NOTICE OF MEETING

CORPORATE COMMITTEE

Thursday, 21st September, 2017, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE

Members: Councillors Barbara Blake (Chair), Eddie Griffith (Vice-Chair), Gina Adamou, Charles Adje, Patrick Berryman, Isidoros Diakides, Gail Engert, Adam Jogee, Reg Rice, Viv Ross, Raj Sahota and Ali Gul Ozbek

Co-optees/Non Voting Members:

Quorum: 3

1. FILMING AT MEETINGS

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The chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual or may lead to the breach of a legal obligation by the Council.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

3. 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 will be dealt with at item 14)

4. 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.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

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

6. MINUTES (PAGES 1 - 8)

To consider and agree the minutes of the meeting held on 25th July 2017 and special meeting held on 13th July 2017.

7. HARINGEY COUNCIL SMOKING POLICY (PAGES 9 - 20)

Report of the Director of Public Health seeking agreement from the Committee to proposed changes to the Council's revised Smoking Policy.

8. TREASURY MANAGEMENT UPDATE (PAGES 21 - 34)

Report of the Chief Finance Officer to update the Committee on the Council's treasury management activities and performance in the three months to 30th June 2017 in accordance with the CIPFA Treasury Management Code of Practice.

9. IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (PAGES 35 - 64)

Report of the Chief Financial & S151Officer outlining the impact of the Implementation of the Markets in Financial Instruments Directive.

10. STATEMENT OF ACCOUNTS (PAGES 65 - 254)

Report of the Chief Operating Officer to present the Statement of Accounts for

2016/17 following the completion of the external audit and also to consider the statutory Annual Report to those charged with Governance from BDO LLP, which reports on their annual audit of the Council's statutory accounts, value for money and other relevant information.

11. INTERNAL AUDIT PROGRESS REPORT QUARTER 1 (PAGES 255 - 282)

Report of the Assistant Director, Corporate Governance, detailing the work undertaken by the Internal Audit and Counter Fraud Teams in the quarter ending 30 June 2017 and focusing on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised – work undertaken by the external provider (Mazars).

12. COUNTER-FRAUD UPDATE QUARTER 1 (PAGES 283 - 288)

Report of the Assistant Director for Corporate Governance, detailing the work undertaken by the Counter-Fraud Team in the quarter ending 30 June 2017 and focusing on details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities – work undertaken by the inhouse counter Fraud Team.

13. SCHOOLS' AUDIT PERFORMANCE - ACTION PLAN (PAGES 289 - 296)

Report of the Deputy Chief Executive outlining the actions that Schools and Learning (along with other associated Services) are taking to address the increasing number of primary, secondary and special schools with either nil or a limited assurance from the audits carried out in the academic year 2016/17.

14. ANY OTHER BUSINESS OF AN URGENT NATURE

To consider any items admitted at item 3 above.

15. DATE AND TIME OF NEXT MEETING

30th November 2017

Susan John, Principal Committee Co-ordinator
Tel – 020 8489 2615
Fax – 020 8881 5218
Email: susan.john@haringey.gov.uk

Bernie Ryan
Assistant Director – Corporate Governance and Monitoring Officer
River Park House, 225 High Road, Wood Green, N22 8HQ

Wednesday, 13 September 2017

MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON TUESDAY, 25TH JULY, 2017, 7.00 - 9.15 pm

PRESENT:

Councillors: Barbara Blake (Chair), Eddie Griffith (Vice-Chair), Charles Adje, Isidoros Diakides, Gail Engert, Reg Rice and Viv Ross

148. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

149. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence had been received from Cllr Adamou, Cllr Berryman, Cllr Jogee, Cllr Sahota and Cllr Ozbek.

150. URGENT BUSINESS

There were no items of urgent business.

151. DECLARATIONS OF INTEREST

There were no declarations of interest.

152. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were no such items.

153. MINUTES

RESOLVED

That the minutes of the Corporate Committee held on 21 March 2017 be approved as a correct record and signed by the chair.

154. ANNUAL INTERNAL AUDIT REPORT 2016/2017

The Committee considered the report on the annual internal audit report 2016/17 as presented by Anne Woods, Head of Audit and Risk Management. The report gave an overview of the effectiveness of the internal audit function and details of the audit work undertaken in the previous year. The Committee were given an explanation of the various mandatory and statutory requirements for internal audit work and given assurance that these had been met by the council.

The Committee noted that there was a total of 64 audits during the year and discussed the assurance level outcomes of these. Overall it was reported that the audit work found the control environment to be adequate and effective. However, the specific audits that received either a ‘limited’ or ‘no assurance’ rating highlighted key governance issues which as a result had been picked up in the annual governance statement that was due to be considered in item 8 of the agenda.

In response to a question from the Committee the Head of Audit and Risk Management confirmed that the 3 audits that received a ‘no assurance’ rating were in relation to schools. It was also confirmed that advisory work completed were on key financial systems so did not receive assurance ratings as these are tested on a continual basis.

The Committee asked what was being done regarding schools as this was an area that was consistently being flagged as a concern. It was confirmed that more information was detailed within the governance statement as to how the schools risk issues on financial management is being addressed and that a report would be presented to the Committee at the September meeting.

The Committee next went onto discuss the tenancy fraud outcomes of 2016/17 and it was reported that 48 properties where tenancy fraud had been identified last year had been recovered. In response to a question from the Committee regarding the area spread of recovered properties from 2014-2017 it was agreed that the Committee would be provided with a more detailed breakdown of the number of council properties within each ward according to size to give a more accurate picture of the fraud outcomes.

Action: Homes for Haringey

The Committee inquired about the fraud investigations related to Right to Buy. It was explained that there was an issue with sub letting as well as fraudulent declarations of earnings and benefits.

RESOLVED

The Corporate Committee noted the content of the Head of Audit and Risk Management’s annual audit report and assurance statement for 2016/17.

155. ANNUAL GOVERNANCE STATEMENT 2016/2017

The Committee considered the report on the annual governance statement 2016/17 as presented by Anne Woods, Head of Audit and Risk Management. This involved a presentation highlighting the key aspects of good governance, the role of the Corporate Committee as well as 2016/17’s key governance issues and action planning.

The Committee noted the information on how evidence was retrieved to support the governance principals, details of that evidence and where the gaps in compliance were.

The Committee raised the following concerns:

- The Councils disposal of assets. It was agreed that a statement be provided on this for the last 3 years.
- Budget over and under spends. It was agreed that a statement giving more details on this governance issue be provided.
- It was also agreed that a statement detailing 2016/17's significant governance issues be included in the next committee papers.

Action: Head of Audit & Risk Management

The Committee questioned how Brexit may affect staffing at the Council. It was confirmed that work was currently being done to look at the equality data for the work force and more information would be published as part of the Councils pay policy by next March.

RESOLVED

- The Corporate Committee reviewed and approved the draft 2016/17 AGS.
- The Corporate Committee noted the approval timescale and processes for the draft 2016/17 AGS

156. INTERNAL AUDIT PROGRESS REPORT 2016/17 - QUARTER 4

The Committee considered the report on the internal audit progress of 2016/17 quarter 4, as presented by Anne Woods, Head of Audit and Risk Management. The report detailed outcomes of the audit work approved for that quarter along with the advisory work undertaken for the Haringey Development Vehicle.

In response to a concern raised by the Committee regarding the assessments carried out for Deprivation of Liberty, the Head of Audit & Risk Management explained that it was difficult to get suitably qualified assessors in place to do the assessments and due to there being a sizeable backlog and lack of efficient processes it was deemed appropriate to carry out an audit in this area. It was noted that as a result of this audit the backlog has been cleared and assessors are now being trained.

The Committee also discussed the findings from the corporate risk audit on the 'my conversation' performance review process. In particular the non response of staff to repeated requests for information. The Chair agreed that this would be looked at and reported back to the Committee.

Action: Head of Audit & Risk Management/Chair

In the Committees consideration of the internal audit report on Haringey's development vehicle it was confirmed that there was currently an interim team working on the project and that dedicated HDV email addresses would be used for the purpose of ensuring clarity of role and function. It was explained that this would be a similar relationship to that of Haringey and Homes for Haringey and would allow the council right of access to information relating governance arrangements. This would be part of the management agreements and contracts.

BDO, the external auditors summarised the reason behind their completion of the audit work on the HDV. They advised the Committee that as a result of this audit they were content that sufficient work had been done around the due diligence of the finance and legal aspects of the project. It was agreed that the letter sent by BDO to the S151 officer would be shared with the Committee.

Action: Deputy Chief Executive

The Committee requested a copy of the QC's advice received by the Cabinet. It was agreed that this request would be put forward to the Monitoring Officer.

Action: Deputy Monitoring Officer

RESOLVED

The Corporate Committee noted the audit coverage and follow up work completed.

157. COUNTER FRAUD UPDATE QUARTER 4

The Committee considered the Counter Fraud Update report 2016/17, quarter 4, as presented by Anne Woods, Head of Audit & Risk Management.

The report detailed the tenancy and pro-active counter fraud from the last quarter. The Committee were also directed to appendix A which highlighted the disciplinary outcomes of the in house audit irregularities investigated.

RESOLVED

The Corporate Committee noted the counter-fraud work completed in the quarter to 31 March 2017.

158. EXTERNAL AUDIT PROGRESS UPDATE

The Committee considered the regular progress update from the external auditors and were informed that work on the audit & financial statement was ongoing and would be presented at the next meeting.

It was reported that following the housing benefit audit work conducted, which concluded that due to processing errors there would be a loss of up to £1.5m, a substantial amount of work has been done by the teams to improve this. As a result, the total loss had reduced to £350k.

The Committee questioned why the work on income raised from parking charges and housing land was still ongoing and had not been completed. It was reported that this was to be completed by Grant Thornton but they had been unable to do this due to lack of information being provided to them by the Council.
It was agreed that this issue should be raised with the appropriate service in order for this area of work to be completed.

Action: Deputy Monitoring Officer

In response to a question from the Committee regarding the outcome of the LOBOs audit work it was confirmed that BDO's provisional view is that Haringey have the 'plain vanilla' LOBO's and the decision taken at the time was not unlawful. It was also confirmed that Haringey were in compliance with the regulations of 2003 and the decision taken was reasonable at that time.

RESOLVED

The Committee noted the content of the report.

159. ANY OTHER BUSINESS OF AN URGENT NATURE

There were no items of urgent business.

160. DATE AND TIME OF NEXT MEETING

Thursday 21st September 2017

CHAIR: Councillor Barbara Blake

Signed by Chair ………………………………..

Date …………………………………

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MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON THURSDAY, 13TH JULY, 2017, 6.30 - 7.05 pm

PRESENT:

Councillors: Barbara Blake (Chair), Eddie Griffith (Vice-Chair), Gina Adamou, Charles Adje, Patrick Berryman, Isidoros Diakides, Reg Rice and Viv Ross

142. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

143. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Cllr Mallett, Cllr Engert, Cllr Jogee and Cllr Sahota.

144. URGENT BUSINESS

There were no items of urgent business.

145. DECLARATIONS OF INTEREST

There were no declarations of interest.

146. TREASURY MANAGEMENT OUTTURN 2016/17

The Committee considered a report on the Treasury Management 2016/17 Outturn by the Head of Pensions. The Treasury Management Outturn report indicated that the Council confirmed compliance with its treasury management strategy statement & prudential indicators for 2016/17. The report gave an overview on the impact of external economic context and the local context including an overview of Haringey's borrowing and investment activity in 2016/17.

In response to the discussion on internal borrowing, the Committee requested that clarification be put in writing that the 'internal resources' referred to in relation to short term borrowing were not funds being borrowed from other areas/services within the Council but rather from the Council's surplus cash.

In response to a question from the Committee, it was agreed that background information on the Councils capital financing requirement, actual borrowing levels and cash balances would be provided to the members. This is to include details on how the cash has built up over time and how this compares to other Local Authorities as well as Haringey’s own financial situation over the last 10 years.

Action: Head of Pensions

147. DATE AND TIME OF NEXT MEETING

Tuesday 25th July, 7pm

CHAIR: Councillor Barbara Blake

Signed by Chair ………………………………..

Date …………………………………

Report for: Corporate Committee

Item number: 7

Title: Haringey Council Smoking Policy

Report authorised by : Dr Jeanelle de Gruchy, Director of Public Health

Lead Officer: Susan Otiti, Assistant Director Public Health

Ward(s) affected: N/A

Report for Key/ Non Key Decision:

1. **Describe the issue under consideration**

1.1 This report seeks agreement from the Committee to proposed changes to the Council's revised Smoking Policy. The revised Smoking Policy is at Appendix A.

2. **Cabinet Member introduction**

2.1 N/A

3. **Recommendations**

3.1 The Corporate Committee is asked to agree to proposed changes to Haringey Council's Smoking Policy in relation to people who are not Council employees who use Council premises as a place of work. The proposed revised Smoking Policy is at Appendix A. All agency workers, consultants and the employees of contractors, while on council business will be required to comply with the Smoking Policy. The proposed changes relevant to this Committee include:

- Under the existing policy Smoking is not permitted inside the buildings or within the grounds of all Council premises; this includes outdoor areas such as car parks and surrounding entrances/ exits to buildings (for at least 20 metres). The changes to the Smoking Policy instruct employees and contractors who smoke during unpaid breaks to do so away from residential properties and not congregate outside other commercial properties to smoke.

- Permitting the use of e-cigarettes (vaping) in outdoor Council premises.

4. **Reasons for decision**

4.1 Everyone working and visiting Haringey Council premises has a right to be in a smoke-free environment protected from the dangers of cigarette smoke. As such, there is a ban on smoking in or near council premises. The evidence that exposure to other people's smoke is dangerous to health is undeniable.

4.2 There is no 'right to smoke' and this has been confirmed by the Employment Appeal Tribunal in the case of Dryden v Greater Glasgow Health Board [1992] IRLR 469.

4.3 In February 2016 Haringey's Health and Wellbeing Board and Chief Executive signed the Local Government Declaration on Tobacco Control, committing the Council to take action on tobacco-related issues and to act as an exemplar to others.

5 Alternative options considered

5.1 As part of a rigorous exercise Public Health developed an options paper and consulted with the Workforce Health and Wellbeing board. The agreed options are embedded in the refreshed Smoking Policy.

6 Background information

6.1 The Health Act 2006 and The Smoke-free (Premises and Enforcement) Regulations 2006 mean that from 1st July 2007 smoking is prohibited in all workplaces and enclosed public spaces, including work vehicles.

6.2 The Council is committed to improving health, wellbeing and reducing health inequalities for all residents, visitors and employees of the borough ,as part of the Council's Health and Wellbeing Strategy and Corporate Plan 2015- 2018. One of the ambitions in the Council's 's Health and Wellbeing Strategy is to strengthen our tobacco control work to increase healthy life expectancy in the borough. The Corporate Plan also commits to creating a fair and equal borough (cross-cutting theme) by prioritising prevention of ill health and tackling the key causes of health inequalities through enforcement of the smoke-free workplace legislation. The purpose of this policy is to:

- Demonstrate the Council's commitment to preventing ill health.
- Protect employees, visitors and contractors from the harm of tobacco smoke whilst on Council premises.
- Promote smoking cessation as a key way of improving health and wellbeing for all.
- Ensure those who smoke are given support, help and encouragement to quit when they choose to do so.
- Limit the negative impacts of smoking on employees' health and productivity.

- Conform to the law around smoke-free workplaces and enclosed public spaces.

6.3 There has been ongoing consultation and engagement during the development of the policy with a number of groups. This includes

- Workforce Health and Wellbeing Board.
- Trade Union and Human Resources Corporate Meeting.
- Services and organisations operating out of Council property. For example Haringey's Clinical Commissioning Group and Homes for Haringey's HR department.

6.4 There has been strong support and proactive engagement for the policy from: Internal Corporate Boards, trades union and services operating out of our Council property. Further, Homes for Haringey have agreed to endorse our Smoking Policy once it is implemented to ensure uniformity across the two organisations.

6.5 On 7th February 2017 the Staff and Remuneration Committee agreed the changes to the Smoking Policy with 'immediate effect' in respect of the Council's employees.

7 Contribution to strategic outcomes

7.1 The Smoking Policy is linked to the Council's Corporate Plan, Building a Stronger Haringey Together 2015-18, in particular Priority 2 'Empower all adults to live healthy, long & fulfilling lives' and the cross- cutting themes, specifically: prevention and early intervention as outlined in Objective 1 'Become an organisation focused on prevention and early help'.

8 Comments of the Chief Finance Officer and financial implications

8.1 N/A as there are no financial implications of introducing this policy.

9 Head of Procurement comments

n/a

10 Comments of the Assistant Director of Corporate Governance and legal implications

The policy is compliant with the current legislative activity with regard to the Council's obligations in accordance with section 4 of the 1974 Health and Safety at Work Act. The policy extends to Contractors who work on Council property. Moreover, the policy contains restrictions that are applicable on external Council premises.

The position with the individual contractors is that they are not protected by the employment protection rights with regards to dismissals. The option to terminate the contract is available for any non-compliance with the restrictions set out in the policy, in accordance with the termination provisions of the original agreement with the contractor.

11 Equalities and Community Cohesion Comments

The Council has a public sector equality duty under the Equality Act 2010 to have due regard to the need to :

- Eliminate discrimination, harassment and victimisation of persons and any other conduct prohibited by or under the Act.;
- Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it ;
- Foster good relations between people who share a relevant protected characteristic and people who do not share it
- A “relevant protected characteristic” is . age, disability, gender reassignment, , pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation

We did not proceed with an EqIA as we expect that the revised Policy will have a positive impact for staff who smoke as it will encourage them to quit. We do not envisage any discrimination or inequalities caused by this revised Policy.

12 Policy Implication

13 Use of Appendices

Appendix A – revised Smoking Policy

Smoking Policy

2016

Document Control

Version History	v 4
Summary of Change	This policy updates and replaces the November 2014 version. The policy includes new clauses that: • Restricts smoking to official unpaid breaks; • Instruct employees not to congregate outside residential or commercial buildings when smoking. • Instructs smokers that they must ensure that they are not identifiable as Council employee • Permits the use of e-cigarettes (vaping) within outdoor council premises
Contact (job title)	Deborah Millward (Healthy Public Policy Officer)
Implementation date	
Review Date	
EqIA Date	
Decision making body & date of approval	Staffing and Remuneration Committee – 07/02/17 Corporate Committee – 21/03/17
Classification	

Contents

Introduction

1.1 The Health Act 2006 and The Smoke-free (Premises and Enforcement) Regulations 2006 mean that from 1st July 2007 smoking is prohibited in all workplaces and enclosed public spaces, including work vehicles.

1.2 Haringey Council is committed to improving health, wellbeing and reducing health inequalities for all residents and employees. Haringey's Health and Wellbeing Strategy has the ambition to strengthen our tobacco control work to increase healthy life expectancy; tobacco is a major contributor to the unequal gap in life expectancy in the borough. The Corporate Plan also commits to creating a fair and equal borough (Cross-Cutting theme) by prioritising prevention of ill health and tackling the key causes of health inequalities through enforcement of the smoke-free workplace legislation. The purpose of this policy is to:

- Demonstrate Haringey Council's commitment to preventing ill health and tackling health inequalities.
- Protect employees, visitors and contractors from the harm of tobacco smoke whilst on Haringey Council premises.
- Ensure those who smoke are given support, help and encouragement to quit when they choose to do so.
- Limit the negative impacts of smoking on employees' health and productivity.
- Conform to the law around smoke-free workplaces and enclosed public spaces.

1.3 In February 2016 Haringey's Health and Wellbeing Board and Chief Executive signed the Local Government Declaration on Tobacco Control, committing the Council to take action on tobacco related issues and act as an exemplar to others.

1.4 To underpin the policy the Council has developed additional guidance and supporting documents that contain information on where to get support for people who wish to quit and information on temporary abstinence whilst at work.

1.5 All smokers will be encouraged to use licensed nicotine replacement therapy such as patches, gum and e-cigarettes, and to access the most effective way to quit via Haringey's One You Stop Smoking Services.

