Homes for Haringey.

3.12. Transition period and interim arrangements

Where there are vacancies due to new posts, interim arrangements will be put in place to ensure continuity of services. This will be necessary to ensure capacity to continue to lead the organisation whilst in a transitional period.

A communication plan is in place to ensure employees are well informed, particularly as the proposed restructure process may involve whole teams or functions moving to new directorates.

3.13. Role Accountabilities

The review by Hay Group also highlighted the lack of clarity when describing what level of accountability was expected. An initial piece of work has organised roles into work levels which has helped determine the number and type of roles required in the proposed new structure. The next step is to further define, for each work level and role type, a new role profile that includes: generic accountabilities, role specific accountabilities and leadership skills, and to be shared with senior managers as part of the consultation.

3.14. Recruitment and Selections

It is proposed that new posts will be advertised internally and externally, and the selection process to include an assessment approach followed by panel interviews. This will give the organisation an opportunity to observe a number of skills and behaviours that may not have been required previously, and provides the applicant with an opportunity to demonstrate their current capabilities and future stretch potential. For internal candidates this process

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will provide them with valuable feedback from the information gathered during the process, and will support the creation of personal development plans.

3.15. Trade Unions

The Trade Unions were briefed in confidence on the proposals to review and restructure the senior management team, and will be consulted with and kept informed of proposed changes and outcomes.

3.16. Timetable

Date	Activity
w/c 9 September	Shared proposals with senior managers
w/c 9 September	Corporate Committee report published
10 September	Shared proposals with the Corporate Management Group and onward cascade of key messages
19 September	Corporate Committee
20 September – 19 October	Formal consultation
Mid October and November	Development and assessment for senior managers direct reports
21 - 24 October	Consider feedback from consultation, communicate and publish conclusions
4 November – 31 March	Transition period to new structure including recruitment and selection process where necessary
26 November	Corporate Committee consider a report on progress and to approve a consultation on a revised pay structure and new employment contract and terms & conditions for senior managers

4. Background information

4.1 At the Corporate Committee on 22 January 2013 a report on Temporary Director/Senior Management Arrangements were discussed by the committee and it resolved:

- *That the implementation of the proposals set out in the report as from 1 February 2013 be agreed*
- *That the creation of a temporary Director of Strategy and Performance post to be filled on a secondment basis be agreed*
- *That the creation of a temporary Deputy Director of Place and Sustainability post to be appointed from amongst the existing management team be agreed*

4.2 At the Corporate Committee on 27 June 2013 a report on Temporary Assistant Director Arrangements were discussed by the committee and it resolved

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That the following be noted:

- *The temporary changes set out in this report at Assistant Director and Head of Service level to be enacted by 1 August 2013*
- *Proposal to enhance the programme management approach of the Council.*
- *That the formation of a Delivery Unit on a temporary basis from 1 July 2013 be agreed*

5. Comments of the Deputy Chief Finance Officer and financial implications

The cost of the proposed new senior management structure can be contained within existing resources. This is made possible by the deletion of the posts specified, and the transfer of existing budget provision for the continuing roles, as set out in this report.

Appropriate budget virements will be actioned once approval is given to the new structure to ensure on-going costs are aligned with approved budget provision.

6. Head of Legal Services and legal implications

The Head of Legal Services has been consulted in the preparation of this report, and makes the following comments.

This report comes to the Corporate Committee for approval, on the basis that the proposals involve the establishment and deletion of Chief Officer and Deputy Chief Officer or equivalent level posts, and there has not been a prior decision of the Cabinet on the service delivery aspects of the restructure. In those circumstances, the delegated authority given to the Chief Executive to act in such cases does not apply.

Consultation with staff and recognised trade unions, is an essential part of the responsibilities of an employer in the course of a business re-organisation. The requirement for consultation with employees and their trade union representatives is recognised within the report at paragraphs 3.14 and 3.15.

Due consideration should be given to responses received as a result of the consultation before any final decision is reached concerning the proposals outlined, including any decision to issue notices of dismissal. Further, due consideration must also be given to the authority's public sector equality duties before such a final decision, taking into account the outcome of the equality impact assessment outlined at paragraph 7.

The process by which the restructuring exercise is to be achieved must comply with the Council's procedures regarding organisational change. Further, the position of any members of staff at risk of displacement must be considered under the Council's procedures regarding redundancy and redeployment.

Haringey Council

With regards to the new posts envisaged in the proposals, the Council is able to create such posts under its general staffing powers. Appointment to these posts should be undertaken within the terms of the Council's procedures concerning recruitment.

Under Part 4 Section K of the Council's Constitution, any proposed dismissal of and / or appointment to posts at Chief / Deputy Chief Officer level will require approval by a Special Committee of members of the authority.

Further, the terms of any early release from the pension scheme for Deputy Chief Officers aged 55 or over requires the approval of the Corporate Committee.

Where a member of the Local Government Pension Scheme, who has attained the age of 55, is dismissed by reason of redundancy, Regulation 10 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 provides that they will be entitled to receive the immediate payment of their retirement pension. This report proposes the deletion of 1 post falling within these regulations. Accordingly, in the event that these members of staff are dismissed by reason of redundancy they will be entitled to the immediate payment of their retirement pensions.

In accordance with the provisions of Chapter 8 of the Localism Act 2011 and the related supplementary guidance any severance payments in excess of £100,000 made as a result of the proposals contained in this report must follow the Council's Pay Policy statement and should be approved by full council.

7. Equalities and Community Cohesion Comments

An employee Equalities Analysis will be undertaken and this will look at the Equality impacts at four milestones.
The Milestones will be:-

- At the start of formal consultation on the proposal to review and restructure the senior management team – 20 September
- At the conclusion of consultation – 24 October
- At the end of the recruitment and selection assessment process
- At the end of the final panel interview

8. Head of Procurement Comments

No implications

9. Policy Implication

No implications

10. Use of Appendices

Haringey Council

Appendix 1 – current senior management structure
Appendix 2 – proposed senior management structure