Scope

2.1 This procedure applies to Councillors, all Council employees, contractors and workers, both Casual and Agency and visitors to Haringey premises.

General Principles

3.1 Haringey Council has a duty to protect the health of its employees. The evidence that exposure to other people's smoke is dangerous to health is undeniable.

3.2 Everyone working and visiting Haringey Council premises has a right to be in a smoke-free environment protected from the dangers of cigarette smoke. As such, there is a ban on smoking in or near council premises.

3.3 All Haringey Council employees have the responsibility for implementing this policy on site, both as part of their own conduct and when dealing with clients, visitors and contractors.

3.4 The Council is committed to providing support for employees who smoke and who want help with giving up. Under the terms of this policy, employees are entitled to access support - currently up to six smoking cessation sessions during work time - and will be fully supported by their manager in doing so. See section 8 for information about how to access stop smoking support.

3.5 All visitors to Council premises will be expected to abide by the smoke-free rule.

3.6 There is no 'right to smoke' and this has been confirmed by the Court of Appeal that stated the right to smoke was not protected by Article 8 of the Human Rights Act 1998 (HRA), The primary Human Right is a Right to Life and therefore other choices that limit this are overridden by the right to life.

Application

4.1 Smoking is not permitted inside the buildings or within the grounds of all Council premises; this includes outdoor areas such as car parks and surrounding entrances/ exits to buildings (for at least 20 meters). Smoking during official unpaid breaks must be taken away from Council buildings and smokers must ensure that they are not identifiable as Council employees when smoking.

4.2 Employees who smoke during official unpaid breaks such as lunchtime must do so away from residential properties and not congregate outside other commercial properties to smoke.

4.3 Smoking is not permitted in playgrounds and other outdoor areas mainly used by children and young people under the age of 16, or in sports grounds and other locations in part used for promoting and maintaining fitness and health.

4.4 All Council vehicles including vehicles on loan, hire or leased to the Council and used for the purpose of work, will be smoke-free. This is in line with the Smoke-free (Premises and Enforcement) Regulations 2006.

4.5 When carrying out home visits to clients, council employees are not allowed to smoke in their homes or workplaces, even when others present may be smoking.

4.6 Haringey Council is committed to protecting its employees from the harm caused by passive smoking while at work. During home visits, clients and anyone else in the home at the time must be asked to refrain from smoking while Council employees are present. Clients should be asked to keep the room in which treatment or care is being carried out as smoke-free at all times. Employees should raise concerns with their manager.

4.7 E-cigarette use (vaping) is not permitted inside any council building.

4.8 Employees who wish to use e-cigarettes are only permitted to do so in outdoor areas and grounds of Haringey Council premises.

4.9 Employees are expected to make visitors and contractors aware of the smoking restrictions. Issues with non-compliance should be escalated to line managers.

4.10 Any employee smoking in an enclosed public space or workplace breaks the law and is liable to prosecution. Staff breaching this policy may be subject to disciplinary procedures.

Penalties for non-compliance with the Legislation

5.1 Priority three of the Corporate Plan 2015-18 includes a commitment to create *'A clean, well maintained and safe borough where people are proud to live and work'* and ensuring our streets, parks and estates are clean, well maintained and safe.

5.2 Where smokers are smoking within the constraints of this policy they are responsible for properly disposing of their cigarette stubs and cigarette waste by ensuring that these are completely extinguished before placing in appropriate litterbins.

5.3 Smokers who fail to dispose of cigarette stubs properly can be issued with a Fixed Penalty Notice or a Court fine up to £200.

Smoking breaks

6.1 Employees are not allowed to smoke during working hours.

6.2 No additional breaks will be given to employees who smoke. Employees can only smoke in their own time e.g. before or after work or during their lunch break. Smoking in Council buildings and grounds is not permitted, even during official breaks.

E-cigarettes and vaping

7.1 Haringey Council acknowledges that some employees may wish to use e-cigarettes (vape) as an aid to giving up or reducing smoking.

7.2 The use of e-cigarettes/vaping is not permitted inside any council building or in any enclosed or substantially enclosed workplaces.

7.3 Employees who vape during official breaks such as lunchtime must do so away from residential properties and immediate surroundings of council premises e.g. not within 20 meters of entrances and exits.

7.4 The use of e-cigarettes/vaping is not permitted while in any vehicle that is used for either paid or voluntary work including Haringey Council's own fleet vehicle because the council a) treats these as enclosed spaces and b) council policy does not permit smoking, mobile phone use or any other activity while driving for health and safety reasons.

7.5 Due to potential health and safety implications employees are not permitted to charge e-cigarettes at work or in vehicles. (This policy applies to all electrical devices including mobile phone chargers which have not been tested and approved.)

Support to stop smoking

8.1 Staff who reside in the borough who wish to stop smoking can get support by calling One You Haringey – 020 8885 9095 or by visiting the One You Haringey website. All other members of staff can find details of their nearest stop smoking service by visiting the NHS Choices website.

8.2 Additional information is available

- www.ash.org.uk – Action on Smoking and Health: information on all aspects of smoking including Local Authority issues.
- www.tuc.org.uk – Trades Union Congress: information on workplace smoking issues
- www.nhsdirect.nhs.uk – information and advice on the effects of smoking and giving up and on other health issues

Disciplinary Action

9.1 Employees who fail to comply with the smoke-free workplace legislation will be subject to the Council's disciplinary procedures as well as any sanction that may be applicable under criminal law.

Monitoring and Review

10.1 The Workforce Health and Wellbeing Board will monitor and review the policy and consult on any proposed changes to it.

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Agenda Item 8

Report for: Corporate Committee 21 September 2017

Item number: **8**

Title: Treasury Management Update Report

Report authorised by: Clive Heaphy, Chief Finance Officer

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

Report for Key/ Non Key Decision: 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 three months to 30th June 2017 in accordance with the CIPFA Treasury Management Code of Practice.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That members note the Treasury Management activity undertaken during the three months to 30th June 2017 and the performance achieved.

4. Reason for Decision

4.1. None.

5. Other options considered

5.1. None.

6. Background information

6.1. 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."

6.2. 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.

6.3. However, overall responsibility for treasury management remains with full Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2017/18 on 27 February 2017. The Corporate Committee is responsible for monitoring treasury management activity and this is achieved through the receipt of quarterly reports. This report forms the 1st quarterly monitoring report for 2017/18.

6.4. 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 activity is without risk and the effective identification and management of risk are integral to the Council's treasury management activities.

6.5. The quarterly reports during 2017/18 are structured to cover borrowing first and then investments according to these factors, so that members can see how they are being addressed operationally.

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

8.1. Interest rates earned on investments remain low and significantly less than the cost of new borrowing and therefore the strategy of minimising cash balances is continuing in 2017/18. Borrowing will be taken when required for liquidity purposes with the preference being short term local authorities' loans at very low rates. However longer term interest rates with the Public Works and Loans Board continue to be carefully monitored. The ability to take advantage of low interest rates in this way has resulted in anticipated savings on the treasury management budget.

Legal

8.2. The contents and recommendation of this report are in accordance the Treasury Management Strategy Statement and consistent with legislation governing the financial affairs of the Council. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee.

Equalities

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

9. Use of Appendices

Appendix 1 – Prudential and Treasury Indicators

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

11. External Context: Economic Commentary and Outlook

11.1. Commodity prices slid back during the quarter with oil falling below $50 a barrel. The primary factor in the oil price fall was oversupply and a lack of belief in OPEC's (Organisation of Petroleum Exporting Countries) ability to deliver on agreed production caps of members.

11.2. UK Consumer Price Inflation (CPI) index rose over the quarter and the data print for May showed CPI at 2.9%, its highest since June 2013. The effect of the fall in fuel prices was offset by rises in a number of other categories in the CPI 'basket' as the fall in the value of sterling following June 2016's referendum result continued to feed through into higher import prices. The most recent labour market data for April 2017 showed that the unemployment rate at 4.6% remained at its lowest since July 1975 but that the squeeze on real wages (i.e. after inflation) is intensifying and resulting in negative real wage growth. Q1 GDP data released in April and revised in May showed economic activity growing at a much slower pace of 0.2%. However recent surveys indicate that the slowdown in the first quarter is being viewed as an anomaly and that Q2 GDP could rebound. Understandably, the Bank of England made no change to monetary policy at its meeting on 15th June.

11.3. Having raised rates in March, the US Federal Reserve made no change to monetary policy at the conclusion of its meeting in May. The recent weakness witnessed in the first print of Q1 US GDP was noted in the accompanying statement but the Fed viewed this as a transitory issue and was of the view that the GDP path and household spending would recover during 2017. The US Federal Reserve then increased its target range of official interest rates in June for the second time in 2017 by 25bps (basis points) to between 1% and 1.25% and a further similar increase is expected during the second half of 2017.

11.4. Prime Minister Theresa May called an unscheduled General Election in June, to resolve uncertainty and in the hope of gaining an enhanced mandate to enter the forthcoming Brexit negotiations. The surprise result has led to a minority Conservative government in a confidence and supply arrangement with the Democratic Unionist Party. This political impasse clearly results in an enhanced level of political uncertainty, however the potential for a so-called hard Brexit is now diminished, reducing the associated economic headwinds for the UK economy from a 'no deal' or otherwise unfavourable trade agreement.

11.5. The reaction from the markets on the election's outcome has been fairly muted, business confidence now hinges on the progress (or not) on Brexit negotiations, whether new trade treaties and arrangements are successfully concluded and whether or not the UK continues to

Haringey LONDON

remain part of the EU customs union post the country's exit from the EU.

11.6. In the face of this uncertainty, Arlingclose expects the Bank of England will look through periods of high inflation and maintain its low-for-longer stance on policy interest rates for an extended period.

Financial markets:

11.7. Gilt yields displayed some volatility with a marked uptick in late June. This was largely due to the expectation of tapering of Quantitative Easing (QE) in the US and Europe, which also had an impact on gilts. The yield on the 5 year benchmark gilt rose from 0.56% to 0.69% during the quarter, that on the 10-year gilt rose from 1.06% to 1.26% and the yield on the 20-year gilt rose from 1.65% to 1.78%.

11.8. The FTSE 100 reached a record high of 7548 in May but dropped off slightly towards the end of the quarter. The FTSE-250 and FTSE All Share indices also rose, the All Share index closing at 4002 at the end of June. Money markets rates have remained low: 1-month, 3-month and 12-month LIBID rates have averaged 0.25%, 0.33% and 0.66% in the quarter respectively.

Credit background:

11.9. UK bank credit default swaps have continued their downward trend, reaching three year lows by the end of June. Bank share prices have not moved in any particular pattern.

11.10. There were a few credit rating changes during the quarter. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3 on the expectation that the bank's profitability will be lower following management's efforts to de-risk their balance sheet. The agency also affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1. Moody's downgraded the major Canadian banks' long-term ratings on the agency's expectation of a more challenging operating environment for the banks for the remainder of 2017 and beyond, that could lead to a deterioration in the banks' asset quality and increase their sensitivity to external shocks. Moody's downgraded the ratings of the large Australian banks to Aa3 from Aa2 reflecting the agency's view of the rising risks from the banks' exposure to the Australian housing market and the elevated proportion of lending to residential property investors.

11.11. Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, following Arlingclose's advice, the Authority reduced the maximum duration of its deposits at Bank of Scotland, HSBC Bank and Lloyds Bank from 13 months to 6 months as there is some uncertainty surrounding which banking entities the Authority will be dealing with once ring-fencing is implemented. Even where there has been a level of clarity provided regarding where local authority customers will sit within the proposed new legal structures of the banks, it is not yet known what the balance sheet structures of those banks will be.

11.12. S&P also revised Nordea Banks outlook to stable from negative, whilst affirming their long-term rating at AA-. The outlook revision reflects Nordea's geographic diversification and strong financials.

12. Local Context

12.1. At 31/3/2017 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £575.2m. The Council had £347.0m of borrowing and £18.6m of investments.

12.2. The Council's current strategy is to maintain borrowing and below the Capital Financing Requirement (CFR), this is referred to as internal borrowing.

12.3. The Council has an increasing CFR over the next 3 years due to the capital programme, but minimal investments which can be used to fund capital plan cashflows. The Council will therefore need to take out additional borrowing over the forecast 3 year period.

13. Borrowing Strategy During the Quarter

13.1. At 30/06/2017 the Council held £268.0m of long term loans, (a decrease of £2.6m on 31/3/2017), as part of its strategy for funding previous years' capital programmes. The Council expects to take out additional long term borrowing in 2017/18, as the Council's underlying need to borrow is growing. Interest rates are carefully monitored and advice is taken from the Council's treasury adviser Arlingclose in relation to this.

13.2. The Council's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

13.3. Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. Based on professional advice received from the Council's Treasury Management advisor Arlingclose, short-term interest rates are likely to remain low for a significant period.

Borrowing Activity

Borrowing	Balance at 1 Apr 2017 £'000	Borrowing Raised £'000	Maturities £'000	Balance at 30 June £'000	Avg Rate %
Short term Borrowing - UK Local Authorities	76,400	98,000	131,400	43,000	0.30
Long Term Borrowing					
- PWLB	145,646	0	2,614	143,032	5.49
- LOBO	125,000	0	0	125,000	4.72
TOTAL BORROWING	347,046	98,000	134,014	311,032	4.46

13.4. **LOBOs:** The Council holds £125m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £50m of these LOBOS had options during the quarter, none of which were exercised by the lender. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

Debt Rescheduling

13.5. The premium charge for early repayment of PWLB debt remains relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity.

14. Investment Activities

14.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2017/18 the Council's investment balances would range between £0 and £50 million.

14.2. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles

14.3. 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.

14.4. The economic environment remains uncertain, and given this background, the Council has kept cash investments to a minimum and short term. Money Market Funds continue to be used extensively as the portfolios are spread across a range of underlying investments to diversify 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 held with the DMO (government agency).

Investment Activity

Investments	Balance at 1 Apr 2017 £'000	Investments Made £'000	Maturities £'000	Balance at 30 June £'000	Avg Rate /Yield %
Short term Investments (call accounts, depos					
- Banks & Building Societies	0	0	0	0	0
UK Government:					
- Deposits at Debt Management Office	10,000	93,600	103,600	0	0.10
- UK Local Authorities	0	0	0	0	0.00
Money Market Funds	8,575	92,910	86,035	15,450	0.20
TOTAL INVESTMENTS	18,575	186,510	189,635	15,450	0.17

Credit Risk

14.5. The table below shows counterparty credit quality as measured by credit ratings and the percentage of the in-house investment portfolio exposed to bail-in risk.

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating	Investments exposed to bail-in risk %
31/03/2017	3.49	AA	3.06	AA	46
30/06/2017	4.54	A+	4.54	A+	100

Scoring:
-Value weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 26
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Budgeted Income and Outturn

14.6. The UK Bank Rate had been maintained at 0.25% since August 2016. Short-term money market rates have remained at relatively low levels. Following the reduction in Bank Rate, rates for very short-dated periods (overnight – 1 month) fell to between 0.1% and 0.2%. Debt Management Account Deposit Facility (DMADF) rates are currently 0.10%.

14.7. Investments in Money Market Funds generated an average rate of 0.20%. The Council's forecast investment income for the year is estimated at £30k.

14.8. The Bank Rate is may be cut further towards zero in the coming months, which would in turn lower the rates short-dated money market investments with banks and building societies. As the Council's surplus cash continues to be invested in short-dated money market instruments, this scenario would most likely result in a fall in investment income over the year.

15. Compliance with Prudential Indicators

15.1. The Council confirms compliance with its Prudential Indicators for 2017/18, which was set in February 2017 as part of the Council's Treasury Management Strategy Statement.

Treasury Management Indicator

15.2. The Council measures and manages its exposures to treasury management risks using the following indicators.

15.3. **Interest Rate Exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net [principal borrowed will be:

	2017/18 Q1	**2017/18 Full Year**	**2018/19**
Upper limit on fixed interest rate exposure	100%	100%	100%
Actual	80%		
Upper limit on variable interest rate exposure	60%	60%	60%
Actual	20%		

15.4. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate, including short term borrowings.

15.5. **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Maturity structure of borrowing (U: upper, L: lower)	L	U	30-Jun-17
under 12 months	0%	60%	20.4%
12 months & within 2 years	0%	40%	0.0%
2 years & within 5 years	0%	40%	9.7%
5 years & within 10 years	0%	40%	6.1%
10 yrs & within 20 yrs	0%	40%	3.9%
20 yrs & within 30 yrs	0%	40%	3.2%
30 yrs & within 40 yrs	0%	50%	29.5%
40 yrs & within 50 yrs	0%	50%	27.2%
50 yrs & above	0%	40%	0.0%

15.6. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

15.7. **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. Given the policy of spending down cash balances and use of internal borrowing the Council does not expect to invest beyond 364 days in the medium term.

16. Outlook for the remainder of 2017/18

16.1. Just over a year after the UK voted to leave the EU there is still a great deal of uncertainty on Brexit negotiations, even after Article 50 was triggered in April. To add to this, the Conservative party lost their overall majority after they called a snap election in June meaning that negotiations may be even harder going forward.

16.2. UK GDP growth is forecast to be around 1.6% for 2017 and 1.4% in 2018. Subdued consumer spending will be the main driver behind this period of weaker growth, along with muted business investment due to Brexit-related uncertainty. Arlingclose, the Council's treasury adviser's central case for the path of Bank Rate over the next three years remains at 0.25%. Arlingclose believes that the high inflation reflects the impact of sterling's weakness on imports, and in the face of weaker growth prospects, will be looked through by Bank of England policymakers. The likely path for Bank Rate is for it to remain flat at 0.25%. However, there is downside risk for rates to be cut to 0.00% in the short-term and medium-term, and scope for rates to be increased from 2019 onwards, albeit modestly to 0.50%.

16.3. In addition, Arlingclose believes that the Government and the Bank of England have both the tools and the willingness to use them to prevent any immediate market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Authority's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

Appendix 1: Prudential Indicators

No.	Prudential Indicator	2017/18 Original Indicator*	2017/18 Forecast Position 30 June
CAPITAL INDICATORS			
1	Capital Expenditure	£'000	£'000
	General Fund	133,941	133,941
	HRA	68,901	68,901
	TOTAL	202,842	202,842
2	Ratio of financing costs to net revenue stream	%	%
	General Fund	2.18	2.18
	HRA	9.87	9.87
3	Capital Financing Requirement	£'000	£'000
	General Fund	373,224	373,224
	HRA	271,096	271,096
	TOTAL	644,320	644,320
4	Incremental impact of capital investment decisions	£	£
	Band D Council Tax	13.75	13.75
	Weekly Housing rents	0.20	0.20
5	Borrowing Limits	£'000	£'000
	Authorised Limit / actual debt	536,063	311,032
	Operational Boundary/actual debt	481,105	311,032

*adjusted for slippage from 2016/17

Haringey LONDON

No.	Prudential Indicator	2017/18 Original Indicator		2017/18 Forecast Position 30 June
6	HRA Debt Cap	£'000		£'000
	Headroom	56,442		56,442
7	Gross debt compared to CFR	£'000		£'000
	Gross debt	347,046		311,032
	CFR	644,320		644,320
8	Upper limit – fixed rate exposure	100%		79.6%
	Upper limit – variable rate	60%		20.4%
9	Maturity structure of borrowing (U: upper, L: lower)	**L**	**U**	**30-Jun-17**
	under 12 months	0%	60%	20.4%
	12 months & within 2 years	0%	40%	0.0%
	2 years & within 5 years	0%	40%	9.7%
	5 years & within 10 years	0%	40%	6.1%
	10 yrs & within 20 yrs	0%	40%	3.9%
	20 yrs & within 30 yrs	0%	40%	3.2%
	30 yrs & within 40 yrs	0%	50%	29.5%
	40 yrs & within 50 yrs	0%	50%	27.2%
	50 yrs & above	0%	40%	0.0%
10	Sums invested for > 364 days	£0		£0
11	Adoption of CIPFA Treasury Management Code of Practice	√		√
12	**LOBO Adjusted** Maturity structure of borrowing (U: upper, L: lower)	L	U	**30-Jun-17**
	under 12 months	0%	60%	44.5%
	12 months & within 2 years	0%	40%	16.1%
	2 years & within 5 years	0%	40%	9.7%
	5 years & within 10 years	0%	40%	6.1%
	10 yrs & within 20 yrs	0%	40%	3.9%
	20 yrs & within 30 yrs	0%	40%	0.0%
	30 yrs & within 40 yrs	0%	50%	16.7%
	40 yrs & within 50 yrs	0%	50%	3.1%
	50 yrs & above	0%	40%	0.0%

Haringey LONDON

Report for: Corporate Committee 21 September 2017

Item number: **9**

Title: Implementation of the Markets in Financial Instruments Directive (MiFID II) – Electing for Professional Client Status

Report authorised by: Clive Heaphy, CFO and S151 Officer

Lead Officer: Thomas Skeen**,** Head of Pensions
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Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. This report outlines the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") and in particular the risk to Haringey of becoming a retail client on 3 January 2018 and recommends that the Committee agree that elections for professional client status should be made on behalf of the authority immediately.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

That the Committee:

3.1. Notes the potential impact on the treasury management investment strategy of becoming a retail client with effect from 3 January 2018.