11. Local Government (Access to Information) Act 1985

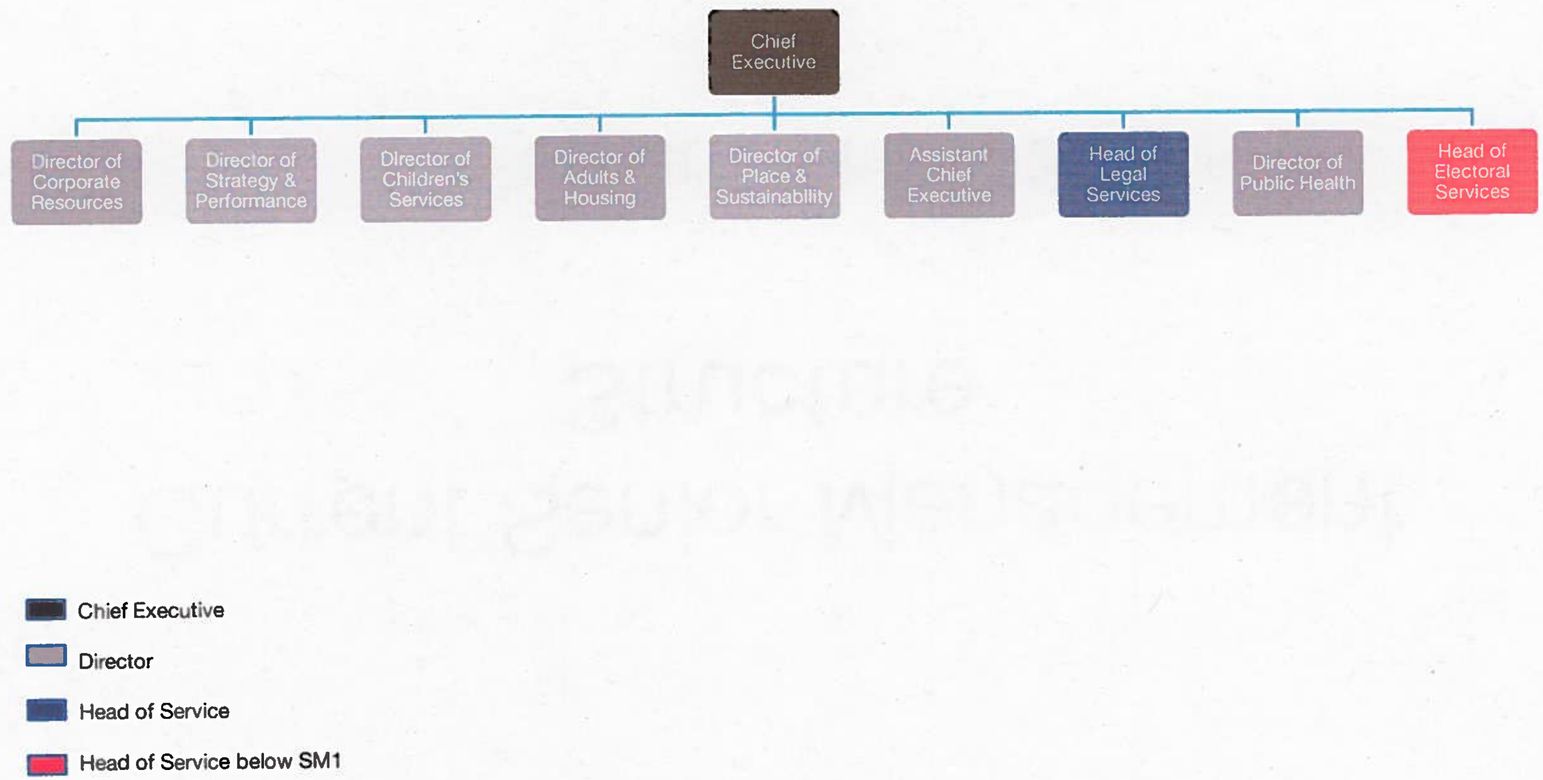
Exempt information pertaining to this report is set out in the exempt information section. This information is exempt in that it is likely to reveal the identity of the individuals.