3.2. Agrees to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective treasury strategy.

3.3. In electing for professional client status the Committee acknowledges and agrees to forgo the protections available to retail clients attached as Appendix 1.

3.4. Agrees to approve delegated responsibility to the Chief Finance Officer (S151 Officer) for the purposes of completing the applications and determining the basis of the application as either full or single service.

Haringey LONDON

4. Reason for Decision

4.1. Haringey will be classified as a ‘retail’ investor from 3 January 2018 unless the Committee agrees to apply for elected professional client status through delegating authority to the CFO. As a ‘retail’ investor, the Council’s current treasury investment strategy would not be possible to implement.

5. Other options considered

5.1. None.

6. Background information

Context

6.1. Under the current UK regime, local authorities are automatically categorised as ‘per se professional’ clients in respect of non-MiFID scope business and are categorised as ‘per se professional’ clients for MiFID scope business if they satisfy the MiFID Large Undertakings test. Local authorities that do not satisfy the Large Undertakings test may opt up to elective professional client status if they fulfil certain ‘opt-up criteria’.

6.2. Following the introduction of the Markets in Financial Instrument Directive 2014/65 (“MiFID II”) from 3 January 2018, firms will no longer be able to categorise a local public authority or a municipality that (in either case) does not manage public debt (“local authority”) as a ‘per se professional client’ or elective eligible counterparty (ECP) for both MiFID and non-MiFID scope business. Instead, all local authorities must be classified as “retail clients” unless they are opted up by firms to an ’elective professional client’ status

6.3. Furthermore, the FCA has exercised its discretion to adopt gold-plated opt-up criteria for the purposes of the quantitative opt-up criteria, which local authority clients must satisfy in order for firms to reclassify them as an elective professional client

Potential impact

6.4. A move to retail client status would mean that all financial services firms like banks, brokers, advisers and fund managers will have to treat local authorities the same way they do non-professional individuals and small businesses. That includes a raft of protections ensuring that investment products are suitable for the customer’s needs, and that all the risks and

Haringey LONDON

features have been fully explained. This provides a higher standard of protection for the client but it also involves more work and potential cost for both the firm and the client, for the purpose of proving to the regulator that all such requirements have been met.

6.5. Such protections would come at the price of local authorities not being able to access the wide range of assets needed to implement an effective, diversified investment strategy. Retail status would significantly restrict the range of financial institutions and instruments available to authorities. Many institutions currently servicing the local authorities are not authorised to deal with retail clients and may not wish to undergo the required changes to resources and permissions in order to do so.

6.6. Even if the institution secures the ability to deal with retail clients, the range of instruments it can make available to the client will be limited to those defined under Financial Conduct Authority (FCA) rules as 'non-complex' which would exclude many of the asset classes currently included in local authority treasury portfolios.

Election for professional client status

6.7. MiFID II allows for retail clients which meet certain conditions to elect to be treated as professional clients (to 'opt up'). There are two tests which must be met by the client when being assessed by the financial institution: the quantitative and the qualitative test.

6.8. The Local Government Pension Scheme Advisory Board (SAB) and the Local Government Association (LGA) along with the Department of Communities and Local Government (DCLG) and the Investment Association (IA) have successfully lobbied the FCA to make the test better fitted to the unique situation of local authorities.

6.9. The new tests recognise the status of LGPS administering authorities as providing a 'pass' for the quantitative test while the qualitative test can now be performed on the authority as a collective rather than an individual. A summary of and extracts from the FCA policy statement which set out these new tests is attached as Appendix 2.

6.10. The election to professional status must be completed with all financial institutions prior to the change of status on 3 January 2018. Failure to do so by local authorities would result in the financial institution having to take 'appropriate action' which could include a termination of the relationship at a significant financial risk to the authority.

6.11. The SAB and the LGA have worked with industry representative bodies including the IA, the British Venture Capital Association (BVCA) and others to develop a standard opt-up process with letter and information templates. This process should enable a consistent approach to assessment and prevent authorities from having to submit a variety of information in different formats.

6.12. A flowchart of the process is attached as Appendix 3 and the letter and information templates are attached as Appendices 4 and 5.

6.13. Applications can be made in respect of either all of the services offered by the institution (even if not already being accessed) or a particular service only. A local authority may wish to do the latter where the institution offers a wide range of complex instruments which the authority does not currently use and there is no intention to use the institution again once the current relationship has come to an end. It is recommended that officers determine the most appropriate basis of the application, either via full or single service.

6.14. Authorities are not required to renew elections on a regular basis but will be required to review the information provided in the opt-up process and notify all institutions of any changes in circumstances which could affect their status, for example, if the membership of the committee changed significantly resulting in a loss of experience, or if the relationship with the authority's investment advisor was terminated.

Next steps

6.15. In order to continue to effectively implement the authority's treasury investment strategy after 3rd January 2018, applications for election to be treated as a professional clients should be submitted to all financial institutions with whom the authority has an existing or potential relationship in relation to the investment of the pension fund.

6.16. This process should commence as soon as possible in order to ensure completion in good time and avoids the need for appropriate action to be taken by institutions in relation to the authority's pension fund investments.

6.17. The CFO should be granted the necessary delegation to make applications on the authority's behalf and to determine the nature of the application on either full or single service basis.

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

8.1. In order to pursue Haringey's current treasury management investment strategy, electing to opt up to professional status is necessary. Haringey uses Money Market Funds extensively due to their liquid nature and high creditworthiness: these would not be possible as a retail investor. A retail investor would only be able to pursue a fraction of the investment methods and techniques that a professional investor has access to. It would be inappropriate for Haringey to be classified as a retail investor, and would severely hamper Haringey's ability to manage its treasury function effectively.

8.2. It is expected that all London Boroughs and other Councils will elect up to professional investor status, the only exception being small district or parish Council's with a fraction of the levels of cash that Haringey invests.

Legal

8.3. This report outlines the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 (MiFID II") and seeks approval to apply for elected professional status. The relevant benefits and drawbacks of opting up to professional status are highlighted within the report.

8.4. In considering the recommendations in this report, members have a fiduciary duty to local rate payers to ensure that the council manages public funds in a responsible way, maximising their value and use for public benefit whilst ensuring that public money is not put at unnecessary risk. Whilst fiduciary duties are hard to define, it will include consideration of matters such as financial prudence both in the short and long term; and acting in good faith with a view to complying with statutory duties and exercising its statutory powers for the benefit of the community. These factors should be taken into account in considering the recommendations in this report.

Equalities

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

9. Use of Appendices

9.1. Appendix 1 - Retail client protections
9.2. Appendix 2 – Summary of FCA policy statement
9.3. Appendix 3 – Opt up process flowchart
9.4. Appendix 4 – Opt up letter template
9.5. Appendix 5 – Opt up information template

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Warnings - loss of protections as a Professional Client

Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes than is otherwise the case for Retail Clients. This document contains, for information purposes only, a summary of the protections that you will lose if you request and agree to be treated as a Professional Client.

1. **Communicating with clients, including financial promotions**

   As a Professional Client the simplicity and frequency in which the firm communicates with you may be different to the way in which they would communicate with a Retail Client. They will ensure however that our communication remains fair, clear and not misleading.

2. **Information about the firm, its services and remuneration**

   The type of information that the firm provides to Retail Clients about itself, its services and its products and how it is remunerated differs to what the firm provides to Professional Clients. In particular,

   (A) The firm is obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients; and

   (B) there are particular restrictions on the remuneration structure for staff providing services to Retail Clients which may not be applicable in respect of staff providing services to Professional Clients;

   (C) the information which the firm provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients, for example, they are required when offering packaged products and services to provide additional information to Retail Clients on the risks and components making up that package; and

   (D) when handling orders on behalf of Retail Clients, the firm has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. **Suitability**

   In the course of providing advice or in the course of providing discretionary management services, when assessing suitability for Professional Clients, the firm is entitled to assume that in relation to the products, transactions and services for which you have been so classified, that you have the necessary level of experience and knowledge to understand the risks involved in the management of your investments. The firm will assess this information separately for Retail Clients and would be required to provide Retail Clients with a suitability report.

4. **Appropriateness**

   For transactions where the firm does not provide you with investment advice or discretionary management services (such as an execution-only trade), it may be required to assess whether the transaction is appropriate. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, the firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. **Dealing**

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in any execution.

6. **Reporting information to clients**

For transactions where the firm does not provide discretionary management services (such as an execution-only transactions), the timeframe for our providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. **Client reporting**

Investment firms that hold a retail client account that includes positions in leveraged financial instruments or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

8. **Financial Ombudsman Service**

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

9. **Investor compensation**

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Hence, depending on how you are constituted you may not have access to the Financial Services Compensation Scheme.

10. **Exclusion of liability**

The FCA rules restrict the firm's ability to exclude or restrict any duty of liability which the firm owes to Retail Clients more strictly than in respect of Professional Clients.

11. **Trading obligation**

In respect of shares admitted to trading on a regulated market or traded on a trading venue, the firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

12. **Transfer of financial collateral arrangements**

As a Professional Client, the firm may conclude title transfer financial collateral arrangements with you for the purpose of securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for Retail Clients.

13. **Client money**

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

It should be noted that at all times you will have the right to request a different client categorisation and that you will be responsible for keeping the firm informed of any change that could affect your categorisation as a Professional Client.

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FCA Markets in Financial Instruments Directive II Implementation – Policy Statement II

The matters relating to the reclassification of local and public authorities as retail are covered in Chapter 8 pages 64 to 74 of the full document https://www.fca.org.uk/publication/policy/ps17-14.pdf

Highlights (see highlighted sections following for context)

1. Firms may take a collective view of the expertise, experience and knowledge of committee members, taking into account any assistance from authority officers and external advisers where it contributes to the expertise, experience and knowledge of those making the decisions

2. Governance and advice arrangements supporting those individuals can inform and contribute to the firm's assessment

3. Adherence to CIPFA Codes or undertaking other relevant training or qualifications may assist in demonstrating knowledge and expertise as part of the qualitative test

4. Rules will add a fourth criterion that the client is subject to the LGPS Regulation for their pension administration business. Local authorities must continue to meet the size requirement, as well as one of the two previous criteria or the new fourth criterion

5. Compliance with the LGPS Regulations, including taking proper advice, will contribute to the assessment of knowledge and expertise of the local authority client when making decisions

6. Retain the 10 transactions on average per quarter test as one of the four available criteria for enabling a local authority body to opt up.

7. Firms may reasonably assess that a professional treasury manager has worked in the financial sector for at least one year, if their role provides knowledge of the provision of services envisaged

8. Changed the portfolio size threshold to £10m

9. Proposed transitional arrangements that would allow investment firms to re-assess the categorisation of local authority clients between the 3 July 2017 implementation deadline and 3 January 2018 are being taken forward

Page 67 Our response on the qualitative test

MiFID II requires the qualitative test to be applied to local authorities seeking to opt-up to professional client status, with the test itself unchanged from MiFID. It is important that an investment firm is confident that a client can demonstrate their expertise, experience and knowledge such that the firm has gained a reasonable assurance that the client is capable of making investment decisions and understanding the nature of risks involved in the context of the transactions or services envisioned.

COBS 3.5.4 requires that the qualitative test should be carried out for the person authorised to carry out transactions on behalf of the legal entity. 'Person' in this context may be a single person or a group of persons. We understand that the persons within a local authority who invest on behalf of pension funds are elected officials acting as part of a pensions committee. In those circumstances, firms may take a collective view of the expertise, experience and knowledge of committee members, taking into account any assistance from authority officers and external advisers where it contributes to the expertise, experience and knowledge of those making the decisions. We also understand that typically the person(s) within local authorities who invest the treasury reserves of those authorities are likely to be officers of the authorities, who are delegated authority from elected members and act under an agreed budget and strategy.

Given different governance arrangements, we cannot be prescriptive, but we would stress the importance of firms exercising judgement and ensuring that they understand the arrangements of the local authority and the clear purpose of this test. It remains a test of the individual, or respectively the individuals who are ultimately making the investment decisions, but governance and advice arrangements supporting those individuals can inform and contribute to the firm's assessment.

We agree that adherence to CIPFA Codes or undertaking other relevant training or qualifications may assist in demonstrating knowledge and expertise as part of the qualitative test.

Page 68 Our response on the quantitative test – approach for Local Government Pension Schemes (LGPS)

We recognise that local authority pension schemes are established within the framework of the LGPS Regulations and are subject to the oversight of the Pensions Regulator, as well as the broader public policy in MiFID II, such as ensuring that local authority pension schemes receive appropriate investment services, and that they understand the costs and risks involved with such service.

Some expressed concerns about interpreting the quantitative criteria in light of the common governance of local authority pension scheme administration, and recognise that the drafting of our proposed rules was not sufficient to achieve our policy intention of allowing all local authorities administering LGPS pension funds to have the ability to successfully opt up. Therefore, our rules will add a fourth criterion that the client is subject to the LGPS Regulation for their pension administration business. Local authorities must continue to meet the size requirement, as well as one of the two previous criteria or the new fourth criterion. This will assist all local authority pension fund administrators who wish to opt-up to meet the quantitative test, but maintain the need for local authorities to qualitatively demonstrate their sophistication to become professional clients. We agree with views that compliance with the LGPS Regulations, including taking proper advice, will contribute to the assessment of knowledge and expertise of the local authority client when making decisions.

Page 69 Our response on the quantitative test – undertaking 10 transactions on average per quarter

We accept that some local authorities will not be able to meet this part of the quantitative test (particularly when investing pension funds). However, it continues to be our view that regular and recent experience of carrying out relevant transactions remains a useful proxy for assessing sophistication. We have received no arguments against this view, and so confirm that we will retain this test as one of the four available criteria for enabling a local authority body to opt up.

While theoretically this criterion could be 'gamed' by firms and clients by churning portfolios, we believe it is an unlikely course of action for local authorities who are accountable to the electorate and have specific statutory duties requiring prudent management of their financial affairs. In future, we could scrutinise any firm who appeared to be recommending this course of action to its client and question whether the firm was acting in the client's best interest and whether the firm believed that an artificially higher number of trades contributed to the expertise, experience and knowledge of their client.

Page 70 Our response on the quantitative test – employment in the financial sector for at least 1 year in a professional position

We accept we could be clearer about who this test is applied to, while ensuring it can be applied flexibly to different governance arrangements. We also recognise that employment in the financial sector is a criterion that can only apply to a natural person.

In response, we have amended the proposed drafting in COBS 3.5.3BR(b)(ii) to note that 'the person authorised to carry out transactions on behalf of the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged'. This should allow local authorities to delegate authority to make investment decisions on their behalf to professional staff with at least one year's experience. We recognise that this redrafted criterion may not be useful for assessing the collective decision making involved in investing local authority pension funds. However, we think this will be less problematic given our new fourth criterion aimed at LGPS administering authorities.

We do not interpret the term 'financial sector' in a limited way for the purposes of COBS 3.5.3BR(2)(b)(ii), and firms may reasonably assess that a professional treasury manager has worked in the financial sector for at least one year, if their role provides knowledge of the provision of services envisaged. This meets the purpose of the test, to ensure the person acting on behalf of a client has the expertise, experience and knowledge necessary in relation to the investment or service being sold and the risks involved.

Page 71 Our response on the quantitative test – portfolio size threshold

We have changed the portfolio size threshold to £10m. This follows further data and case studies provided by local authorities, Department for Communities and Local Government (DCLG) new data, and wider CP responses.

We believe £10m is closer to our policy goal of restricting the ability of the smallest, and by implication the least sophisticated, local authorities (town and parish councils, and the smallest county and district councils) to opt-up, but giving larger ones the ability to do so more readily, (provided they meet the other criteria).

Based on the number of local authorities we estimated were investing in MiFID scope instruments and understanding the quoted portfolio size in the DCLG dataset for 2014/15, in CP16/29 we estimated that 63 additional local authorities would not be able to opt-up to professional client status for the purposes of engaging in MiFID business as a result of our consulted upon policy.

At a £15m portfolio size threshold, this increased to 78 additional local authorities which would not be able to opt-up to professional client status for the purposes of engaging in MiFID business when we used the new 2015/16 DCLG dataset.

Applying the £10m threshold to data over the following years:

2014/15 – 27 local authorities would not be able to opt-up to professional client status; and the estimated one-off costs for investment firms would decrease from £1.7m to £0.8m and on-going costs from £0.8m to £0.3m.
2015/16 – 42 local authorities would not be able to opt-up, and the one-off costs for investment firms would decrease from £2.0m to £1.1m, and on-going costs would reduce from £0.9m to £0.5m.47

While a local authority's ability to borrow extra funds to 'game' this requirement may be possible, it is questionable whether local authorities would be able to justify this approach while at the same time making budgets and investment strategies available for public scrutiny.

Page 74 Our response on transitional arrangements

MiFID II gives us very limited discretion with regard to transitional arrangements for applying these rules in respect of local authorities and provides no ability to extend the deadline for compliance with this requirement beyond 3 January 2018. We consulted in CP16/43 on proposed transitional arrangements that would allow investment firms to re-assess the categorisation of local authority clients between the 3 July 2017 implementation deadline and 3 January 2018. These proposals are being taken forward (see Chapter 24). However, firms will not be expected to re-consider categorisation of existing clients other than local authorities, where MiFID II rules are the same as existing MiFID rules transposed at COBS 3.

Otherwise, we have made further consequential drafting changes to transitional provisions at COBS TP 1 that were added when MiFID was implemented in 2007, but that are no longer carried across into MiFID II.

More generally, COBS 3.5.8G notes that professional clients have the responsibility to keep investment firms informed about any changes that affect their current categorisation. Further, at COBS 3.5.9R, if the firm becomes aware that the client no longer fulfils the initial conditions that made the client eligible to be an elective professional client, it must take "appropriate action". Neither MiFID II, nor our rules specify what 'appropriate action' is, which will depend on the facts of the case and what would be in the client's best interest. Firms must exercise judgement and consider what would be in the best interests of the client. For example, if a client no longer meets the quantitative test to opt up to professional client status, a firm may decide it is appropriate to cease providing investment services but to do so in a way that minimises losses to the client.

UK Local Authority Client Opt-Up Process

STAGES	TIMELINE	GUIDANCE
Preparatory Stage Finalise standard opt-up process	End July 2017	(i) Finalise industry standard quantitative and qualitative questionnaire; (ii) Finalise request and consent letter from Local Authority to be opted-up; and (iii) Finalise response letter from investment firms agreeing to the opt-up.
Stage 1 Local authorities to complete letter and questionnaire and send to investment firms	August – September 2017	Local authorities to complete and send investment firms: (i) request and consent letter to be opted-up to professional client status; and (ii) completed quantitative and qualitative questionnaire (to allow investment firms to satisfy themselves that the local authority passes the qualitative test).
Stage 2 Investment Firms to validate the information and run the client status assessment	September – October 2017	Investment firms to validate information received from local authorities to determine information is (i) sufficient; and (ii) appropriate. Assess the information received by the local authority and confirm that it: (i) has provided the request and consent letter to be treated as a professional client; and (ii) passes (i) the quantitative test and (ii) the qualitative test Log and store the local authority information and the results of the internal assessment.
Stage 3 Dispatch the confirmation letter to LA clients confirming professional client status	October 2017	If a local authority has provided the request and consent letter and has satisfied the requirements for both: (i) the quantitative test; and (ii) the qualitative test, send a letter confirming the classification of the client as a professional client.
Stage 4 Client re-categorisation	3 January 2018	Once the steps above are complete, as of 3 January 2018, the firm may continue to treat the local authority as a professional client.