Appendix 1

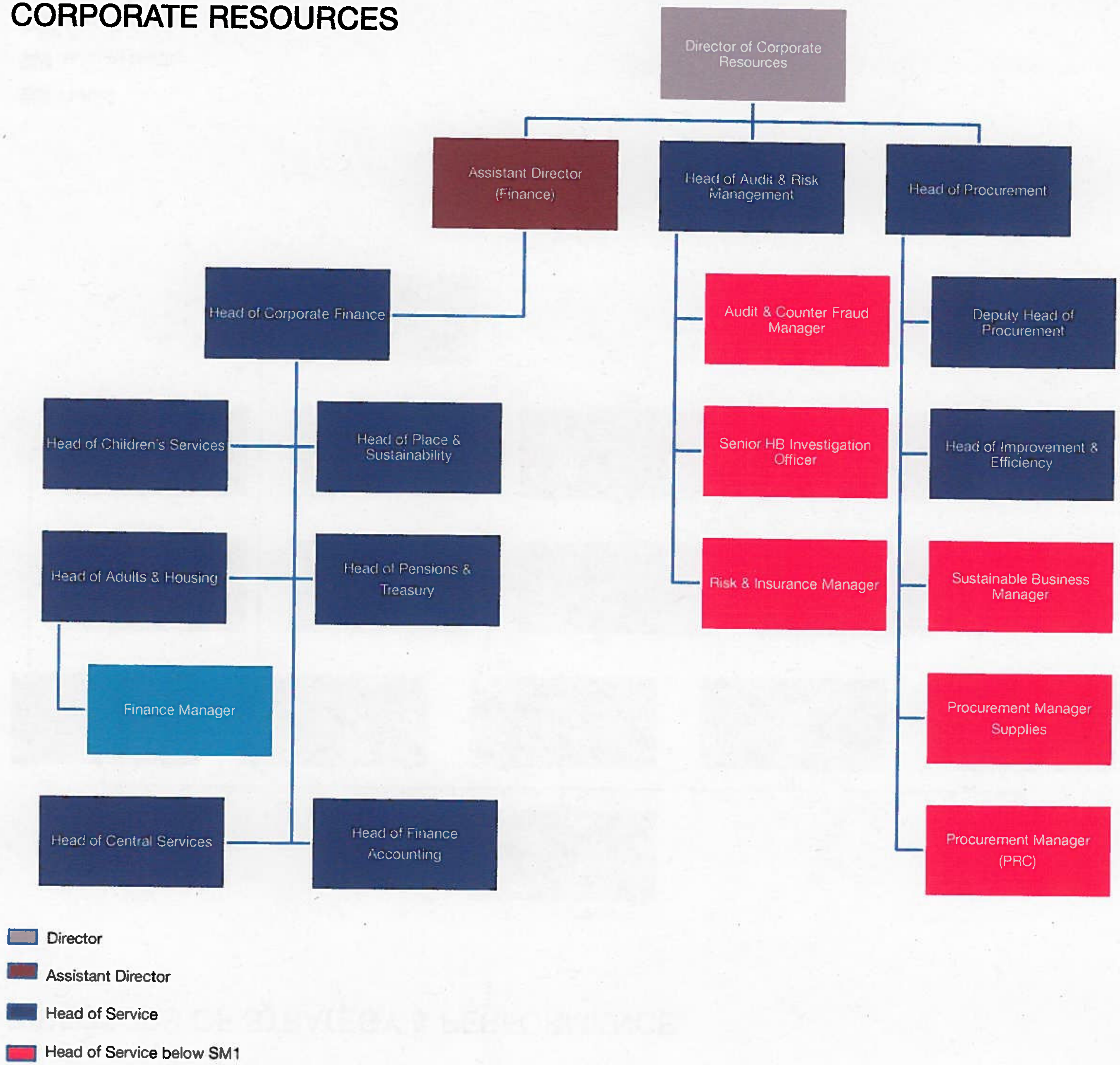
Current Senior Management Structure

September 2013

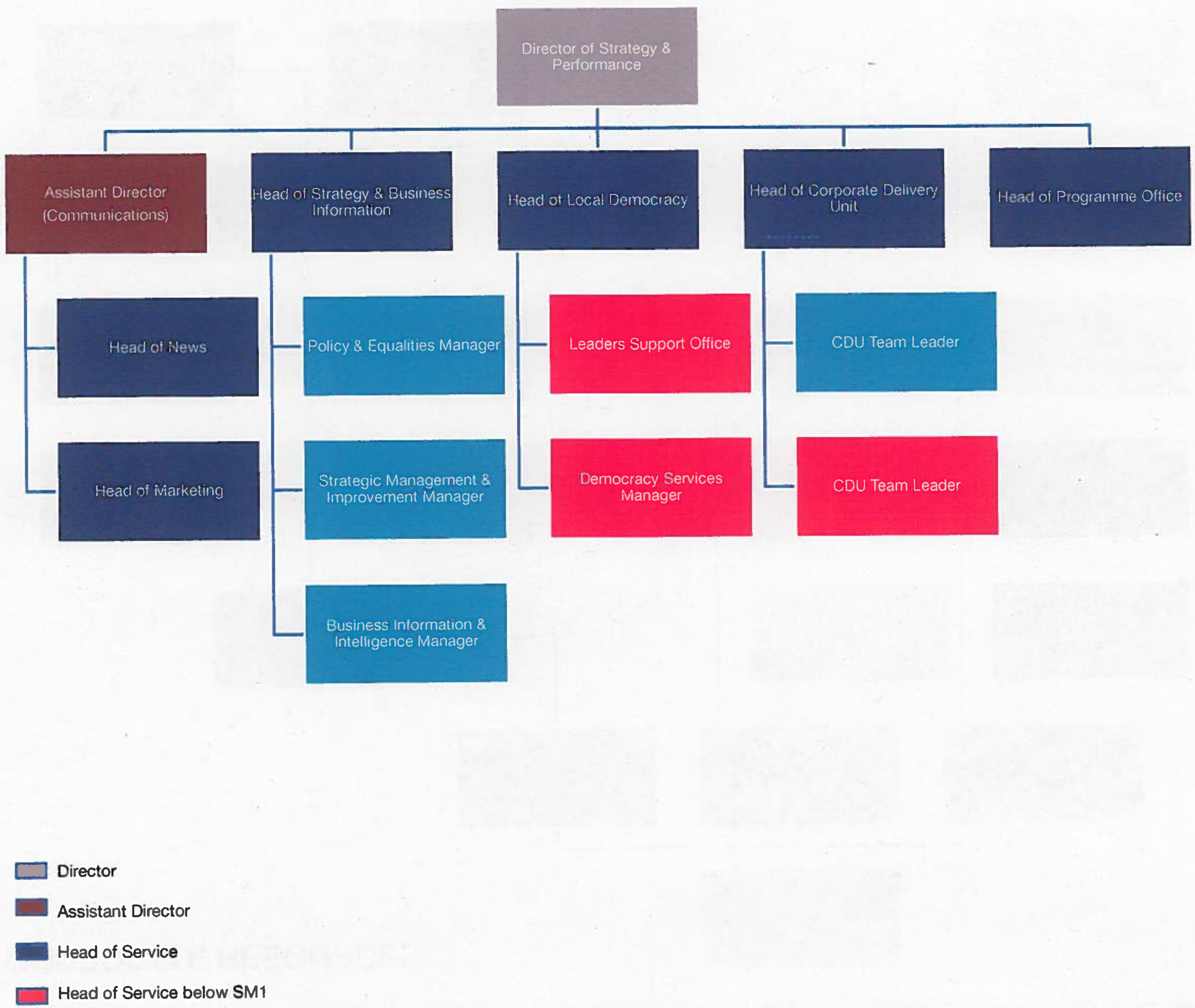
Chief Executive – Direct Reports



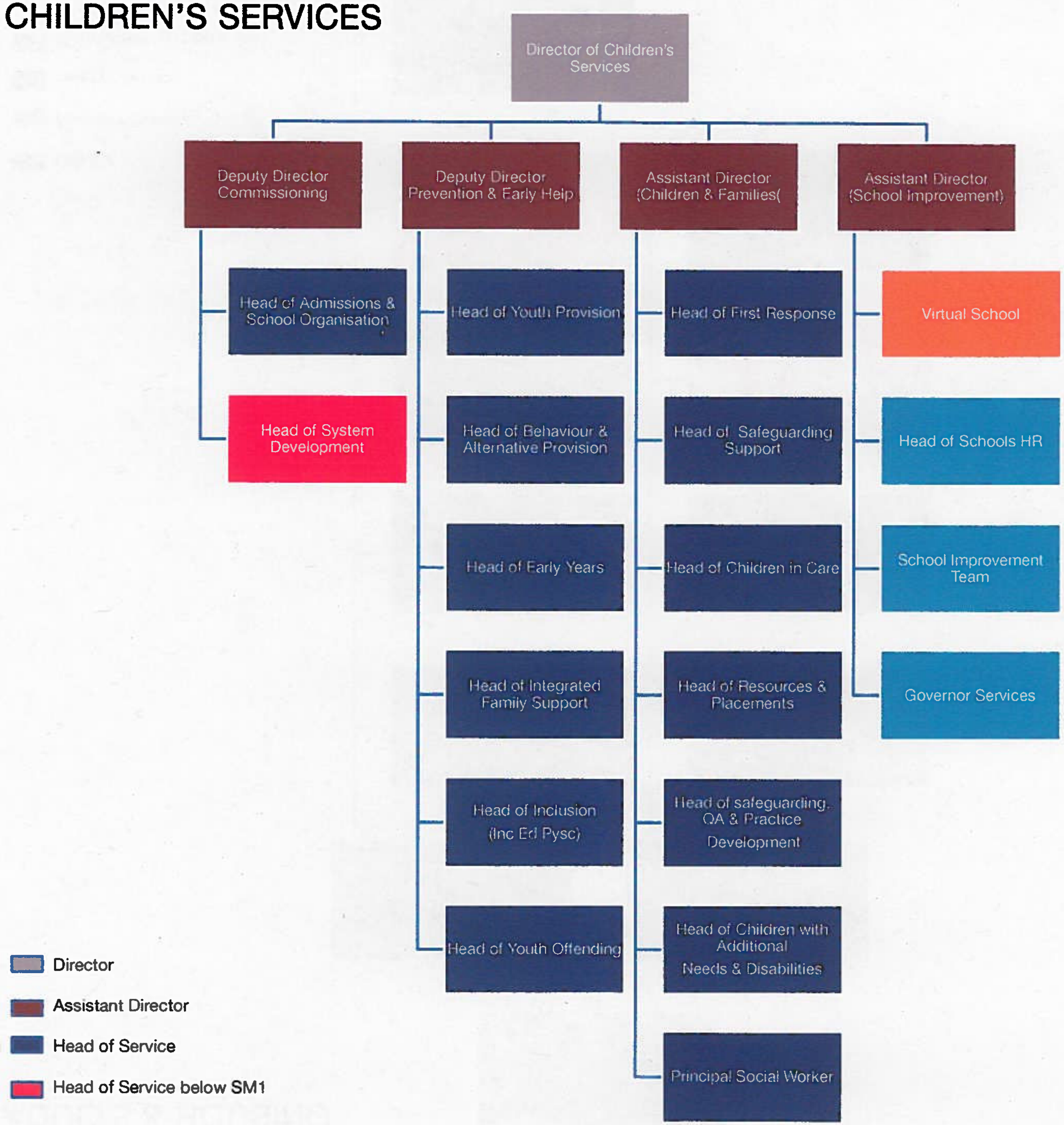
CORPORATE RESOURCES



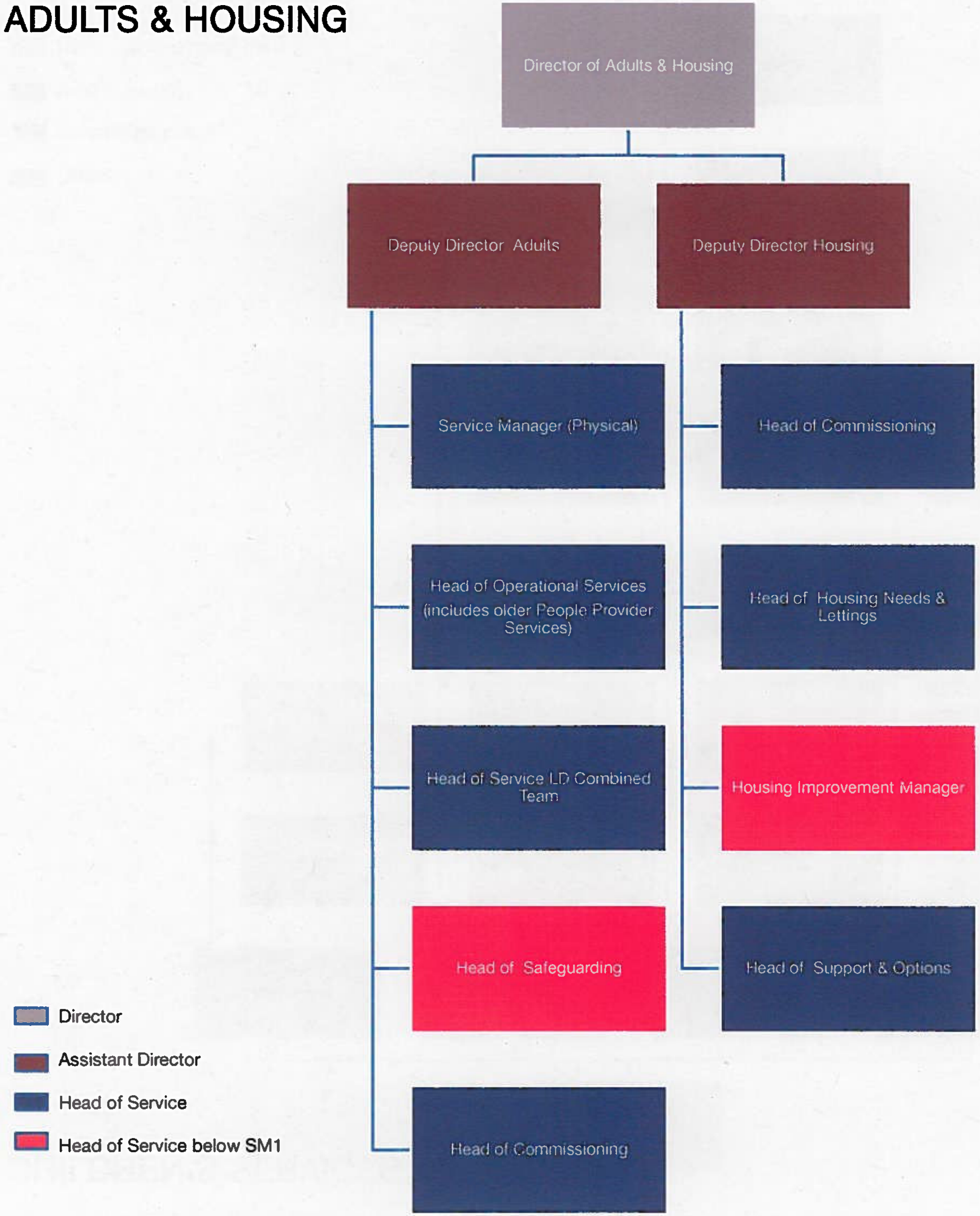
DIRECTORS OF STRATEGY & PERFORMANCE



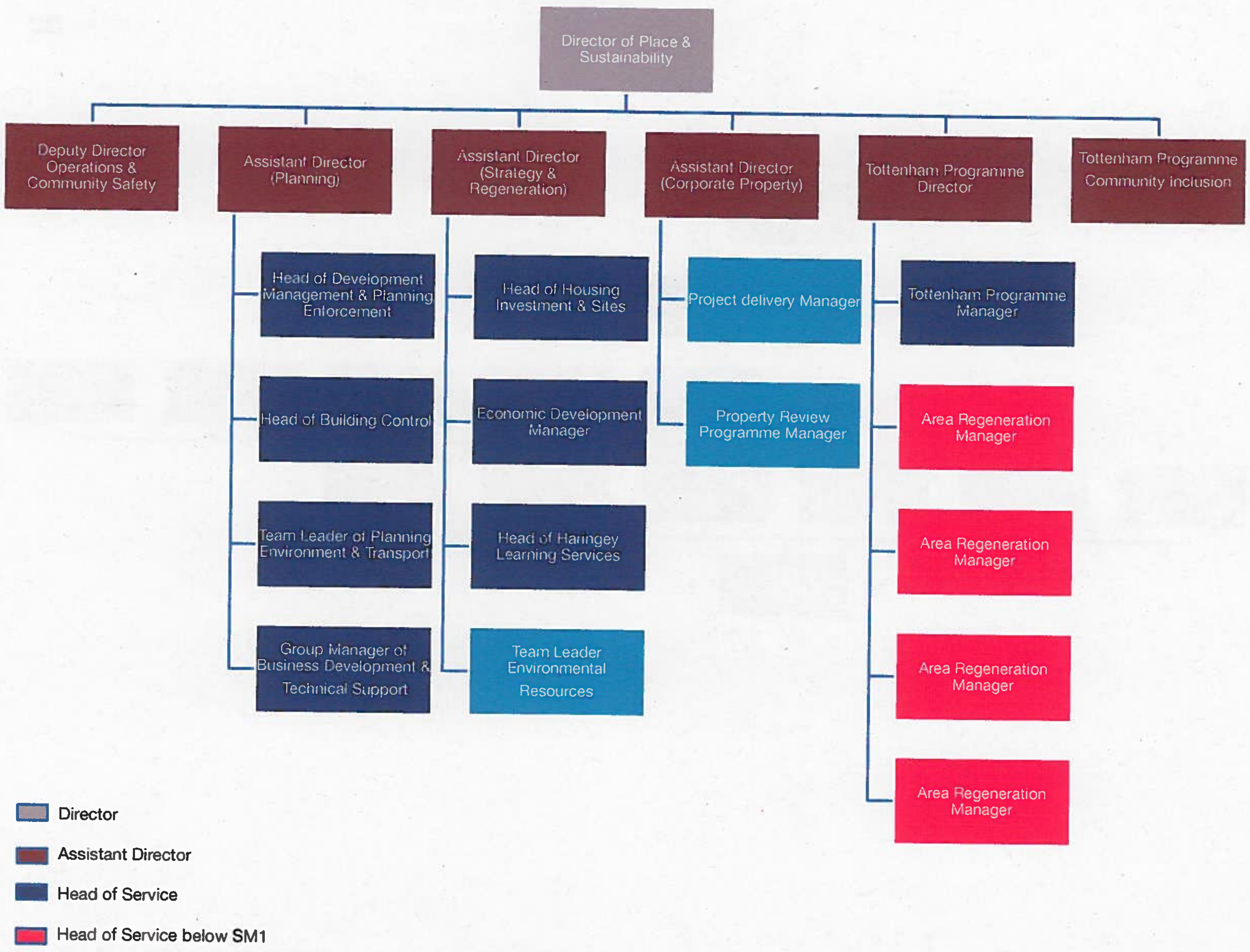
CHILDREN'S SERVICES



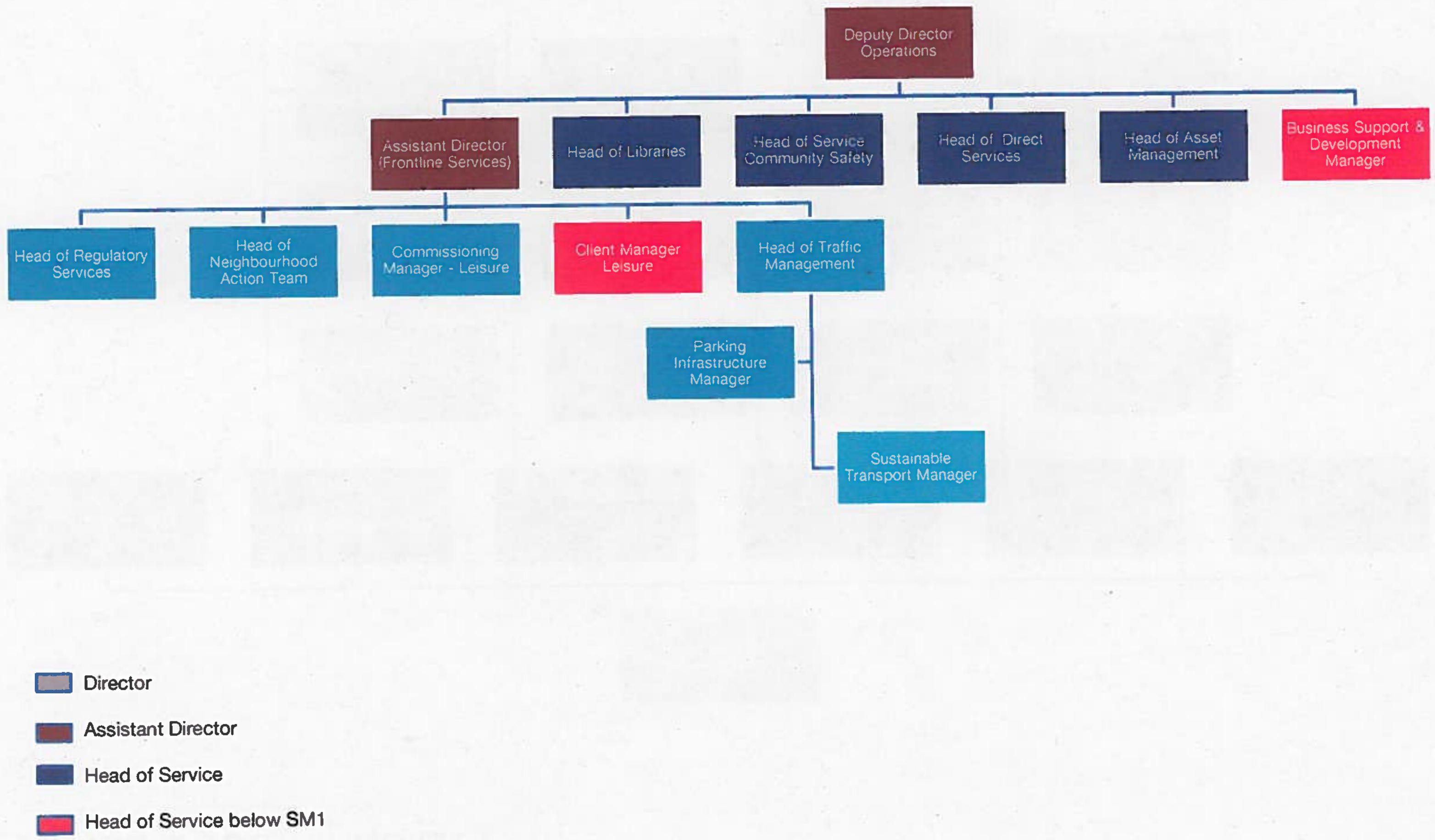
ADULTS & HOUSING



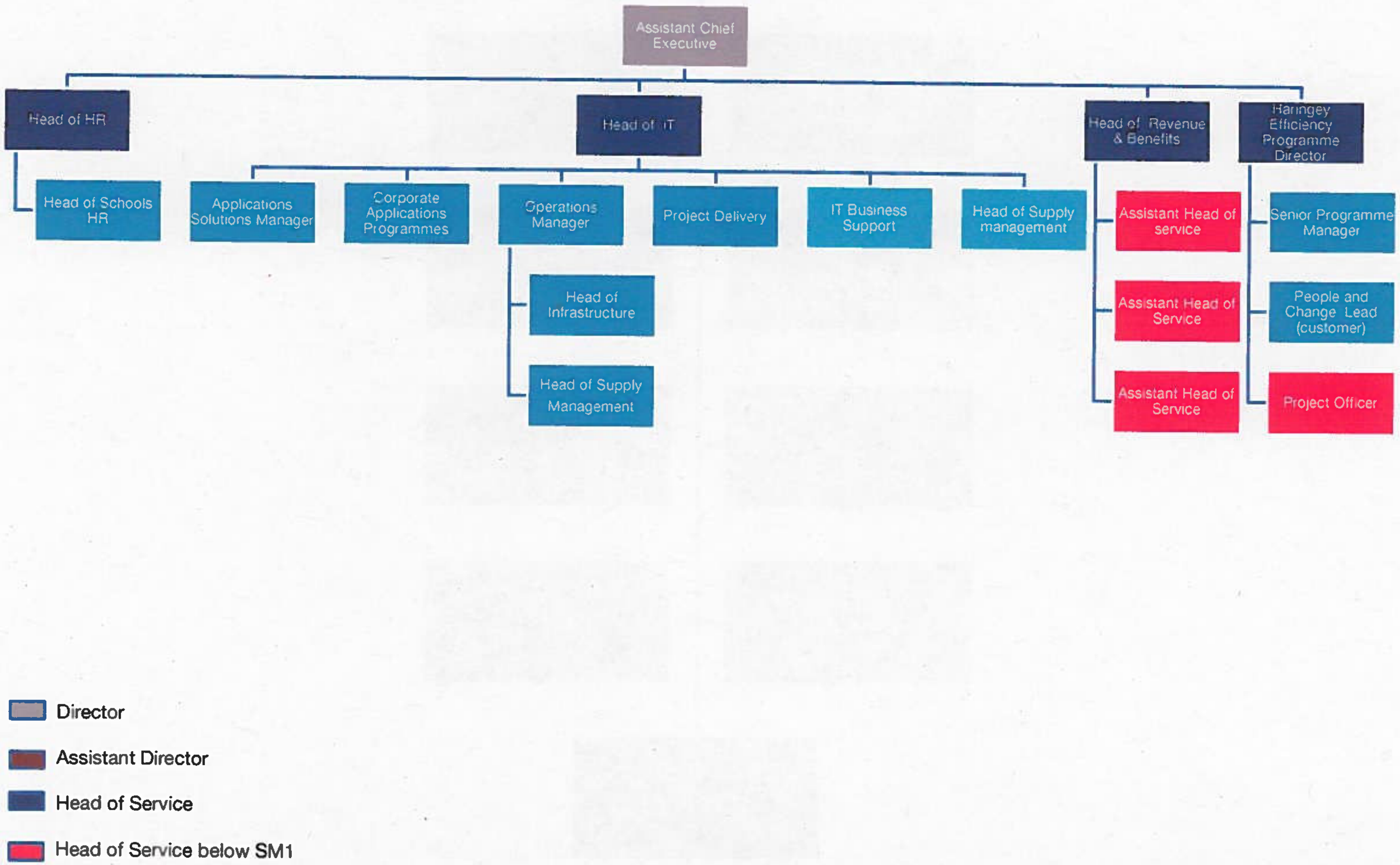
PLACE & SUSTAINABILITY



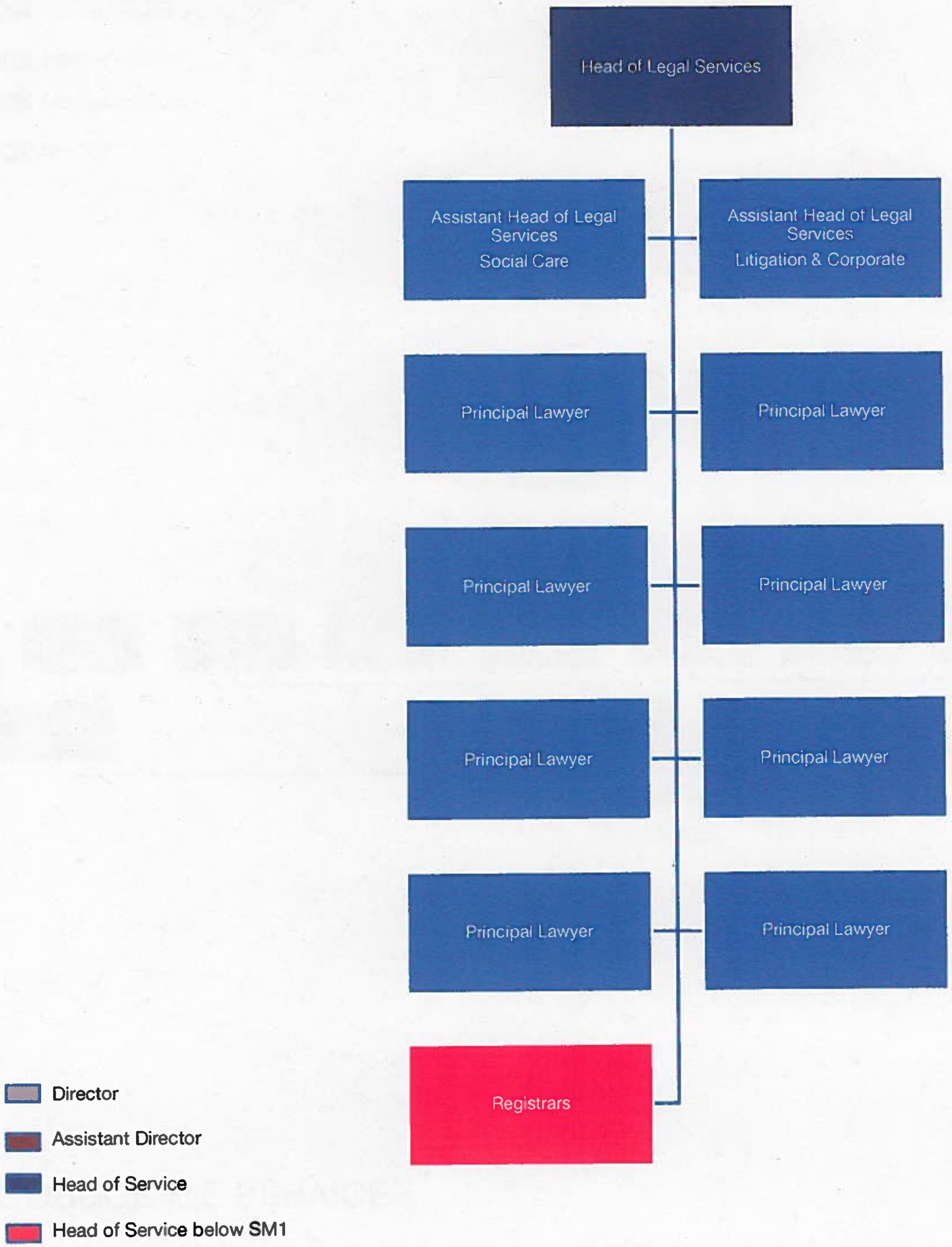
OPERATIONS & COMMUNITY SAFETY



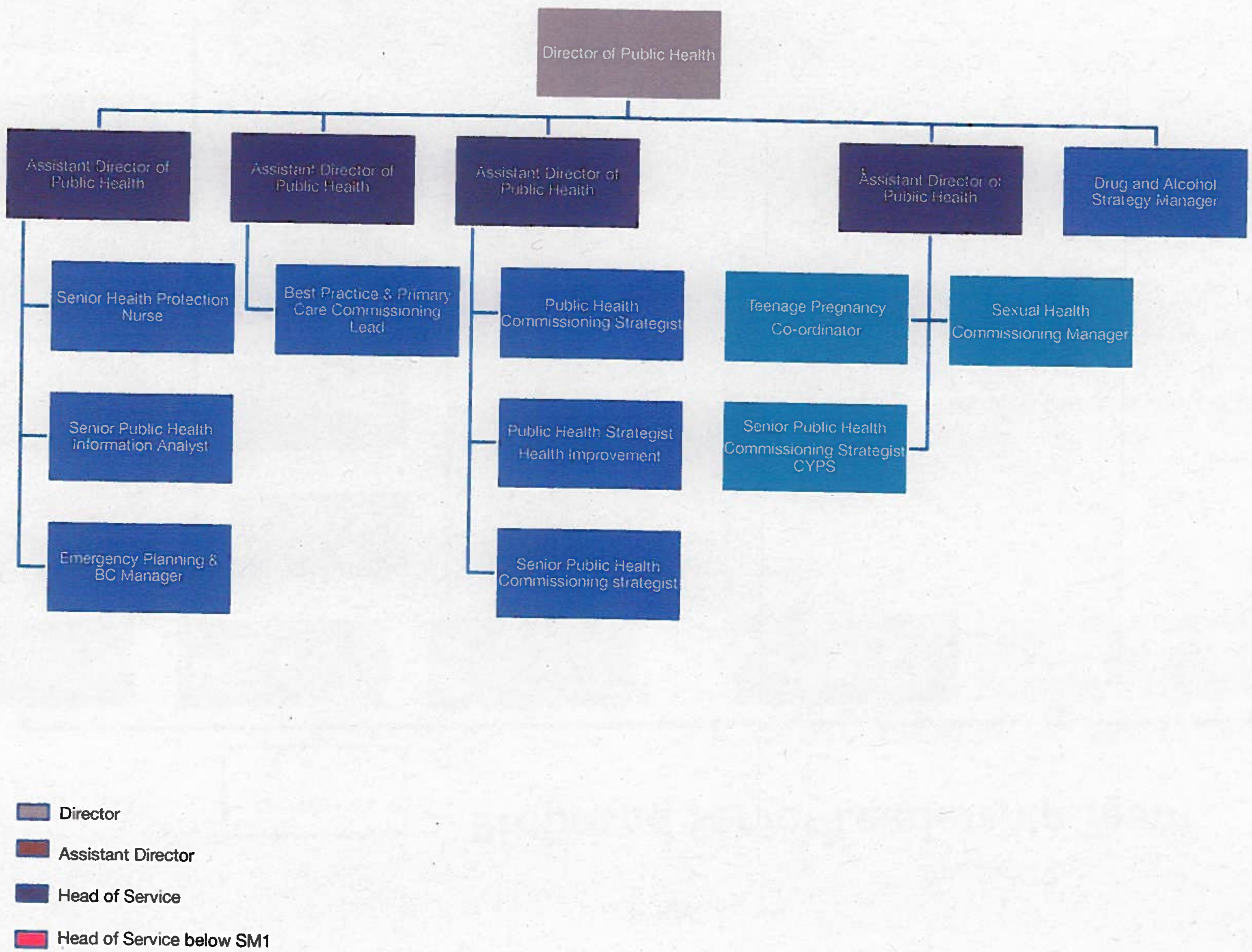
CORPORATE SERVICES



LEGAL SERVICES

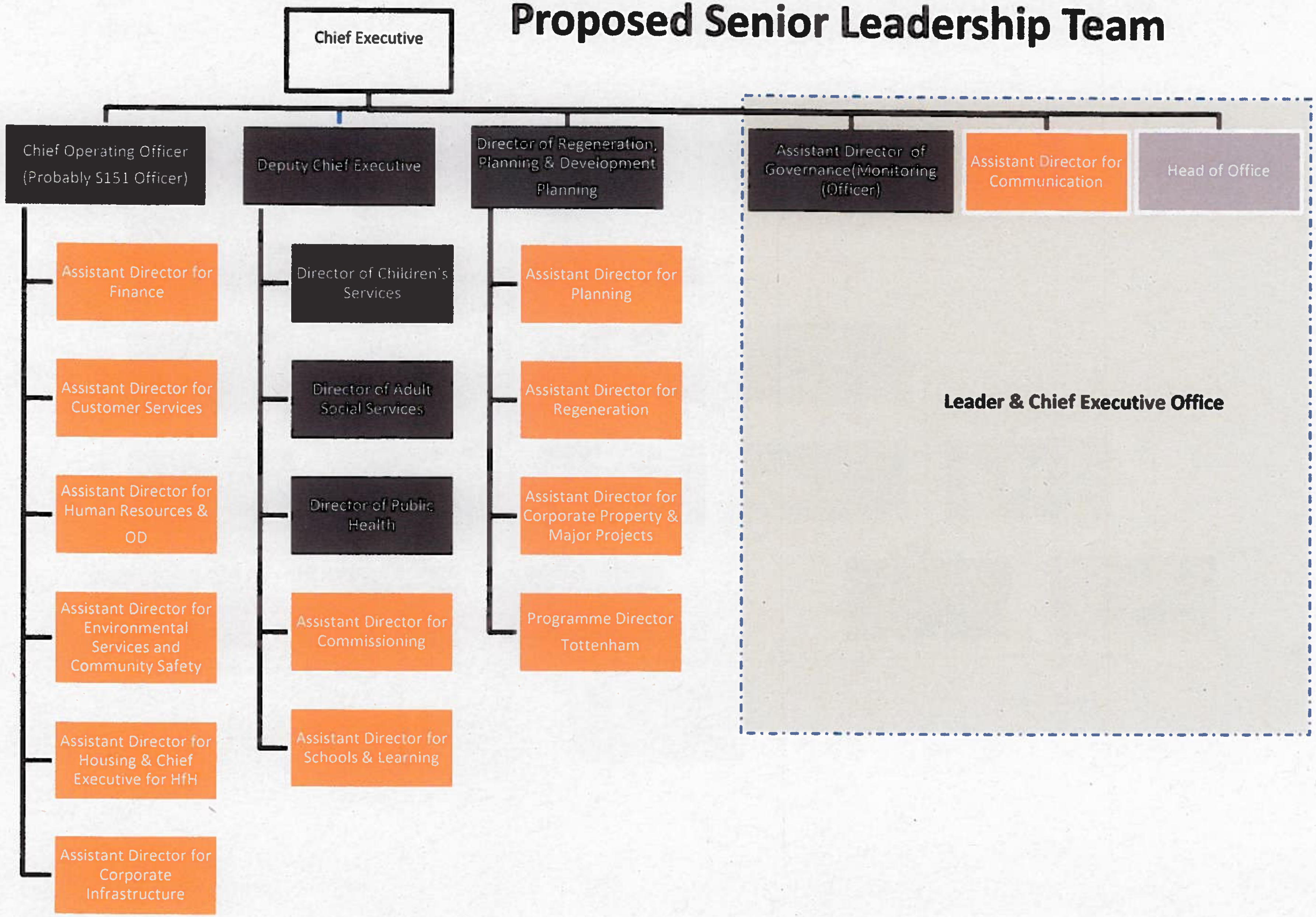


PUBLIC HEALTH