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Letter requesting categorisation as an elective professional client

[ON [AUTHORITY] HEADED PAPER]

[Manager name]

[Manager address]

[Date]

Dear [●]

Request to be treated as a professional investor

I am writing to you ahead of the implementation in the UK of the Markets in Financial Instruments Directive (2014/65/EU) (MiFID II). I have been authorised by NAME OF AUTHORITY (the “Local Authority”) to inform you that, in its capacity as an administering authority of a local government pension scheme, it wishes to be treated as a professional client for the purpose of:

(a) any and all investment service(s) which it receives from you (the “Services”); and/or

(b) the promotion to us of, and investment in, any and all fund(s) managed or advised by you (the “Fund Promotions/Investments”).

We understand you are required to categorise all of your clients as either professional clients or retail clients and that you currently categorise the Local Authority as a Professional Client (“Professional Client”). However as of 3 January 2018, under new rules deriving from MiFID II, you will be obliged to re-categorise the Local Authority as a Retail Client (“Retail Client”) as regards receiving Services from you and/or as regards existing fund investments and any future Fund Promotions/Investments, unless you are satisfied you can otherwise treat the Local Authority as an elective Professional Client and opt-up the Local Authority to this particular client status.

I confirm and acknowledge that the Local Authority is aware that, being categorised as a Professional Client, it will not benefit from the protections and investor compensation rights set out in more detail in Schedule 1. In doing so, I confirm that the Local Authority has reviewed and considered the loss of these protections and rights very carefully and has, if it felt so appropriate, taken advice from legal, financial or other advisors.

I wish to inform you that the Local Authority wishes to be categorised as a Professional Client for the purposes of the Services and/or Fund Promotions/Investments, as applicable in its capacity as an administrating authority of the Local Government Pension Scheme.

Prior to re-categorising the Local Authority, as a Professional Client, I understand that you will be required to assess the Local Authority on certain quantitative and qualitative grounds. In order to facilitate this assessment, please find attached a completed questionnaire for your review and consideration.

Subject to you being reasonably assured that, as of 3 January 2018, the Local Authority satisfies the necessary quantitative and qualitative grounds and may be categorised as an elective Professional Client, the Local Authority confirms the following:

(a) its request to be categorised as a Professional Client, in its capacity as an administrating authority of the Local Government Pension Scheme, in relation to the Services and/or Fund Promotions/Investments.

(b) all information provided to you by us (for the purposes of facilitating your assessment of the Local Authority’s request to be categorised as a Professional Client) is true, accurate and complete.

(c) the Local Authority understands the contents of Schedule 1 which contains summaries of the protections and investor compensation rights, if any, that the Local Authority will lose once it is categorised as a Professional Client. Please note that I can confirm that the Local Authority is fully aware of the consequences of losing such protections and still wishes to apply to be categorised as Professional Client in respect of the Services and/or Fund Promotions/Investments.

(d) the Local Authority has had sufficient time to consider the implications of categorisation as a Professional Client and has separately taken any legal, financial or other advice that it deems appropriate.

(e) the Local Authority will inform you of any change that could affect its categorisation as a Professional Client. I also confirm that the Local Authority understands its responsibility to ask you for a higher level of protection if it is unable to properly assess or manage the risks involved with the investments comprised within the portfolio management mandates which you have been appointed to manage.

(f) I acknowledge the Local Authority understands that you shall be permitted, in your sole discretion and without providing any reason, to re-categorise the client as a Retail client or cease to provide the Services or otherwise carry out any fund promotion to us or allow future investment in funds by us.

If you have any questions regarding this application please contact **[name]** on **[number]** or alternatively e-mail us at **[email address]**.

Yours sincerely,

……………………………………………

[insert name and position] [Authority]

Schedule 1

Warnings - loss of protections for the Local Authority if categorised as a Professional Client

Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes than is otherwise the case for Retail Clients. This Schedule contains, for information purposes only, a summary of the protections lost when requesting and agreeing to be treated as a Professional Client.

Part 1 – Loss of protections as a Professional Client when receiving Services

1. **Communicating with clients, including financial promotions**

   As a Professional Client the simplicity and frequency in which firms communicate with you may be different to the way in which we would communicate with a Retail Client. Firms will ensure however that their communication remains fair, clear and not misleading.

2. **Information about the firm, its services and remuneration**

   The type of information that a firm provides to Retail Clients about itself, its services and products and how it is remunerated differs to what it provides to Professional Clients. In particular,

   (A) It is obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients;

   (B) the information which it provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients, for example, it is required when offering packaged products and services to provide additional information to Retail Clients on the risks and components making up that package; and

   (C) when handling orders on behalf of Retail Clients, it has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. **Suitability**

   In the course of providing advice or in the course of providing portfolio management services, when assessing suitability for Professional Clients, a firm is entitled to assume that, in relation to the products, transactions and services for which Professional Clients have been so classified, that they have the necessary level of experience and knowledge to understand the risks involved in the management of their investments. Firms cannot make such an assumption in the case of Retail Clients and must assess this information separately. Firms would be required to provide Retail Clients with a suitability report, where they provide investment advice.

4. **Appropriateness**

   For transactions where a firm does not provide investment advice or portfolio management services (such as an execution-only trade), a firm may be required to assess whether the transaction is appropriate for the client in question. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, a firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. **Dealing**

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in determining best execution.

6. **Reporting information to clients**

For transactions where a firm does not provide portfolio management services (such as an execution-only transactions), the timeframe for providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. **Client reporting**

Firms that manage a retail portfolio that includes positions in leveraged financial instruments or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

8. **Financial Ombudsman Service**

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

9. **Investor compensation**

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Your rights (if any) to make a claim under the Financial Services Compensation Scheme in the UK will not be affected by being categorised as a Professional Client.

10. **Exclusion of liability**

A firms' ability to exclude or restrict any duty of liability owed to clients is narrower under the FCA rules in the case of Retail Clients than in respect of Professional Clients.

11. **Trading obligation**

In respect of shares admitted to trading on a regulated market or traded on a trading venue, a firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

12. **Transfer of financial collateral arrangements**

As a Professional Client, a firm may conclude title transfer financial collateral arrangements for the purpose of securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for Retail Clients.

13. **Client money**

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

Part 2 – Loss of protections for the Local Authority as a potential investor if categorised as a Professional Client for the purposes of Fund Promotions

1. **Fund promotion**

   It is generally not permitted for firms to market alternative investment funds (AIFs) to investors who are Retail Clients (although there are certain limited exceptions to this rule). As a Professional Client, firms will (subject to complying with applicable marketing rules) be generally permitted to market shares or units in AIFs to you, without being subject to this restriction.

2. **Non-mainstream pooled investments**

   For the purposes of the UK regulatory regime, AIFs typically fall within the definition of an "unregulated collective investment scheme". The UK regulator considers unregulated collective investment schemes to be a high-risk investment, which are not generally suitable investments for Retail Clients. As such, firms are not permitted to promote investments in unregulated collective investment schemes to Retail Clients (although there are certain limited exceptions to this rule). As a Professional Client, firms will be generally permitted to promote an investment in unregulated collective investment schemes to you, without being subject to this restriction (and without making any assessment of whether the investment would be suitable or appropriate for you).

3. **Communicating with clients, including financial promotions**

   Detailed rules govern generally the form and content of financial promotions which are issued to investors who are Retail Clients. However, these detailed form and content rules apply less rigorously where a promotion is issued only to investors who are Professional Clients. As a Professional Client, firms will be generally permitted to issue promotions to you which do not satisfy the detailed form and content rules for Retail Clients. Firms must ensure however that communications remains fair, clear and not misleading.

4. **Financial Ombudsman**

   The services of the Financial Ombudsman Service may not be available to you as a Professional Client

5. **Investor compensation**

   Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Your rights (if any) to make a claim under the Financial Services Compensation Scheme in the UK will not be affected by being categorised as a Professional Client.

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Elective Professional Client - Status Assessment

NAME OF LOCAL AUTHORITY:____

CAPACITY: As administering authority of the local government pension scheme

NAME OF OFFICIAL COMPLETING QUESTIONNAIRE:______________________________

DATE:____________________

QUANTITATIVE TEST

Answer questions (a) - (d) below. Please ensure that the detail forming the basis of the determination is recorded.

Please answer question (a) with a "Yes" / "No" answer	
(a) Does the size of the local authority's financial instruments portfolio (including both cash deposits and financial instruments) for the purposes of its administration of a local government pension scheme **exceed GBP 10,000,000**? Portfolio size_______ as at date: ………………………………………………….	☐ Yes ☐ No
(b) Is the local authority an 'administering authority' of the Local Government Pension Scheme within the meaning of the version of Schedule 3 of The Local Government Pension Scheme Regulations 2013 or, (in relation to Scotland) within the meaning of the version of Schedule 3 of The Local Government Pension Scheme (Scotland) Regulations 2014 in force at 1 January 2018, and is acting in that capacity?	☐ Yes ☐ No
If the answer is "Yes" to question (b) above, it is not necessary to carry out the assessment in question (c) or question (d) and the answer "N/A" can be given in both cases	
(c) Has the local authority carried out transactions (in significant size) on the relevant market, at an average frequency of at least **10 per quarter** for the **previous four quarters** (i.e. at least 40 investments on the relevant market in the last year)? Transaction total: …………………………………………………………………....	☐ Yes ☐ No ☐ N/A
(d) Does the person authorised to carry out transactions on behalf of the local authority work or has that person worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged? Details of role: …………………………………………………………………	☐ Yes ☐ No ☐ N/A

QUALITATIVE TEST

The “qualitative test” requires a firm to undertake an assessment of the **expertise, experience and knowledge** of the local authority, in order for the firm to be reasonably assured, in light of the nature of the transactions or services envisaged, that the local authority is capable of **making its own investment decisions** and **understanding the risks involved**[1].

In order for a firm to undertake the assessment required for the purposes of the qualitative test, certain information must be received from local authorities. Local authorities should provide answers to the questions set out below in as comprehensive a fashion as possible. The responses received from the local authority client should be considered and assessed internally by the firm.

TO BE COMPLETED BY THE LOCAL AUTHORITY CLIENT

Section 1: Decision making body for pension investing within your authority

Please complete the following section in relation to the decision making body within the authority.

1.	Please indicate which one of the models below is used for investment decisions in the administering authority.

a	All decisions delegated to committee or sub-committee. (*Please tick whether you have enclosed or provided a link to the minute giving the officer completing this document the necessary authorisation to do so*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
b	Decisions delegated to committee or sub- committee with partial delegation to an officer or officers. (*Please tick whether you have enclosed or provided a link to the minute giving the officer completing this application the necessary authorisation to do so*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
c	All decisions delegated to an officer or officers.	YES NO	☐ ☐
d	Other	YES NO	☐ ☐

2.	Please enclose or provide a link to the relevant scheme of delegations, which confirm details of the model elected above.	Enclosed Link	☐ ☐

3.	If you have selected model “d - other” above, please use the box below to describe the composition of the decision making model giving details of the parties and their functions. Details should include information on how the decision making body is constructed, constituted and periodically reviewed.

[1] COBS 3.5.3R (1)

Section 2: Expertise, experience and knowledge

Please answer the following questions in relation to the members of the committee or sub-committee (*not officers, investment advisors or consultants*) which makes investment decisions of behalf of the authority.

If you answered (c) to Section 1 Question 1, please move to Section 3.

1	Are members provided with a written brief on joining the committee? (*Please tick whether you have enclosed or provided a link to a copy of an example of the briefing*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
2	Are members provided with training on investment matters? (*Please tick whether you have enclosed or provided a link to examples of the training offered to members in the last 12 months*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
	Please indicate the total number of hours of training offered and delivered to the committee over the last 12 months.	hours offered hours delivered	
3	Is the attendance of members at training monitored and recorded?	YES NO	☐ ☐
4	Please state the average number of hours of training committee members have attended over the last 12 months.	hours	
5	Please state the average number of hours at investment conferences that committee members have attended over the last 12 months.	hours	
6	Are members required to complete a self-assessment with regard to their knowledge of investments? (*Please tick whether you have enclosed or provided a link to details of the self-assessment tool used*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
7	Please state the number of years served on the committee (or other such investment committees) on average for each member	years	
8	Please provide any other information which may assist with the assessment of the knowledge, experience and expertise of the committee or sub-committee - (such as the average number of years of independent investment experience by members).		

Section 3: Investment history and strategy

1	Please complete the following questions in relation to the authority's history and current strategy with regard to investments which are acquired through an investment manager's investment mandate or invested in directly (e.g. funds).

Asset class or investment vehicle	Number of years held	Currently Held
Fixed interest securities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Index-linked securities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Listed equities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Pooled investment vehicles (PIVs) – authorised funds (e.g. UCITS, NURS, PAIFs)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Pooled investment vehicles (PIVs) – unauthorised (e.g. investment trusts, close-ended real estate funds, hedge funds)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Property PIVs	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Private equity funds	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Property	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Exchange traded derivatives (ETDs)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Over-the-counter derivatives (OTCs)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Commodities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Cash deposits	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Commercial paper	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Floating rate notes	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Money market funds	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Other asset classes or investment vehicles where the authority has experience (Please give details below)		
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐

2	Please tick whether you have enclosed or provided a link to the most recent version of the authority's Investment Strategy Statement.	Enclosed Link	☐ ☐
3	Has the authority taken the appropriate advice, as required by regulation, in preparing its Investment Strategy Statement?	YES NO	☐ ☐

Section 4: Understanding risks

Please answer the following questions in relation to the members of the committee or sub-committee or officers (*not investment advisors or consultants*) making investment decisions of behalf of the authority.

1	Does the authority have a risk framework and/or risk management policy in place in relation to investments? (*Please tick whether you have enclosed or provided a link to a details of the framework/policy*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
2	Was external advice taken with regard to the preparation, monitoring and review of the framework/policy?	YES NO	☐ ☐
	If yes, please provide the name of the advisor:		
3	Is the risk framework/policy reviewed on a regular basis?	YES NO	☐ ☐
	If YES please state the frequency of the review.		
	(*Please tick whether you have enclosed or provided a link to details of the last review*)	Enclosed Link	☐ ☐
4	Are those directly involved in decision making provided with training on risk management, including focused training on understanding the risks involved with investments? (*Please tick whether you have enclosed or provided a link to examples of the training offered in the last 12 months*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
5	Are those directly involved in decision making required to complete a self-assessment with regard to their understanding of risk management? (*Please tick whether you have enclosed or provided a link to details of the self-assessment tool used*)	YES NO Enclosed Link	☐ ☐ ☐ ☐

Section 5: Support for investment decisions taken by committee/sub-committee of the authority

Please answer the following questions in relation to those officers, advisors or consultants who directly contribute to assisting the committee/sub-committee of the authority take investment decisions or those officers who have delegated decision making powers.

In Section 1 Question 1, if you answered:

- Model a - please complete Question 1 below
- Model b - please complete Questions 1 and 2 below
- Model c - please complete Question 2 below
- Model d - please complete the below questions as appropriate

1.	For each officer providing support to the committee or sub-committee please provide the following information.

Job title	Relevant qualifications	Years experience in role[2]

2.	For each officer with delegated investment powers please provide the following information (these may be the same officers as above).

Job title	Limit on asset classes or investment vehicles	Limit on delegation (£m)

3	Does the authority have a written succession plan in place to manage key person risk in relation to the above officers?	YES NO	☐ ☐
	(*Please tick whether you have enclosed or provided a link to details of the succession plan*)	Enclosed Link	☐ ☐

4.	For each individual investment advisor used by the authority please provide the following information *only to be completed where these individual investment advisors are engaged on an independent basis and not acting on behalf of an entity listed in point 5 below)*.

Name	Relevant qualifications	Years experience in role[3]

[2] Or similar role which would provide knowledge of the provision of the services envisaged, which may have been carried out at a different organisation.

[3] Or similar role which would provide knowledge of the provision of the services envisaged.

5.	For each <u>investment advisory firm</u> used by the authority please provide the following information.

Name of firm	Details of FCA authorisation	Years employed by authority

6.	For each <u>individual investment consultant</u> used by the authority please provide the following information (*only to be completed where these consultants are engaged on an independent basis and not acting on behalf of an entity listed in point 7 below)*.

Name	Relevant qualifications	Years experience in role[4]

7.	For each <u>investment consultancy firm</u> used by the authority please provide the following information.

Name of firm	Details of FCA authorisation	Years employed by authority

8.	Please confirm whether the officer, investment advisor firm/individual, investment consultancy firm/individual, is aware of the reliance being placed on it for the purposes of the client categorisation of Local Authorities.	YES ☐ NO ☐

[4] Or similar role which would provide knowledge of the provision of the services envisaged.

Section 6 General questions

1.	In the last three years has the authority been censured for a material breach of Local Government investment regulations in force from time to time or any other related legislation governing investment? (*If yes please tick whether you have enclosed or provided a link to a details of the breach*)	YES NO Enclosed Link	☐ ☐ ☐ ☐

2.	Please use the box below to provide any further information which may be useful in the support of your application.

Report for: Corporate Committee 21st September 2017

Item number: 10

Title: Statement of Accounts 2016/17 and Audit Findings Report

Report authorised by : Clive Heaphy, Chief Finance Officer

Lead Officer: Robert Woollatt, Interim Chief Accountant
Rob.woollatt@haringey.gov.uk 020 8489 2766

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1 To present the Statement of Accounts for 2016/17 following the completion of the external audit.

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

2. Cabinet Member Introduction

2.1 Not applicable

3. Recommendations

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

3.2 That the Committee approves the Statement of Accounts 2016/17, subject to any final changes required by the conclusion of the audit, being delegated to the Chief Financial Officer in consultation with the Chair.

3.3 That the Committee gives the Chair of the Committee and Chief Finance Officer (S151 Officer) authority to sign the letter of representation to the Auditor as set out in paragraph 6.12 of this report

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

Haringey LONDON

4. Reasons for decision

4.1 Approval of the Council's accounts is a non-executive function fulfilled by the Corporate Committee; the audited Statement of Accounts must be approved by the statutory deadline of 30th September. From 2017/18 the statutory deadline will be brought forward to 30^{th} July each year.

5. Alternative options considered

5.1 None

6. Background information

6.1 The preparation and audit of the annual statement of accounts is a statutory requirement of the Accounts and Audit (England) Regulations 2015. The Accounts must be prepared and certified by 30th June by the Chief Financial Officer that it represents a true and fair view of the financial position of the Council. This was done on 21^{st} June 2017.

6.2 By no later than 30th September each year the accounts must be audited, considered by the appropriate committee responsible for audit and published. This date will be brought forward to 31st July from 2017/18.

6.3 The Council's Statement of Accounts for 2016/17 is attached as Appendix 1

6.4 The Auditors "Audit Completion Report" for 2016/17 is attached as Appendix 2.

6.5 The content of the Statement of Accounts is largely determined by statutory requirements and mandatory professional standards as set out within the "Code of Practice on Financial Reporting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Reporting Standards (IFRS).

6.6 The Council's Provisional Outturn 2016/17 was reported to Cabinet in June 2017 and detailed an overall overspend on the General Fund revenue budget of £16.1m million and an HRA underspend against budget of £10.7m. Following production of the annual accounts it was identified that HRA spending of £0.99m was incorrectly attributed to the General Fund. Correction of this error meant General Fund Reserves increased from £14.907m to £15.897m and there was a corresponding reduction in HRA reserves to £36.509m.