Appendix 2

Proposed Senior Leadership Team



Agenda Item 18

Haringey Council

Report for:	Corporate Committee 19 September 2013	**Item number**	

Title:	Delegated Decisions /Significant Actions/ Urgent Actions

Report authorised by :	Head of Legal Services Bernie Ryan

Lead Officer:	Helen Chapman (Tel. 020 8489 2615)

Ward(s) affected: Not applicable	**Report for Key/Non Key Decision:** For information

1. Describe the issue under consideration

To inform the Corporate Committee of Non Executive delegated decisions and significant actions taken by Directors.

To further advise of any urgent actions taken by Directors in consultation with the Chair of the Corporate Committee since the previous meeting.

The report details by number and type decisions taken by Directors under delegated powers. Significant actions (decisions involving expenditure of more than £100,000) taken during the same period are also detailed.

2. Cabinet Member Introduction

Not applicable

3. Recommendations

That the report be noted.

Haringey Council

4. Other options considered

   Not applicable

5. Background information

   To inform the Corporate Committee of non executive delegated decisions and significant actions taken by Directors

   The report details by number and type decisions taken by Directors under delegated powers. Significant actions) decisions involving expenditure of more than £100,000) taken during the same period are also detailed.

   In keeping with usual practices and working procedures used for Cabinet, the attached report details urgent actions taken by Directors in consultation with Corporate Committee Chair since last reported. Part three, Section E, under the scheme of delegation paragraph 4.03, of the Council Constitution provides guidance on the action that needs to be taken on any urgent matter between meetings of the Cabinet, or any committee or Sub Committee of the Cabinet or the Council.

6. **Comments of the Chief Financial Officer and financial Implications**

   Where appropriate these are contained in the individual delegations.

7. **Head of Legal Services and Legal Implications**

   Where appropriate these are contained in the individual delegations.

8. **Equalities and Community Cohesion Comments**

   Where appropriate these are contained in the individual delegations.

9. **Policy Implications**

   Where appropriate these are contained in the individual delegations.

10. **Use of Appendices**

    The appendices to the report set out by number and type decisions taken by Directors under delegated powers. Significant actions (Decisions involving expenditure of more than £100,000) taken during the same period are also detailed.

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11. Local Government (Access to Information) Act 1985

Background Papers

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

Delegated Decisions and Significant Action Forms
Those marked with ♦ contain exempt information and are not available for public inspection.

The background papers are located at River Park House, 225 High Road, Wood Green, London N22 8HQ.

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DIRECTOR OF ADULT AND HOUSING SERVICES

Significant decisions - Delegated Action –August 2013

♦ denotes background papers are Exempt.

No	Date approved by Director	Title	Decision
1.	20.08.13	Delegated Authority: Community Housing Services – Pathway Manager	Authorised
2.			
3.			
4.			

Delegated Action	
	Number

Submission authorised by: ____________________________ **Date: ________________________**
Mun Thong Phung - Director of Adult and Housing Services

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