Statement of Accounts 2016/17

6.7 The following paragraphs give a brief overview of the statements by way of explanation and to facilitate navigation of the document. The Accounts show the financial position of the Council (the single entity accounts) and also the "Group" which 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:

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

b) The Core Statements comprising:

The Comprehensive Income and Expenditure (I&E) Statement shows the costs incurred and income received in respect of the services provided by the Council within the financial year. The I&E contains a number of 'accounting' entries that are required to be made by the Code of Practice governing the presentation of the accounts: and as a result it is different from the standard management accounts reported to Members through the year.

From 2016/17 a new financial performance statement was introduced, the **Expenditure and Funding Analysis (EFA),** to show:

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

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

The Movement in Reserves Statement shows the money that the Council had in its reserves at the beginning of the financial year, and details the money coming in and out of those reserves resulting in the closing balance on 31 March 2017. It shows the movement in both useable and un-useable reserves including Earmarked Reserves.

The Balance Sheet lists the financial value of the assets and liabilities of the Council as at the end of March 2017.

The Cashflow Statement shows movement during the year based on cash transactions (rather than an accruals basis in the CIES). As such it explains how the Council's cash position has changed over the course of the year.

c) Notes to the Accounts

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

d) Subsidiary Statements

The **Housing Revenue Account (HRA)** is a separate ring-fenced account showing the expenditure and income relating to the management and maintenance of the Council's social housing stock.

The **Collection Fund** is a separate account detailing Council Tax collections (including those collected on behalf of the Greater London Authority) and National Non-Domestic Rates (NNDR) which, following implementation of the Business Rates Retention Scheme, are shared between the Council, the Government and the GLA.

e) The Pension Fund Accounts

The Pension Fund Accounts are separate from the rest of the Council's accounts and show the income (pension contributions and investment returns) and expenditure (pension payments and fund management costs) for the year together with the assets and liabilities of the Pension Fund as at 31st March 2017. The Fund is audited at the same time as the Council's main accounts but is subject to a separate audit opinion. The Pension Fund accounts have been reported to the Pension Committee Meeting held on 14th September.

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

External Auditor's "Audit Completion Report"

6.8 The purpose of the BDO LLP Report is to detail their findings and matters arising during the course of auditing the financial statements. The report is attached as Appendix 2, and includes key audit issues, value for money conclusions and an agreed management action plan. The Auditors will also make an oral presentation of their findings to the Committee

6.9 Whilst the auditors have identified a number of amendments to the accounts, there are no areas of dispute between the Council and the auditors. The audit has been extremely thorough and has highlighted areas where improvements to controls could be made which would further minimise the chance of mis-statement within the accounts. The Council has considered the points raised and prepared and agreed an action plan to bring about those improvements; this is annexed to the Auditors report.

6.10 Progress in delivery of the action plan will be closely monitored and progress reported to Corporate Committee.

Next Steps

6.11 BDO LLP are required to give their opinion on the accounts by 30th September 2017 so any outstanding work on the audit needs to be completed before then.

6.12 The Chief Financial Officer and the Chair of the Corporate Committee are required to sign a letter of representation to acknowledge the responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. This letter is included as Appendix 3.

6.13 The result of this audit will be incorporated in the Annual Audit and Inspection Letter which will be presented to Corporate Committee in November 2017. 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.

7. Contribution to strategic outcomes

7.1 Good financial management supports delivery of strategic outcomes

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

Finance and Procurement

Included within the Report

Legal

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

Equality

There are no equality issues arising from this Report

9. Use of Appendices

Appendix 1 – Statement of Accounts 2016/17

Appendix 2 – BDO LLP ‘Audit Completion Report’

Appendix 3 – Letter of Representation

10. Local Government (Access to Information) Act 1985

a. Cabinet Outturn Report July 2017

b. Closure of Accounts 2016/17 working Papers

All the above papers are available for inspection through Rob Woollatt, Interim Chief Accountant ext. 2766

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London Borough of Haringey

Draft Statement of Accounts 2016/17 – with Audit changes 12/09/2016

www.haringey.gov.uk

CONTENTS

Contents	Page

CONTENTS

CONTENTS

Statement from Tracie Evans, Interim Deputy Chief Executive and Chief Financial Officer

INTRODUCTION TO HARINGEY

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

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

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

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

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

However, as a Council we are resilient. We embrace change and transformation, are keen to engage in best practice and actively seek out opportunities to make Haringey a better place to live for our residents. There are a number of examples where, as a leader within Haringey, we are working innovatively with partners to improve service delivery and to create better pathways of support for our residents and businesses.

POLICY AND ACHIEVEMENTS IN 2016/17

Haringey Council's priorities for the borough and approach to achieving these are outlined in our Corporate Plan 2015-18 "Building a Stronger Haringey Together".

We want a borough where every child, young person and adult can thrive and achieve their full potential. Over the past year we have seen a 10% increase in the number of students gaining 5 or more GCSEs at A*-C, including English and Maths to 64.6%, compared to last year. Haringey schools are scoring 14% above the provisional national average in English and 9% above it in Maths. In Adults Services, we have restructured our services to try to prevent problems developing, rather than focusing solely on expensive and less effective late stage solutions to residents in crisis. This year we have opened Lorenco House and Protheroe House in Tottenham at a combined cost of £12m – developments that are helping 100 older residents with care needs to lead independent lives.

Our vision is for Haringey to be a place that is clean, well maintained, safe, and where residents are proud to live and work. In the last year we have reopened Marcus Garvey Library following a £3m refurbishment with an improved book collection and better IT and user facilities. We are also proud that Woodside Park and Tottenham Green have this year been awarded Green Flag status, bringing the number of parks awarded Green Flag status in the borough to 25, and that we have cut carbon emissions in the borough by 27% over the past ten years.

Growth is the only option for a council like Haringey that's determined to control its own destiny – it's the route to better housing, more jobs, and increased opportunities for our residents. To this end we have worked hard to attract outside investment into the borough and build partnerships across and outside the borough.

Over the past year we have assisted Ada National College for Digital Skills establish themselves in Tottenham; refurbished Holcombe Road Market; selected a preferred development partner for a joint venture to regenerate the borough in a programme that will deliver town centre regeneration in Wood Green and build more homes across the borough; and shortlisted three bidders for the £1bn High Road West development in Tottenham, delivering a further 1,400 new homes, a new library and learning centre, a new public square and community park and new retail, restaurants and business space.

We are changing how we engage with residents so that we hear what you say and are able to respond to what you tell us in an effective way. This year we started sharing our ICT Digital Services with Camden and Islington Councils, reducing back office costs, and we have expanded online functions so that residents can access services more conveniently. Residents taking up My Account, allowing you to manage your council contacts, such as paying council tax, reporting fly tipping and using the library, has increased significantly.

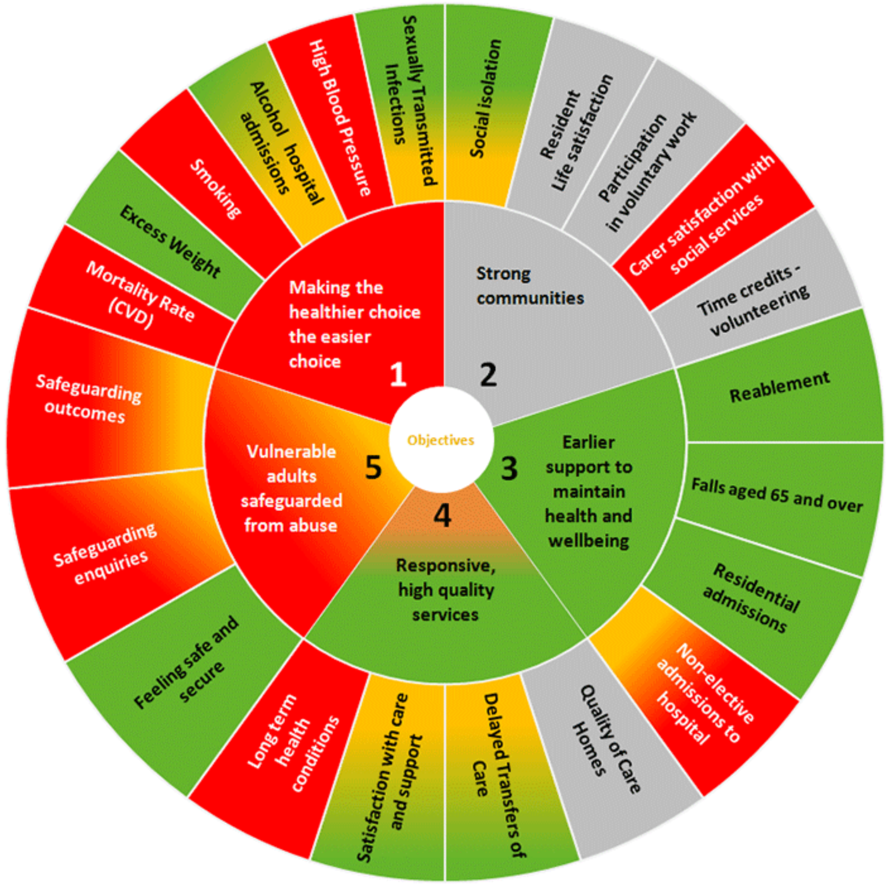
PERFORMANCE MONITORING

We are open about which ambitions we have achieved and which we are still working towards. We have set ourselves key targets that are particularly important and will help define the success of the plan during the period to 2018. The following section presents graphically performance against these indicators, green where performance is on or exceeding target, amber/red highlighting where more needs to be done.

Further detail can be found on the Councils website www.haringey.gov.uk

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

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



Page 77

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

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

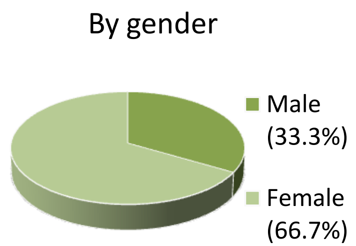
Page 78

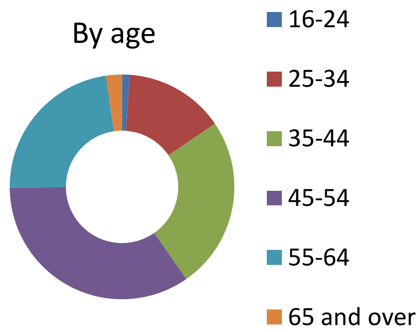
Priority 5 - Creating homes and communities where people choose to live and are able to thrive – building more affordable homes and improving the housing environment

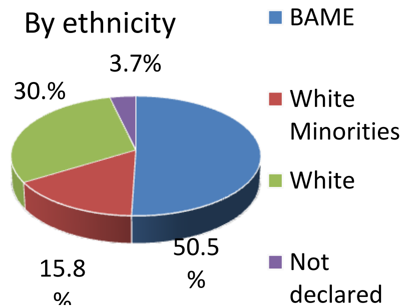
HARINGEY WORKFORCE

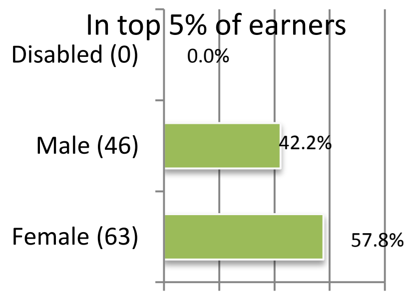
The Council employs 2,286 people (excluding schools based staff) on full and part time contracts, equating to a full-time equivalent of 2,073. This represents an 11% reduction in the workforce since March 2016.

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









FINANCIAL PERFORMANCE

Overview

Haringey Council is responsible for managing cash flows and assets of over £4bn. Key figures for 2016/17 include:

- Gross revenue expenditure (spending on day-to-day services) of around £1bn;
- Income from fees, charges and grants of £778m;
- Collection of around £193m in council tax and business rates;
- Maintenance of fixed assets with a value of more than £2bn, including capital investment of £118m in housing, schools, highways and regeneration projects;
- Management of the £1bn Haringey Pension Fund.

Treasury management of these cash flows has been undertaken with the aim to minimise financing costs and maximise returns from surplus cash balances, within a low risk treasury management strategy. The Strategy was reviewed and approved during the financial year. External borrowing at 31 March 2017 was £354m.

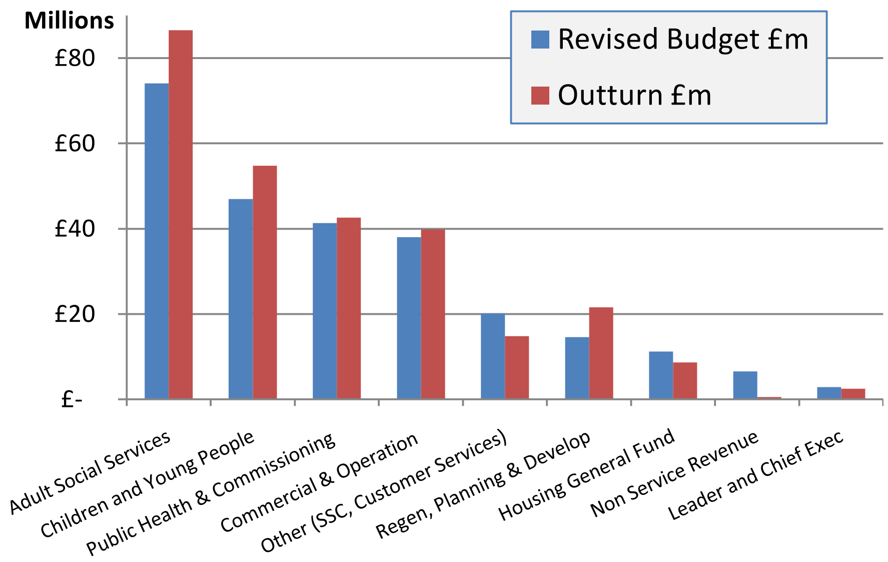
In common with the rest of local government, the Council continues to operate within an environment of ongoing reductions in core funding and increasing demand for its services.

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

Revenue spending in 2016/17

The Council's final general fund revenue outturn for 2016/17 showed spending was £16.1 million more than budgeted. As reported throughout the year, the main areas of budget pressure were in demand led services, specifically Adults (£12m), Children's (£8m) and Temporary Accommodation (£7m). The Council was able to manage the overspending through savings in other service areas and using reserves.

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



General fund balances (including schools) were £72.3m at 31 March 2017 (£86.7m as at 31 March 2016).

Housing Revenue Account

- The Council owns approximately 15,400 homes which are managed by Homes for Haringey (wholly owned by Haringey Council)
- £111m was collected in rents and service charges in 2016/17 (£111m in 2015/16)
- Revenue spending on repairs, maintenance and management was £61m (£63m in 2015/16)
- Capital investment in the housing stock was £58m (£63m in 2015/16)
- HRA reserves were £36.5m as at 31 March 2017 (£45.3m at 31 March 2016)

Capital Investment

In December 2015, the Cabinet approved the Council's Capital Investment Strategy. The strategy was developed to ensure that the Council takes a longer-term view of assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS). 2016/17 was the second year into the rolling 10-year capital plan

The ambitious strategy for growth and regeneration will invest almost £2bn over the period to deliver a range of improved outcomes for residents.

£115m was invested in schools, housing and regeneration during the year. Capital planning is, by its nature complex and often dependent on negotiation and external approvals. This means that the precise timing of spend is often uncertain. Planned spending of £79m was re-profiled to future periods

Balance Sheet Position 31 March 2017

Assets
£2,325m
(2,155m)

Net Assets
£1,204m
(£1,136m)

Liabilities
£1,121m
(£1,019m)

Usable Reserves	*£ 167m*	*(£185m)*
Unusable Reserves	*£1,037m*	*(£951m)*
Total	*£1,204m*	*(£1,136m)*

Figures in brackets relate to position at 31 March 2016

Pension Liabilities

- The pension liability (£588m) represents the difference between the estimated cost of pensions payable in the future (£1,642m), and the value of assets in the pension fund (£1,054m);
- The Pension Fund is revalued every three years to set future contribution rates. The latest valuation was at 31 March 2016;
- The funding level at 31 March 2016 was assessed as 79%;
- The plan is to bring the funding level to 100% within 20 years;
- The Council paid £30.4m for pensions in year (£29.6m in 15/16)

Page 81

Addressing future challenges in 2017/18 and beyond

Like other local authorities, Haringey faces a perfect storm of challenges – significant cuts to our budget combined with high levels of demand. As a result of funding reductions across the public sector, there are also increased demands on welfare support, housing and health services. Our future funding is uncertain as Central Government grant will be withdrawn by 2020, and the mechanism by which business rates and future funding sources will be devolved is yet to be determined.

The Budget Report approved by Council in February 2017 sought to adjust our plans to deal with shortfalls that are primarily as a result of rising demand, and set out proposals for further savings. Central Government has allowed local authorities to raise much needed funding through the Social Care precept; and whilst the ability to raise £2.7 million (the equivalent of a 3% increase on Council Tax), is welcome, it is not much more than a sticking plaster when our social care budget overspent by £12m in 2016/17.

The Budget Report also dealt with a number of strategic issues: the need to have appropriate levels of funding in place for services where there is increasing demand; continued focus on growth so that we can deliver new homes and jobs and ensure that the future funding of our public services is protected; the use of reserves; and, critically, the transformation of services and development of partnerships with other councils and statutory partners. Despite these challenges, we are not in the business of managing decline and the Council will continue to deliver manifesto commitments of the Administration and the ambitions set out in our Corporate Plan.

To facilitate the Council's ambitious housing and jobs growth plans, officers have been working on the procurement of a jointly owned development company which will be 50% owned by the Council and 50% owned by a private sector development partner and is currently known as the Haringey Development Vehicle (HDV). The financial impact of the development schemes within the HDV are complex and the detail will not be known until specific schemes come on stream however high-level impacts, where they are known and where they are within the span of the MTFS, have been included in the Capital Strategy

TOP STRATEGIC RISKS FOR UPCOMING YEAR

The Councils risk management strategy and process identifies and evaluates risk and ensures actions are undertaken to mitigate those risks. Set out below are the key risks from the Council's corporate risk register:

- To ensure strategic activities and resources (financial, capacity, staffing) are adequate to deliver the outcomes of the Corporate Plan and Medium Term Financial Strategy
- To manage delivery of social regeneration and change, incorporating the Council's regeneration programme and Welfare Reform changes.
- To respond effectively to potential changes in both the national and London political landscape over the next two years, including any impact on available resources; and any resultant policy/legislative changes.
- To manage the speed of change in the organisation and to ensure appropriate skills, capacity and capabilities are in place to deliver the Corporate Plan
- To ensure adequate processes are in place to safeguard vulnerable children and adults within the borough.

EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2017. It comprises core and supplementary statements together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17., which in turn is underpinned by International Reporting Standards.

The Core Statements comprise:

- The ***Comprehensive Income and Expenditure Statement*** – this records all the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.
- The ***Movement in Reserves Statement*** is a summary of the changes in the Council's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.
- The ***Balance Sheet*** is a snapshot of the Council's assets, liabilities, cash balances and reserves at the yearend date
- The ***Cash Flow Statement*** shows the reason for changes in the Council's cash balances during the year and whether the change is due to operating activities, new investment or financing activities (such as borrowing and other long-term liabilities)

From 2016/17 a new financial performance statement was introduced, the ***Expenditure and Funding Analysis*** (EFA). The objective of the EFA is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. council tax, housing rents, business rates and central government grant) has been used in providing services in comparison with those resources consumed or earned in accordance with Generally Accepted Accounting Practices. The EFA also shows how resources have been allocated for decision making purposes.

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

The **Supplementary Financial Statements** comprise:

- The ***Housing Revenue Account*** – this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989
- The ***Collection Fund*** summarises the collection of council tax and business rates, and the distribution of that money between the Council, the Greater London Authority (GLA) and central government
- The ***Pension Fund Account*** reports the contributions received, the payments made to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees, past and present.

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

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

Opinion on the Council's financial statements and arrangements for securing value for money

To be included at the conclusion of the audit

STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Operating Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

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

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

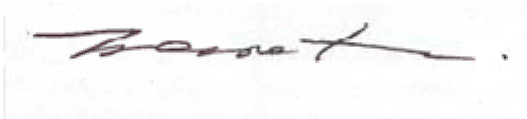
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Chief Financial Officer has also:

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

Certification by Chief Financial Officer

I certify that the accounts give a true and fair view of the financial position of the Council at 31st March 2017 and its income and expenditure for the year then ended.



Tracie Evans CPFA
Interim Deputy Chief Executive and
Chief Financial Officer (S151)

22 June 2017

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Statement (EFA) demonstrates how the funding available to the Council (i.e. council tax, housing rents, business rates and central government grant) has been used in providing services in comparison with those resources consumed or earned in accordance with Generally Accepted Accounting Practices. The status of the EFA is that it is a note to the main financial statements.

	2016/17			2015/16		
Single Entity	**Income and Expenditure chargeable to GF and HRA balances**	**Adjustments between funding and accounting basis (Note 5)**	**Net expenditure in the CIES**	**Income and Expenditure chargeable to GF and HRA balances**	**Adjustments between funding and accounting basis (Note 5)**	**Net expenditure in the CIES**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Leader and Chief Executive	2,472	0	2,472	2,729	30	2,759
Adult Social Services	80,393	(488)	79,905	76,059	123	76,182
Children & Young People	54,676	701	55,377	57,443	45	57,488
Public Health, Commissioning & other	13,237	11,605	24,842	15,279	(35,065)	(19,786)
Commercial & Operation Services	29,928	18,829	48,757	38,981	3,752	42,733
Other (SSC, Customer Services etc)	8,774	3,151	11,925	15,696	5,054	20,750
Regeneration, Planning & Development	9,433	254	9,687	4,970	(1,777)	3,193
Housing General Fund	21,776	93	21,869	19,550	68	19,618
Housing Revenue Account	(33,933)	(22,908)	(56,841)	(30,906)	918	(29,988)
Non Service Revenue	7,629	6,075	13,704	(2,909)	450	(2,459)
Net Cost of Services	**194,385**	**17,312**	**211,697**	**196,892**	**(26,402)**	**170,490**
Other Operating Expenditure	7,508	2,048	9,556	7,828	15,784	23,612
Financing and Investment income and expenditure	49,175	(20,862)	28,313	48,549	(24,610)	23,939
Taxation and non-specific grant income and expenditure	(227,856)	(27,811)	(255,667)	(232,100)	(44,693)	(276,793)
(Surplus) or Deficit on Provision of Services	23,212	(29,313)	(6,101)	21,169	(79,921)	(58,752)
Opening General Fund and HRA Balance	(132,064)			(153,233)		
Less/Plus deficit/(surplus) on General Fund and HRA balance in year (see Movement in Reserves Statement)	23,212			21,169		
Other Comprehensive Income and Expenditure	**(108,852)**			**(132,064)**		

Page 86

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Single Entity	2016/17 Gross Expenditure	2016/17 Gross Income	2016/17 Net Expenditure	2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Leader and Chief Executive	13,347	(10,875)	2,472	15,667	(12,908)	2,759
Adult Social Services	106,346	(26,441)	79,905	102,500	(26,318)	76,182
Children & Young People	83,720	(28,343)	55,377	94,487	(36,999)	57,488
Public Health, Commissioning & other	269,258	(244,416)	24,842	224,375	(244,161)	(19,786)
Commercial & Operation Services	105,334	(56,577)	48,757	94,039	(51,306)	42,733
Other (SSC, Customer Services etc)	330,394	(318,469)	11,925	332,559	(311,809)	20,750
Regeneration, Planning & Development	21,281	(11,594)	9,687	21,977	(18,784)	3,193
Housing General Fund	60,814	(38,945)	21,869	61,437	(41,819)	19,618
Housing Revenue Account	54,617	(111,458)	(56,841)	80,578	(110,566)	(29,988)
Non Service Revenue	28,997	(15,293)	13,704	12,468	(14,927)	(2,459)
Support Services	(88,058)	88,058	0	(97,179)	97,179	0
Cost of Continuing Services	**986,050**	**(774,353)**	**211,697**	**942,908**	**(772,418)**	**170,490**
Other operating expenditure (Note 6)	35,479	(25,923)	9,556	44,719	(21,107)	23,612
Financing and investment income and expenditure (Note 7)	37,129	(8,816)	28,313	48,314	(24,375)	23,939
Taxation and Non-Specific Grant Income (Note 8)	0	(255,667)	(255,667)	0	(276,793)	(276,793)
(Surplus) or Deficit on Provision of Services			**(6,101)**			**(58,752)**
(Surplus) or deficit on revaluation of property, plant and equipment (Note 19)			(105,829)			(160,229)
Remeasurement of net defined benefit liability (Note 19)			43,660			(139,386)
Other Comprehensive Income and Expenditure			**(62,169)**			**(299,615)**
Total Comprehensive Income and Expenditure			**(68,270)**			**(358,367)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2016/17			2015/16		
Group Amounts	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000	£'000	£'000	£'000
Leader and Chief Executive	13,347	(10,875)	2,472	15,637	(12,908)	2,729
Adult Social Services	106,346	(26,441)	79,905	102,915	(26,318)	76,597
Children & Young People	83,720	(28,343)	55,377	97,660	(37,947)	59,713
Public Health, Commissioning & other	269,258	(244,416)	24,842	223,473	(243,213)	(19,740)
Commercial & Operation Services	117,331	(68,131)	49,200	105,866	(88,350)	17,516
Other (SSC, Customer Services etc)	330,394	(318,469)	11,925	327,804	(311,809)	15,995
Regeneration, Planning & Development	21,281	(11,594)	9,687	22,239	(18,784)	3,455
Housing General Fund	60,814	(38,945)	21,869	61,367	(41,818)	19,549
Housing Revenue Account	48,747	(103,687)	(54,940)	76,995	(105,268)	(28,273)
Non Service Revenue	28,997	(15,293)	13,704	14,076	(14,928)	(852)
Support Services	(88,058)	88,058	0	(97,179)	97,179	0
Cost of Continuing Services	**992,177**	**(778,136)**	**214,041**	**950,853**	**(804,164)**	**146,689**
Other operating expenditure	35,479	(26,013)	9,466	44,719	(21,107)	23,612
Financing and investment income and expenditure	37,922	(8,816)	29,106	49,484	(24,375)	25,109
Taxation and Non-Specific Grant Income	0	(255,667)	(255,667)	0	(276,793)	(276,793)
(Surplus) or Deficit on Provision of Services			**(3,054)**			**(81,383)**
(Surplus) or deficit on revaluation of property, plant and equipment			(112,307)			(173,942)
Remeasurement of net defined benefit liability			19,642			(154,958)
Other Comprehensive Income and Expenditure			**(92,665)**			**(328,900)**
Total Comprehensive Income and Expenditure			**(95,719)**			**(410,283)**

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	**Total Usable Reserves** £'000	Unusable Reserves £'000	**Total Single Entity Reserves** £'000	Group Reserve £'000	**Total Group Reserves** £'000
2016/17										
Balance as at 31/03/2016	(86,737)	(45,327)	(26,354)	(21,244)	(5,081)	(184,743)	(951,365)	(1,136,108)	(78,113)	(1,214,221)
<u>Movement in reserves during 2016/17</u>										
Total Comprehensive Income and Expenditure	65,095	(71,196)	0	0	0	(6,101)	(62,169)	(68,270)	(27,449)	(95,719)
Adjustments between accounting basis & funding basis under regulations (note 9)	(50,701)	80,014	(7,308)	(2,834)	4,320	23,491	(23,491)	0	(6)	(6)
(Increase) / Decrease in 2016/17	14,394	8,818	(7,308)	(2,834)	4,320	17,390	(85,660)	(68,270)	(27,455)	(95,725)
Balance as at 31/03/2017 carried forward	**(72,343)**	**(36,509)**	**(33,662)**	**(24,078)**	**(761)**	**(167,353)**	**(1,037,025)**	**(1,204,378)**	**(105,568)**	**(1,309,946)**
2015/16										
Balance as at 31/03/2015	(109,887)	(43,346)	(38,797)	(19,021)	(2,668)	(213,719)	(564,022)	(777,741)	(26,179)	(803,920)
<u>Movement in reserves during 2015/16</u>										
Total Comprehensive Income and Expenditure	1,983	(60,735)	0	0	0	(58,752)	(299,615)	(358,367)	(51,916)	(410,283)
Adjustments between accounting basis & funding basis under regulations (note 9)	21,167	58,754	12,443	(2,223)	(2,413)	87,728	(87,728)	0	(18)	(18)
(Increase) / Decrease in 2015/16	23,150	(1,981)	12,443	(2,223)	(2,413)	28,976	(387,343)	(358,367)	(51,934)	(410,301)
Balance as at 31/03/2016 carried forward	**(86,737)**	**(45,327)**	**(26,354)**	**(21,244)**	**(5,081)**	**(184,743)**	**(951,365)**	**(1,136,108)**	**(78,113)**	**(1,214,221)**

BALANCE SHEET

	Notes	Single Entity 31 March 2017 £'000	Single Entity 31 March 2016 £'000	Group Amounts 31 March 2017 £'000	Group Amounts 31 March 2016 £'000
Property, Plant and Equipment	11	2,121,198	1,956,812	2,199,878	2,035,175
Heritage Assets		6,105	6,105	15,398	6,105
Investment Property	12	70,163	65,403	70,163	65,403
Intangible Assets		6,821	6,901	6,821	6,901
Long-term Debtors	15	10,895	8,237	6,592	6,772
Long-term Investment	13	0	492	0	492
Long Term Assets		**2,215,182**	**2,043,950**	**2,298,852**	**2,120,848**
Assets Held for Sale		3,965	1,567	3,965	1,567
Inventories		312	93	810	706
Short-term Debtors	15	70,000	75,099	88,864	100,388
Cash and Cash Equivalents	16	36,121	34,718	36,546	31,980
Current Assets		**110,398**	**111,477**	**130,185**	**134,641**
Short-term borrowing	13	(93,801)	(45,691)	(93,801)	(45,860)
Short-term Creditors	17	(118,606)	(104,277)	(116,247)	(102,153)
Grants Receipts in Advance - Revenue	29	(3,347)	(3,363)	(3,347)	(3,363)
Grants Receipts in Advance - Capital	29	(1,276)	(2,815)	(1,276)	(2,815)
Provisions	18	(6,921)	(7,620)	(6,921)	(7,620)
Current Liabilities		**(223,951)**	**(163,766)**	**(221,592)**	**(161,811)**
Long-term Creditors	17	(1,364)	(1,429)	(1,417)	(1,732)
Provisions	18	(2,600)	(2,911)	(2,930)	(3,477)
Long-term Borrowing	13	(260,654)	(274,921)	(260,654)	(275,110)
Other Long-term Liabilities		(625,374)	(570,062)	(625,239)	(592,908)
Grants Receipts in Advance - Capital	29	(7,259)	(6,230)	(7,259)	(6,230)
Long-term Liabilities		**(897,251)**	**(855,553)**	**(897,499)**	**(879,457)**
Net Assets		**1,204,378**	**1,136,108**	**1,309,946**	**1,214,221**
Usable Reserves		(167,353)	(184,743)	(173,664)	(165,528)
Unusable Reserves	19	(1,037,025)	(951,365)	(1,136,282)	(1,048,693)
Total Reserves		**(1,204,378)**	**(1,136,108)**	**(1,309,946)**	**(1,214,221)**

CASH FLOW STATEMENT

	Note	Single Entity		Group Amounts	
		31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Net surplus or (deficit) on the provision of services		6,101	58,752	3,054	81,383
Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	20	39,744	20,821	47,867	(3,925)
Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	20	(52,951)	(61,339)	(52,158)	(60,170)
Net cash flows from Operating Activities		**(7,106)**	**18,234**	**(1,237)**	**17,288**
Investing Activities	21	(34,312)	(31,875)	(39,393)	(32,997)
Financing Activities	22	42,821	13,939	45,196	13,939
Net increase or (decrease) in cash and cash equivalents		**1,403**	**298**	**4,566**	**(1,770)**
Cash and cash equivalents at the beginning of the reporting period		34,718	34,420	31,980	33,750
Cash and cash equivalents at the end of the reporting period		**36,121**	**34,718**	**36,546**	**31,980**

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the 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.

1.3 Cash and Cash Equivalents

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

1.4 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance called Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the MiRS for the difference between the two.

1.5 Employee Benefits

Benefits Payable during Employment

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

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees, but not taken before the year-end which employees can carry forward into the next financial year. The accrual is calculated at the wage and salary rates applicable in the following accounting year being the period in which the employee takes the benefit, with interim values on an estimated basis. To prevent fluctuations from impacting on council tax, the year on year change in cost generated by this accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the MiRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or where applicable to the non-distributed cost line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post Employment Benefits

Employees of the Council are predominantly members of two separate pension schemes:

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

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.

i. The Local Government Pension Scheme

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

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

The assets of Haringey pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period

in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the Haringey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year not the amount calculated according to the relevant accounting standards.

In the MiRS this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

ii. Teachers' Pension Scheme

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

Discretionary Benefits

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

1.6 Events after the Balance Sheet Date

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

a) Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
b) Those that are indicative of conditions that arose after the reporting period – the financial statements are not adjusted to reflect such events but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

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

1.7 Fair Value Measurement

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

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

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

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

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

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

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

1.8 Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement.

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

Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable and accrued interest, and the interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

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

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

1.9 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contributions have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

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

1.10 Heritage Assets

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

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

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council’s policy on impairment.

The relevant value of Heritage Assets held by the Council is shown on the face of the Balance Sheet

1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council because 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.

Intangible assets are measured initially at cost and amortised over its useful life to the relevant service line(s) in the CIES.

1.12 Interests in companies and other entities

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

1.13 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MiRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

1.14 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as lessee

i. Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

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

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

ii. Operating Leases

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

The Council as lessor

i. Finance Leases

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

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

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

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

ii. Operating Leases

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

1.15 Overheads and Support Services

The costs of overheads and support services are allocated to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.16 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a capitalisation threshold of £10,000 and allows the capitalisation of staffing costs that are directly associated with delivering of the capital schemes.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

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

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

- infrastructure, community assets and assets under construction

– depreciated historical cost

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Impairment

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

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Depreciation

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

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

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

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

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

Componentisation of valuations

Where beneficial to the accuracy of the accounts the Council may opt to recognise each of the component parts of a material asset in their own right. This may be necessary to reflect the fact that some components may have an appreciably shorter useful life than the wider asset and will therefore need replacing sooner.

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

- Vehicles and Equipment (immaterial)
- Infrastructure assets
- Investment properties are not depreciated, but will be considered for componentisation where enhancement expenditure is incurred.
- Componentisation of HRA assets (dwellings) will be reviewed in line with changes to guidance from DCLG.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MiRS.

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

Schools

The Code of Practice on Local Authority Accounting in the UK confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the Council.

Capital expenditure on community schools is added to the balances for those schools. Capital expenditure on voluntary aided, controlled and foundation schools not included on the Council's Balance Sheet is treated as "REFCUS" (Revenue Expenditure Funded from Capital under Statute") and written off each year to the CIES within Education and Children's services.

1.17 Provisions, Contingent Liabilities and Contingent Assets

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

   Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation considering relevant risks and uncertainties.

   When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. The Council does not unwind any discount on provision balances. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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

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

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

1.18 Reserves

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

Reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

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

1.19 Revenue expenditure funded from capital under statute (REFCUS)

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

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

1.20 Revenue recognition

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

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

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

1.21 Service Concession Arrangements

Private Finance Initiative (PFI) and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

The Council has several schools subject to PFI contracts albeit the current PFI scheme is suspended. The PFI buildings for maintained schools are shown on the Council's balance sheet. The buildings for the voluntary aided, controlled foundation and academy schools are derecognised as the control of the right to use the buildings has passed to the school trustees and foundation bodies. The PFI liabilities are in respect of all PFI schools, regardless of the school's status, and remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator. The Council continues to receive government support in the form of grant which is used to meet current and future liabilities in respect of the PFI scheme(s).

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

a) *Fair value of the services received during the year* - debited to the relevant service in the CIES
b) *Finance cost* - an interest charge of 5.13% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
c) *Contingent rent* - Increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
d) *Payment towards liability* - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
e) *Lifecycle replacement costs* - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

1.22 VAT

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

2. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. In particular there is a high degree of uncertainty regarding future levels of funding for local government and the impact of the decision for Britain to leave the European Union remain unclear. However, the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close facilities.

Review of Minimum Revenue Provision Policy

The council is required to make a minimum revenue provision (MRP) towards the repayment of debt in each financial year. During 2016/17 the MRP policy was reviewed by the Council to ensure that it remained prudent but also took into consideration affordability. The change was approved by Full Council at its meeting on February 2017. The change in policy resulted in a change in the council's estimation technique. The impact in the 2016/17 financial statements was a revenue provision of £2.8 million charged to the CIES under the revised policy, as opposed to £13.4 million that would have been charged under the original policy.

HRA depreciation, impairment & valuation losses

During 2016/17, in consultation with our valuers (Wilks Head and Eve LLP), the Council revised its approach to splitting the land and buildings elements of HRA dwellings to more accurately reflect these elements. The revised approach is based on National Housing Federation data which indicates a split of 55% Land/45% building. Historically the Council applied a notional split of 30% land, 70% building.

The impact of this revised estimation approach is a depreciation charge in 2016/17 of £14.8m. Under the previous approach the charge is estimated to have been around £20.7m.

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

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

The items in the Council's Balance Sheet as at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are:

Property, Plant and Equipment

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that, if the useful lives of all property assets were reduced by 10%, the annual depreciation charge would increase by £4 million. However, since this charge is reversed out through the MiRS, there would be no impact on the General Fund balance.

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

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

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

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

Pension Fund Liability
During 2016/17, the Council's actuaries advised that the net pension liability had increased by £59.103 million as a result of estimates being revised and the updating of the assumptions. The liability held on the balance sheet is subject to actuarial estimation; some of the detail behind the estimates used by the actuary is shown in notes 34 and 35.

4. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 22 June 2017. There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

5. Notes to the Expenditure and Funding Analysis

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

a) Adjustments between Funding and Accounting Basis

	2016/17				2015/16			
	Adjustments for Capital Purposes (Note 1)	Net change for Pensions Adjustments (Note 2)	Other Differences (Note3)	Total Adjustment	Adjustments for Capital Purposes (Note 1)	Net change for Pensions Adjustments (Note 2)	Other Differences (Note3)	Total Adjustment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leader and Chief Executive	0	0	0	**0**	0	30	0	**30**
Adult Social Services	(488)	0	0	**(488)**	(72)	200	(5)	**123**
Children & Young People	701	0	0	**701**	(205)	302	(52)	**45**
Public Health, Commissioning & other	8,219	0	3,386	**11,605**	(35,056)	939	(948)	**(35,065)**
Commercial & Operation Services	18,829	0	0	**18,829**	3,555	201	(4)	**3,752**
Other (SSC, Customer Services etc)	3,151	0	0	**3,151**	4,952	102	0	**5,054**
Regeneration, Planning & Development	254	0	0	**254**	(1,875)	101	(3)	**(1,777)**
Housing Feneral Fund	93	0	0	**93**	0	70	(2)	**68**
Housing Revenue Account	(22,908)	0	0	**(22,908)**	885	34	(1)	**918**
Non Service Revenue	9,091	(3,016)	0	**6,075**	24	488	(62)	**450**
Net Cost of Services	**16,942**	**(3,016)**	**3,386**	**17,312**	**(27,792)**	**2,467**	**(1,077)**	**(26,402)**
Other operating expenditure	2,048	0	0	**2,048**	15,784	0	0	**15,784**
Financing and investment income & expenditure	(39,348)	18,459	27	**(20,862)**	(45,405)	20,698	97	**(24,610)**
Taxation and non-specific grant income & expenditure	(24,058)	0	(3,753)	**(27,811)**	(40,582)	0	(4,111)	**(44,693)**
(Surplus) or Deficit on Provision of Services	**(44,416)**	**15,443**	**(340)**	**(29,313)**	**(97,995)**	**23,165**	**(5,091)**	**(79,921)**

Page 109

Note 1 - Adjustments for capital purposes

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

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

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

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

Note 2 – Net Change for the Pension Adjustments

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

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

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

Note 3 – Other Differences

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

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

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

b) Cost of Service – Income by Nature

	2016/17 Fees, charges & other service income £000	2016/17 Government Grants & Other Income £000	2016/17 Total £000	2015/16 Fees, charges & other service income £000	2015/16 Government Grants & Other Income £000	2015/16 Total £000
Leader and Chief Executive Officer	(9,990)	(885)	(10,875)	(12,234)	(674)	(12,908)
Adult Social Services	(9,572)	(16,869)	(26,441)	(9,829)	(16,489)	(26,318)
Children and Young People	(4,031)	(24,312)	(28,343)	(6,054)	(30,945)	(36,999)
Public Health, Commissioning & Other	(32,824)	(211,592)	(244,416)	(39,839)	(204,322)	(244,161)
Commercial & Operations	(54,071)	(2,506)	(56,577)	(48,186)	(3,120)	(51,306)
Other (SSC, Customer Services)	(51,105)	(267,364)	(318,469)	(39,183)	(272,626)	(311,809)
Regeneration, Planning & Development	(7,317)	(4,277)	(11,594)	(11,742)	(7,042)	(18,784)
Housing General Fund	(38,944)	(1)	(38,945)	(39,137)	(2,682)	(41,819)
Housing Revenue Account	(111,458)	-	(111,458)	(104,682)	(5,884)	(110,566)
Non Service Revenue	(9,613)	(5,680)	(15,293)	(8,777)	(6,150)	(14,927)
Support Service Recharges	88,058	-	88,058	97,179	-	97,179
	(240,867)	**(533,486)**	**(774,353)**	**(222,484)**	**(549,934)**	**(772,418)**

Note

At 31 March 2017 recoverable Housing Benefit over-payments were estimated at £6.618m, £3.299m at 31 March 2016. The increase is principally due to the recognition in 2016/17 of the recovery of overpayments made in the current and previous years to claimants who are in continuing receipt of benefit. Prior to 2016/17 this debt was recognised when the income was recovered, not in the period it was due.

	2016/17 £000	2015/16 £000
Housing Benefit Overpayments	31,608	14,375
Impairment	24,990	11,076
Estimated recoverable amount	**6,618**	**3,299**

Page 111

c) Cost of Service - Expenditure by Nature

	2016/17				2015/16			
	Employee benefits expenses £000	Depreciation amortisation impairment £000	Other service expenses £000	Total £000	Employee benefits expenses £000	Depreciation amortisation impairment £000	Other service expenses £000	Total £000
Leader and Chief Executive Officer	7,892	-	5,455	**13,347**	7,821	-	7,846	**15,667**
Adult Social Services	19,255	340	86,751	**106,346**	17,941	303	84,256	**102,500**
Children and Young People	26,625	94	57,001	**83,720**	28,876	97	65,514	**94,487**
Public Health, Commissioning & Other	176,700	8,220	84,338	**269,258**	171,503	9,170	43,702	**224,375**
Commercial & Operations	17,301	(9,001)	97,034	**105,334**	20,312	9,305	64,422	**94,039**
Other (SSC, Customer Services)	28,243	3,151	299,000	**330,394**	28,711	2,366	298,272	**329,349**
Regeneration, Planning & Development	10,620	18	10,643	**21,281**	9,660	481	11,836	**21,977**
Housing General Fund	1,069	93	59,652	**60,814**	6,660	-	54,777	**61,437**
Housing Revenue Account	1,728	(12,937)	65,826	**54,617**	2,979	18,130	62,679	**83,788**
Non Service Revenue	6,083	9,091	13,823	**28,997**	4,369	24	8,075	**12,468**
Support Service Recharge	-	-	(88,058)	**(88,058)**	-	-	(97,179)	**(97,179)**
Total	**295,516**	**(931)**	**691,465**	**986,050**	**298,832**	**39,876**	**604,200**	**942,908**

Page 112

6. Other operating expenditure

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

	2016/17	2015/16
	£'000	£'000
Levies - North London Waste Authority (NLWA)	6,871	7,183
Levies - Others	637	645
Payments to Govt. Housing Capital Receipts Pool*	11,839	25,523
Losses / (gains) on disposal of non-current assets	(9,791)	(9,739)
	9,556	**23,612**

*The Council paid £15.743 million as a one-off payment of prior year retained right to buy receipts in 2015/16.

7. Financing and investment income and expenditure

Financing and investment income and expenditure includes interest receivable and payable on the Council's investment portfolio. The Council's net rental income on the properties it holds purely for investment purposes is also included. It also includes the interest element of the pension fund liability.

	2016/17	2015/16
	£'000	£'000
Interest payable and similar charges	17,173	18,393
Net interest on the net defined benefit liability	18,459	20,698
Interest receivable and similar income	(360)	(503)
Income from investment properties	(7,308)	(15,349)
Other investment income and expenditure	349	700
	28,313	**23,939**

8. Taxation and non-specific grant income

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

	2016/17	2015/16
	£'000	£'000
Council tax income	(93,393)	(89,240)
Non domestic rates	(75,672)	(71,609)
Non-ringfenced government grants	(62,544)	(75,362)
Capital grants and contributions	(24,058)	(40,582)
	(255,667)	**(276,793)**

The decrease in non-ring fenced government grants is primarily due to less Revenue Support Grant being received from central government in 2016/17.

9. Adjustments between accounting basis and funding basis under regulation

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

General Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Capital Receipts Reserve (CRR)

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

Capital Grants Unapplied Reserve (CGUR)

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

Major Repairs Reserve (MRR)

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

Movement during 2016/17	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
- Pensions costs (transferred to / from the Pensions Reserve)	(15,333)	(110)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	136	(129)	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	3,754	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	(3,386)	0	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	(31,544)	8,966	0	0	(28,012)
Total Adjustments to Revenue Resources	(46,373)	8,727	0	0	(28,012)
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the CRR	4,001	21,921	(25,922)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(52)	(439)	491	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(11,839)	0	11,839	0	0
- Posting of HRA resources from revenue to the MRR	0	14,998	0	(14,998)	0
- Statutory provision for the repayment of debt (transfer from the CAA)	2,833	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	729	34,807	0	0	0
Total Adjustments between Revenue and Capital Resources	(4,328)	71,287	(13,592)	(14,998)	0
Adjustments to Capital Resources					
- Use of the CRR to finance capital expenditure	0	0	6,335	0	0
- Use of the MRR to finance capital expenditure	0	0	0	19,318	0
- Application of capital grants to finance capital expenditure	0	0	0	0	25,178
- Cash payments in relation to deferred capital receipts	0	0	(51)	0	0
Total Adjustments between Revenue and Capital Resources	0	0	6,284	19,318	25,178
Total Adjustments	**(50,701)**	**80,014**	**(7,308)**	**4,320**	**(2,834)**

Page 115

Movement during 2015/16	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
- Pensions costs (transferred to / from the Pensions Reserve)	(22,864)	(301)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	92	(189)	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	4,111	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	1,076	1	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	44,585	3,534	0	0	(42,494)
Total Adjustments to Revenue Resources	27,000	3,045	0	0	(42,494)
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the CRR	5,371	16,228	(21,599)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(85)	(408)	493	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(25,523)	0	25,523	0	0
- Posting of HRA resources from revenue to the MRR	0	18,130	0	(18,130)	0
- Statutory provision for the repayment of debt (transfer from the CAA)	13,211	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	1,193	21,759	0	0	0
Total Adjustments between Revenue and Capital Resources	(5,833)	55,709	4,417	(18,130)	0
Adjustments to Capital Resources					
- Use of the CRR to finance capital expenditure	0	0	8,049	0	0
- Use of the MRR to finance capital expenditure	0	0	0	15,717	0
- Application of capital grants to finance capital expenditure	0	0	0	0	40,271
- Cash payments in relation to deferred capital receipts	0	0	(23)	0	0
Total Adjustments between Revenue and Capital Resources	0	0	8,026	15,717	40,271
Total Adjustments	**21,167**	**58,754**	**12,443**	**(2,413)**	**(2,223)**

10. Transfers to/from General Fund, HRA and earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

	Note	Balance at 01/04/15	Transfer In 2015/16	Transfer Out 2015/16	Balance at 31/03/16	Transfer In 2016/17	Transfer Out 2016/17	Balance at 31/03/17
		£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
General Fund Reserve	i	**(25,771)**	**(17,377)**	**23,150**	**(19,998)**	**(13,000)**	**17,101**	**(15,897)**
General Fund earmarked reserves:								
Schools reserve	ii	(11,706)	(50)	1,005	**(10,751)**	(117)	2,992	**(7,876)**
Transformation reserve	iii	(4,877)	(6,513)	3,623	**(7,767)**	(7,900)	5,328	**(10,339)**
Services reserve	iv	(10,483)	(1,112)	6,043	**(5,552)**	(5,064)	2,303	**(8,313)**
PFI lifecycle reserve	v	(10,070)	(1,417)	1,715	**(9,772)**	(1,059)	1,815	**(9,016)**
Debt repayment reserve	vi	(6,005)	(1,502)	2,249	**(5,258)**	(1,394)	1,549	**(5,103)**
Insurance reserve	vii	(10,217)	(1,031)	1,244	**(10,004)**	(778)	5,919	**(4,863)**
Unspent grants reserve	viii	(4,297)	(888)	1,392	**(3,793)**	(543)	823	**(3,513)**
Community infrastructure reserve	ix	(3,000)	0	0	**(3,000)**	0	0	**(3,000)**
Labour market growth resilience reserve	x	(1,905)	0	116	**(1,789)**	(688)	898	**(1,579)**
Financing reserve	xi	(14,732)	(146)	9,068	**(5,810)**	(3,070)	8,000	**(880)**
IT infrastructure reserve	xii	(1,016)	(710)	728	**(998)**	0	160	**(838)**
Other reserves	xiii	(5,808)	(400)	3,963	**(2,245)**	0	1,119	**(1,126)**
GF earmarked reserves:		**(84,116)**	**(13,769)**	**31,146**	**(66,739)**	**(20,613)**	**30,906**	**(56,446)**
Total General Fund Usable Reserves		**(109,887)**	**(31,146)**	**54,296**	**(86,737)**	**(33,613)**	**48,007**	**(72,343)**
Housing Revenue Account		**(38,606)**	**(713)**	**0**	**(39,319)**	**0**	**9,778**	**(29,541)**
Housing Revenue Account earmarked Reserves:								
HRA Smoothing reserve		(4,740)	(1,268)	0	**(6,008)**	(331)	0	**(6,339)**
Homes fot Haringey		0	0	0	**0**	(629)	0	**(629)**
HRA earmarked reserves		**(4,740)**	**(1,268)**	**0**	**(6,008)**	**(960)**	**0**	**(6,968)**
Total HRA Usable Reserves		**(43,346)**	**(1,981)**	**0**	**(45,327)**	**(960)**	**9,778**	**(36,509)**

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

ii. This balance represents the net balances held by the Council's 63 schools. The Secretary of State for Education allows Local Authorities to have within their Scheme for Financing Schools a provision whereby surplus balances that are deemed excessive can be withdrawn from the school in question and applied elsewhere within the Dedicated Schools Budget

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

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

v. The PFI reserve is increased by PFI grant in excess of contractual payments and applied to fund capital investment.

vi. 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

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

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

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

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

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

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

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

11. Property, plant and equipment

	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Surplus Assets	**Total Property, Plant and Equipment**	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or Valuation at 1 April 2016	1,273,595	546,188	228,588	18,188	18,652	3,926	11,977	**2,101,114**	130,338
Additions	54,331	22,451	12,360	1,443	651	1,985	881	**94,102**	420
Revaluation increases / (decreases) recognised in the Revaluation Reserve	82,823	13,845	0	0	0	0	(83)	**96,585**	2,253
Revaluation increases / (decreases) recognised in SDPOS	74,988	1,224	0	0	0	0	(1,350)	**74,862**	592
Derecognition - disposals	(11,896)	(3,108)	0	(689)	0	0	0	**(15,693)**	0
Reclassifications and transfers	0	(263)	0	0	0	0	(2,139)	**(2,402)**	0
Other movements in cost or valuation	161	(305)	0	0	0	(333)	638	**161**	0
At 31 March 2017	**1,474,002**	**580,032**	**240,948**	**18,942**	**19,303**	**5,578**	**9,924**	**2,348,729**	**133,603**
Accumulated Depreciation at 1 April 2016	(56,433)	(775)	(77,794)	(9,282)	0	0	(18)	**(144,302)**	0
Depreciation charge	(14,807)	(11,018)	(8,074)	(2,752)	0	0	(18)	**(36,669)**	(2,586)
Accumulated Depreciation written out	14,809	1,744	0	0	0	0	18	**16,571**	49
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	(7,034)	0	0	(4)	0	0	**(7,038)**	(311)
Impairment (losses)/reversals recognised in surplus/deficit on the provision of services	(47,873)	(7,148)	0	0	(647)	0	(888)	**(56,556)**	(109)
Derecognition - disposals	0	45	0	419	0	0	0	**464**	0
Other movements in depreciation & impairment	0	10	0	0	0	0	(11)	**(1)**	0
At 31 March 2017	**(104,304)**	**(24,176)**	**(85,868)**	**(11,615)**	**(651)**	**0**	**(917)**	**(227,531)**	**(2,957)**
Net Book Value at 31 March 2017	**1,369,698**	**555,856**	**155,080**	**7,327**	**18,652**	**5,578**	**9,007**	**2,121,198**	**130,646**

	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Surplus Assets	**Total Property, Plant and Equipment**	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or Valuation at 1 April 2015	1,138,118	380,724	216,428	22,270	18,348	1,117	9,946	**1,786,951**	85,289
Additions	58,889	11,979	12,160	985	679	2,952	1,453	**89,097**	512
Revaluation increases / (decreases) recognised in the Revaluation Reserve	28,021	101,994	0	0	0	0	1,850	**131,865**	29,124
Revaluation increases / (decreases) recognised in SDPOS	57,593	51,854	0	0	0	0	(603)	**108,844**	15,413
Derecognition - disposals	(9,026)	(363)	0	(5,077)	(375)	0	0	**(14,841)**	0
Reclassifications and transfers	0	0	0	10	0	(143)	0	**(133)**	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	(669)	**(669)**	0
At 31 March 2016	**1,273,595**	**546,188**	**228,588**	**18,188**	**18,652**	**3,926**	**11,977**	**2,101,114**	**130,338**
Accumulated Depreciation at 1 April 2015	0	(776)	(69,703)	(11,652)	0	0	(18)	**(82,149)**	0
Depreciation charge	(17,992)	(10,803)	(8,091)	(2,707)	0	0	(37)	**(39,630)**	(2,704)
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	0
Impairment (losses)/reversals recognised in surplus/deficit on the provision of services	(56,433)	0	0	0	0	0	0	**(56,433)**	0
Depreciation written out to the Revaluation Reserve	17,887	10,798	0	0	0	0	37	**28,722**	2,704
Derecognition - disposals	105	6	0	5,077	0	0	0	**5,188**	0
At 31 March 2016	**(56,433)**	**(775)**	**(77,794)**	**(9,282)**	**0**	**0**	**(18)**	**(144,302)**	**0**
Net Book Value at 31 March 2016	**1,217,162**	**545,413**	**150,794**	**8,906**	**18,652**	**3,926**	**11,959**	**1,956,812**	**130,338**

The above note includes the figures from Single Entity only. Group Entity Property, Plant and Equipment assets total £78.680m as at 31 March 2017 (£78.3m as at 31 March 2016). This relates to Alexandra Park and Palace Charitable Trust.

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

HRA dwellings are valued at their existing use based on 'Beacon' valuation principles and then have a social housing adjustment made thus reducing the balance sheet value to 25% of the beacon value as directed by the Department of Communities and Local Government.

Capital commitments

At 31 March 2017, the Council has entered into several contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years, budgeted to cost £49 million (£34 million as at 31 March 2016). The major commitments at 31 March 2017 were:

- Decent Homes Programme – £8.9 million
- HRA Mechanical and electrical works - £3.1 million
- HRA Lift renewals - £2.6 million

12. Investment properties

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

	31/03/17	31/03/16
	£'000	£'000
Office units	4,447	4,658
Commercial units	46,095	47,200
Land	14,836	13,132
Other investment property	4,785	413
Total	**70,163**	**65,403**

There were no transfers between any of the three levels during 2016/17 or the preceding year.

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

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

	2016/17	2015/16
	£'000	£'000
Rental income from investment property	(7,837)	(7,583)
Direct operating expenses arising from investment property	2,928	1,958
Net (gain) / loss	**(4,909)**	**(5,625)**

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

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

	2016/17	2015/16
	£'000	£'000
Balance at start of the year	65,403	56,882
Additions - Purchases	3,374	10
Disposals	(411)	(1,213)
Net gain / (losses) from FV adjustments	1,797	9,724
Balance at the end of the year	**70,163**	**65,403**

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

13. Financial instruments

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

Financial liabilities

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

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

- Long term loans from the Public Works Loans Board and commercial lenders
- Short term loans from other local authorities
- Finance leases detailed in note 32
- Private Finance Initiative contracts detailed in note 33
- Trade payables for goods and services received

Financial assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications:

- Loans and Receivables
- Available for Sale

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

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

- Cash in hand
- Bank current and deposit accounts with Barclays Bank
- Impaired investments in Icelandic banks
- Loans to other local authorities
- Loans made to community organisations and other bodies for service purposes (including soft loans)
- Lease receivables detailed in note 32
- Trade receivables for goods and services delivered

NOTES TO THE STATEMENTS

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

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

	Long Term		Short Term	
	31/03/17	31/03/16	31/03/17	31/03/16
Financial liabilities:	£'000	£'000	£'000	£'000
Loans at amortised cost				
- principal sum borrowed	(260,654)	(274,921)	(89,665)	(40,619)
- accrued interest	0	0	(4,136)	(5,072)
Total borrowing	**(260,654)**	**(274,921)**	**(93,801)**	**(45,691)**
- PFI liabilities	(24,811)	(27,473)	0	0
- finance lease liabilities	(12,222)	(13,796)	0	0
Total Other LT Liabilites	**(37,033)**	**(41,269)**	**0**	**0**
Liabilities at amortised cost				
- trade payables	(1,364)	(1,429)	(62,669)	(58,846)
- PFI liabilities	0	0	(2,662)	(2,532)
- finance lease liabilities	0	0	(1,043)	(1,220)
Total included in creditors	**(1,364)**	**(1,429)**	**(66,374)**	**(62,598)**
Total Financial Liabilities	**(299,051)**	**(317,619)**	**(160,175)**	**(108,289)**

The short-term creditors line in the Balance Sheet includes £56.2 million (31 March 2016 £41.7 million) of items that do not meet the definition of a financial liability and are therefore not included in the above table. See note 16 for further information.

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

	Long Term		Short Term	
	31/03/17	31/03/16	31/03/17	31/03/16
Financial assets:	£'000	£'000	£'000	£'000
Loans and receivables				
- principal at amortised cost	0	492	0	0
Total investments	**0**	**492**	**0**	**0**
Loans and receivables				
- cash (including bank account)	0	0	17,545	17,090
- cash equivalents at fair value	0	0	18,576	17,628
Total cash and cash equivalents	**0**	**0**	**36,121**	**34,718**
- Trade receivables	6,882	8,237	49,337	63,848
- Loans made for service purposes	4,013	1,753	0	103
Total included in debtors	**10,895**	**9,990**	**49,337**	**63,951**
Total Financial Assets	**10,895**	**10,482**	**85,458**	**98,669**

The short-term debtors line in the Balance Sheet includes £20.7 million (31 March 2016 £11.1 million) of items that do not meet the definition of a financial asset and are therefore not included in the above table. See note 14 for further information.

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

Financial instruments – gains and losses

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

	Liabilities measured at amortised cost	Assets, Loans and receivables	Assets Available for sale	Total
2016/17	£'000	£'000	£'000	**£'000**
Interest expense	17,173	0	0	**17,173**
Total expense in SDPOS	17,173	0	0	**17,173**
Interest and investment income	0	(360)	0	**(360)**
Total income in SDPOS	0	(360)	0	**(360)**
Net (gain) / loss for the year	**17,173**	**(360)**	**0**	**16,813**
2015/16				
Interest expense	18,393	0	0	**18,393**
Total expense in SDPOS	18,393	0	0	**18,393**
Interest and investment income	11	(385)	(105)	**(479)**
Interest accrued on impaired assets	0	(24)	0	**(24)**
Total income in SDPOS	11	(409)	(105)	**(503)**
Net (gain) / loss for the year	**18,404**	**(409)**	**(105)**	**17,890**

Financial instruments – fair values

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

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows as at 31 March 2017, using the following methods and assumptions:

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

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

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

	Level	Fair Value		Carrying Amount	
		31/03/17	31/03/16	31/03/17	31/03/16
		£'000	£'000	£'000	£'000
PWLB loans	2	(199,399)	(199,018)	(147,749)	(160,703)
LOBO loans	2	(236,962)	(208,728)	(130,294)	(130,906)
Lease payables	2	(17,912)	(3,801)	(13,265)	(15,015)
PFI liability	2	(32,453)	(31,478)	(27,473)	(30,005)
Total		**(486,726)**	**(443,025)**	**(318,781)**	**(336,629)**
Liabilities for which fair value is not disclosed				(192,677)	(89,279)
Total financial liabilities				**(511,458)**	**(425,908)**
Recorded on balance sheet as:					
- short term creditors				(118,606)	(62,598)
- short term borrowing				(93,801)	(45,691)
- long term creditors				(1,364)	(1,429)
- long term borrowing				(260,654)	(274,921)
- other long term liabilities				(37,033)	(41,269)
Total financial liabilities				**(511,458)**	**(425,908)**

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

	Level	Fair Value		Carrying Amount	
		31/03/17	31/03/16	31/03/17	31/03/16
		£'000	£'000	£'000	£'000
Money market funds	1	8,575	7,600	8,575	7,600
Loans to local authorities	2	10,000	10,000	10,000	10,000
Lease receivables	2	0	0	35,365	37,088
Total		**18,575**	**17,600**	**53,940**	**54,688**
Assets for which fair value is not disclosed				63,076	91,551
Total financial assets				**117,016**	**146,239**
Recorded on balance sheet as:					
- short term debtors				70,000	63,951
- long term debtors				10,895	9,990
- long term investments				0	492
- cash and cash equivalents				36,121	34,718
Total financial assets				**117,016**	**109,151**

14. Nature and extent of risks arising from financial instruments

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

The Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also maintains Treasury Management Practices specifying the practical arrangements to be followed to manage these risks. The 2016/17 Treasury Management Strategy can be found on the Council's website www.haringey.gov.uk.

The Treasury Management Strategy includes an Annual Investment

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

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

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

Credit Risk: Investments

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

A limit of £5 million is placed on the amount of money that can be invested with a single counterparty (other than the UK government/Local Authorities). The Council also sets limits on investments in certain sector and group limits. The Investment Strategy sets out the full details of counterparties along with details of term and investment limits.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. There is a risk that the Council will not be able to recover it deposits, but there was no evidence at the 31 March 2017 that this was likely to happen.

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

	Heritable Bank	Landsbanki Islands	Glitnir	Total
	£000	£000	£000	£000
Nominal value of original deposits	19,800	15,157	2,000	**36,957**
Distributions to LBH bank account by 31/03/2017	(19,495)	(14,401)	(2,078)	**(35,974)**
Outstanding Deposits	305	756	(78)	**983**
Estimated recoverable balance	**0**	**0**	**0**	**0**

The nominal value of the Council's investment portfolio at 31 March 2017 was £18.575 million with nil deposit with UK commercial banks (£17.600 million and nil respectively at 31st March 2016). All investments were made in line with the Council's approved credit rating criteria. The outstanding claim relating to Landsbanki was sold via an auction during 2013/14 and no further proceeds will be received. The final balance for the Glitnir investment which was held in an escrow account as at 31 March 2016 was repaid during 2016/17. There is now no prospect of recovering any further funds from the Icelandic investments.

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

Liquidity Risk

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

The amounts disclosed represent the contractual undiscounted amounts (i.e. gross loan commitments) and therefore differ from the nominal value of the Council's debt at 31 March:

Maturing within (years)	31/03/2017	31/03/2016 Restated
	£'000	£'000
Public Works Loans Board	276,619	297,714
Market debt	384,698	391,210
Local government	76,431	29,003
	737,748	**717,927**
Less than 1 year	106,412	59,732
Between 1 and 2 years	22,965	25,891
Between 2 and 5 years	60,639	64,052
Between 5 and 10 years	69,689	81,052
Between 10 and 20 years	102,823	103,333
Between 20 and 30 years	94,701	85,164
Between 30 and 40 years	161,504	158,106
Between 40 and 50 years	119,016	64,700
More than 50 years	0	75,898
	737,749	**717,928**

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

Market Risk

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

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

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit on debt that can be subject to variable interest rates. At 31 March 2016, 98.6% of the debt portfolio was held in fixed rate instruments and 1.4% in variable rate instruments.

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

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

	£'000
Increase in interest recievable on variable rate investments	411
Increase in interest payable on variable rate borrowings	(29)
Impact on Surplus or Deficit on Provision of Services	382
Decrease in fair value of fixed rate borrowing liabilties	64,684

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

Foreign Exchange Risk: The Council had no direct foreign exchange rate exposure at 31 March 2017 as all investments were denoted in Sterling. The previously stranded investment with Glitnir Bank of approximately £0.5 million as at 31 March 2016 gained £31k in 2016/17 up to the point when the investment was repaid due to foreign exchange rate movements in the Council's favour. This was £63k in 2015/16.

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 because of adverse movements in the price of this class of financial instruments).

15. Debtors

The following tables provide an analysis of money owed to the Council by other bodies as at 31 March 2017 and which at that date was yet to be received. The Council has considered the collectability of the debt and has impaired the debt for the amounts it may not recover.

	Long Term		Short Term	
	31/03/17 £'000	**31/03/16 £'000**	**31/03/17 £'000**	**31/03/16 £'000**
Central Govt bodies	0	0	18,903	18,833
Other local authorities	0	0	5,737	17,584
NHS bodies	0	0	5,274	4,700
Public corporations and trading funds	0	0	296	0
Other entities and individuals	10,895	8,237	39,790	33,982
Total	**10,895**	**8,237**	**70,000**	**75,099**

	Single Entity		Group Amounts	
	31/03/17 £'000	**31/03/16 £'000**	**31/03/17 £'000**	**31/03/16 £'000**
Central Govt bodies	18,903	18,833	18,903	18,833
Other local authorities	5,737	17,584	5,737	17,584
NHS bodies	5,274	4,700	5,274	4,700
Public corporations and trading funds	296	0	296	0
Other entities and individuals	50,685	42,219	65,246	66,043
Total	**80,895**	**83,336**	**95,456**	**107,160**

Allowance for non-collection of debts

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

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

16. Cash and cash equivalents

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

	31/03/17	31/03/16
	£'000	£'000
Cash in hand and at bank	17,545	17,090
Short-term deposits	18,576	17,628
Total	**36,121**	**34,718**

17. Creditors

The following tables provide an analysis of money owed by the Council as at 31 March 2017.

	Long Term		Short Term	
	31/03/17	**31/03/16**	**31/03/17**	**31/03/16**
	£'000	**£'000**	**£'000**	**£'000**
Central Govt bodies	0	0	(19,315)	(14,011)
Other local authorities	0	0	(9,169)	(7,292)
NHS bodies	0	0	(1,433)	(2,319)
Public corporations / trading funds	0	0	(6)	(6)
Other entities and individuals	(1,364)	(1,429)	(88,923)	(80,649)
Total	**(1,364)**	**(1,429)**	**(118,846)**	**(104,277)**

	Single Entity		Group Amounts	
	31/03/17	31/03/16	31/03/17	31/03/16
	£'000	£'000	£'000	£'000
Central Govt bodies	(19,315)	(14,011)	(19,315)	(14,011)
Other local authorities	(9,169)	(7,292)	(9,169)	(7,292)
NHS bodies	(1,433)	(2,319)	(1,433)	(2,319)
Public corporations / trading funds	(6)	(6)	(6)	(6)
Other entities and individuals	(90,287)	(82,078)	(87,981)	(80,257)
Total	**(120,210)**	**(105,706)**	**(117,904)**	**(103,885)**

18. Provisions

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

	Insurance	NDR appeals	Redundancy	Other	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2016	**(4,592)**	**(4,015)**	**(714)**	**(1,210)**	**(10,531)**
Amounts used in 2016/17	5,410	4,015	714	321	**10,460**
Provisions made in 2016/17	(4,633)	(2,852)	(1,169)	(796)	**(9,450)**
Balance at 31 March 2017	**(3,815)**	**(2,852)**	**(1,169)**	**(1,685)**	**(9,521)**
Of which:					
Long Term	(2,600)	0	0	**0**	(2,600)

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

The **redundancy provision** relates to several planned changes due to ongoing restructures within the Council.

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

19. Unusable reserves

	31/03/17	31/03/16
	£'000	£'000
Financial Instruments Adjustment	4,724	4,731
Collection Fund Adjustment	(7,724)	(3,970)
Accumulated Absences	7,591	4,205
Revaluation Reserve	(474,257)	(371,377)
Capital Adjustment Account	(1,155,656)	(1,114,098)
Pensions Reserve	588,341	529,238
Deferred Capital Receipts	(44)	(94)
Total	**(1,037,025)**	**(951,365)**

Financial instruments adjustments account

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

	2016/17	2015/16
	£'000	£'000
Balance as at 1st April	**4,731**	**4,635**
Amounts by which finance costs charged to the CIES differ from finance costs chargeable in the year in accordance with statute	(7)	96
Balance as at 31st March	**4,724**	**4,731**

Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of Council tax income in the CIES as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

	2016/17	2015/16
	£'000	£'000
Balance as at 1 April	**(3,970)**	**141**
Movement in year	(3,754)	(4,111)
Balance as at 31 March	**(7,724)**	**(3,970)**

Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2016. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

	2016/17	2015/16
	£'000	£'000
Balance as at 1 April	**4,205**	**5,282**
Settlement / cancellation of accrual made at the end of the preceding year	(4,205)	(5,282)
Amounts accrued at the end of the current year	7,591	4,205
Amount by which officer remuneration charged to the CIES on an accruals basis is different from charges in accordance with statute	3,386	(1,077)
Balance at 31 March	**7,591**	**4,205**

Revaluation reserve

The revaluation reserve contains the gains made by the Council since April 2007 arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation or disposed of and the gains are realised. The Revaluation Reserve includes the figures from the Single Entity only but excludes those from the Group Entity. This is an additional £79m as at 31 March 2017 (£73m at 31 March 2016).

	2016/17	2015/16
	£'000	£'000
Balance as at 1 April	**(371,377)**	**(220,916)**
Adjustment to opening balance	(1,447)	0
Upward revaluation of assets	(125,735)	(178,134)
Downward revaluation of assets and impairment losses not charged to SDPOS	19,906	17,905
Difference between fair value depreciation and historical cost depreciation	1,939	7,834
Revaluation balances on disposed assets	2,457	1,934
Balance as at 31 March	**(474,257)**	**(371,377)**

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account therefore represents amounts set aside to finance expenditure on fixed assets or for the repayment of external loans and certain other financing transactions.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains

	2016/17	2015/16
	£'000	£'000
Balance as at 1 April	(1,114,098)	(998,512)
Adjustment to opening balance	1,274	0
Reversal of items relating to capital expenditure debited or credited to CIES		
- charges for depreciation and impairment of NCA	93,656	39,630
- revaluation losses and reversals of losses on PF	(74,951)	(52,719)
- amortisation of intangible assets	1,611	733
- REFCUS	16,472	5,510
- amounts of NCA written off on disposal or sale as part of the gain/loss on disposal to CIES	15,640	11,368
	52,428	**4,522**
Adjusting amounts written out of Revaluation Reserve	(4,396)	(9,769)
Net written out amount of the cost of NCA consumed in the year	**48,032**	**(5,247)**
Capital financing applied in the year		
- Capital Receipts	(6,335)	(8,049)
- Major Repairs Reserve	(19,318)	(15,717)
- Capital Grants	(25,178)	(40,271)
- Revenue Contributions	(35,536)	(24,462)
- Minimum revenue provision	(2,833)	(13,211)
	(89,200)	**(101,710)**
Movements in the market value of Investment Properties debited or credited to CIES	(1,700)	(8,629)
Movements in donated assets credited to CIES	0	(4)
Other adjustments	36	4
Balance as at 31 March	**(1,155,656)**	**(1,114,098)**

Pension reserve

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

	2016/17	2015/16
	£'000	£'000
Balance as at 1 April	**529,238**	**645,460**
Remeasurements recognised in Other Comprehensive Income and Expenditure	43,660	(139,386)
Reversal of items relating to retirement benefits debited or credited to SDPOS	15,443	23,164
Balance as at 31 March	**588,341**	**529,238**

NOTES TO THE STATEMENTS

20. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

	2016/17	2015/16
	£'000	£'000
Interest received	545	533
Interest paid	(18,867)	(22,564)

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

	2016/17	2015/16
	£'000	£'000
Depreciation	36,668	39,273
Impairment and downward revaluations	(17,632)	(51,094)
Amortisation	1,611	733
Movement in creditors	6,492	(5,137)
Movement in debtors	(15,583)	9,436
Movement in inventories	(219)	151
Movement in pension liability	15,443	23,164
Carrying amount of non-current assets	15,640	11,368
Other non-cash items charged to SDPOS	(2,676)	(7,073)
Total	**39,744**	**20,821**
Adjustments for intra-group transactions	858	(23,809)
Homes For Haringey	8,015	(2,569)
Alexandra Park and Palace Charitable Trust	(750)	1,632
Group Total	**47,867**	**(3,925)**

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

Investing and financing activities	2016/17	2015/16
	£'000	£'000
Proceeds from investments	492	9,809
Proceeds from the sale of PPE, investment property and intangible assets	(25,431)	(21,107)
Capital grants credited to SDPOS	(28,012)	(50,041)
Total	**(52,951)**	**(61,339)**

21. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2016/17	2015/16
	£'000	£'000
Purchase of PPE, investment property and intangible assets	(99,538)	(102,636)
Purchase of investments	0	(82)
Proceeds from the sale of PPE, investment property and intangible assets	26,723	21,125
Capital grants and other investments received	38,503	49,718
Total	**(34,312)**	**(31,875)**

22. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

	2016/17	2015/16
	£'000	£'000
Cash receipts from borrowing	47,332	59,700
Other receipts from financing activities	11,889	909
Cash payments for the reduction of finance lease and PFI outstanding liabilities	(3,813)	(5,074)
Repayments of borrowing	(12,587)	(41,596)
Total	**42,821**	**13,939**

23. Members allowances

The total of Members' allowances paid in 2016/17 was £1.104 million compared to £1.105 million in 2015/16. These figures are included in the Corporate Democratic Core line of the CIES.

24. External audit costs

BDO are the Council's appointed auditor under the Local Audit and Accountability Act 2014. Fees payable in respect of the annual audit of the Statement of Accounts are indicated below. No non-audit services were provided to the Council by BDO during the year.

Several grant claims requiring external audit certification are carried out by Grant Thornton.

	2016/17	2015/16
	£'000	£'000
Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the year	245	239
Fees payable to Grant Thornton in respect of grant claims and other services provided during the year	16	31
Total	**261**	**270**

25. Pooled budgets

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

The Learning Disabilities partnership consists of Haringey Clinical Commissioning Group, Whittington Health and the Barnet, Enfield and Haringey Mental Health Trust for the provision of services for people with Learning Disabilities. The partnership spent £7.525 million in 2016/17 (£7.535 million in 2015/16) of which £5.726 million was met by the Council and £1.799 million by other partners (£5.779 million and £1.756 million respectively in 2015/16). The Council's share of transactions related to this pooled budget is included within the Adult Social Services line in the CIES.

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

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

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

The BCF partnership spent £19.176 million in 2016/17 (£17.317 million in 2015/16) of which £1.818 million was met by the Council and £17.538 million by Haringey CCG (£1.323 million and £15.994 million respectively in 2015/16).

In 2015/16 LBH contributed a voluntary amount into the BCF of £4.013 million.

26. Officers remuneration

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

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
		2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
		£	£	£	£	£	£	£	£	£	£
Chief Executive - Nick Walkley (to Feb 2017)	1	188,108	200,313	0	0	**188,108**	**200,313**	46,839	48,269	**234,947**	**248,582**
Interim Chief Executive - Zina Etheridge (from March 2017)	2	14,475	0	0	0	**14,475**	**0**	3,604	0	**18,079**	**0**
Deputy Chief Executive - Zina Etheridge (to 28 February 2017)	3	140,683	135,000	0	0	**140,683**	**135,000**	35,030	32,940	**175,713**	**167,940**
Chief Operating Officer - Tracie Evans		153,472	151,506	0	0	**153,472**	**151,506**	0	0	**153,472**	**151,506**

Notes
1 The annualised salary for 2016/17 is £191,300
2 The annualised salary for 2016/17 is £175,700
3 The annualised salary for 2016/17 is £153,500

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

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		**Remuneration (excluding employer pension contribution)**		Employer Pension Contribution		**Total Remuneration**	
		2016/17 £	2015/16 £	2016/17 £	2015/16 £	**2016/17 £**	**2015/16 £**	2016/17 £	2015/16 £	**2016/17 £**	**2015/16 £**
Director of Regeneration Planning and Development		148,843	138,881	0	0	**148,843**	**138,881**	37,019	32,735	**185,862**	**171,616**
Director of Children's Services		137,200	123,535	0	0	**137,200**	**123,535**	34,163	30,143	**171,363**	**153,678**
Director of Public Health		129,269	136,986	0	0	**129,269**	**136,986**	17,103	18,258	**146,372**	**155,244**
Director of Adult Social Services		125,891	123,038	0	0	**125,891**	**123,038**	31,424	30,097	**157,315**	**153,135**
Assistant Director Corporate Governance (Monitoring Officer)		105,122	104,097	0	0	**105,122**	**104,097**	26,175	24,844	**131,297**	**128,941**
Policy and Business Manager (to May 2016)		0	76,864	0	0	**0**	**76,864**	0	18,204	**0**	**95,068**
Assistant Director of Finance/CFO (until 8 November 2015)		0	66,064	0	97,303	**0**	**163,367**	0	184,079	**0**	**347,446**

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

2016/17	No of compulsory redundancies	No of other agreed departures	Total number	Total cost
£0 - £20,000	11	139	150	**1,382,107**
£20,001 - £40,000	16	67	83	**2,249,026**
£40,001 - £60,000	6	18	24	**1,124,974**
£60,001 - £80,000	6	7	13	**831,069**
£80,001 - £100,000	4	2	6	**529,876**
£100,001 - £150,000	1		1	**144,135**
£250,001 - £300,000				
	44	**233**	**277**	**6,261,187**

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

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

	2016/17	**2015/16**
	No. of employees	No. of employees
£50,000 - £54,999	268	280
£55,000 - £59,999	133	130
£60,000 - £64,999	71	71
£65,000 - £69,999	55	40
£70,000 - £74,999	35	38
£75,000 - £79,999	23	30
£80,000 - £84,999	27	14
£85,000 - £89,999	10	4
£90,000 - £94,999	7	6
£95,000 - £99,999	11	6
£100,000 - £104,999	4	6
£105,000 - £109,999	4	3
£110,000 - £114,999	4	3
£115,000 - £119,999	2	0
£120,000 - £124,999	1	4
£125,000 - £129,999	6	1
£130,000 - £134,999	0	1
£135,000 - £139,999	2	3
£140,000 - £144,999	1	0
£145,000 - £149,999	1	1
Total	**665**	**641**

27. Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17 incurring liabilities of £6.261 million in redundancy costs and payments to the pension fund (£4.530 million in 2015/16). Included in this amount is a provision of £1.169 million (£0.714 million in 2015/16) in respect of approved redundancies yet to be finalised.

28. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded by DSG, a specific grant provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget (ISB), which is divided into a budget share for each school. Details of the deployment of DSG receivable for 2016/17 are as follows.

	Central Expenditure	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2016/17 before Academy recoupment			**242,631**
Academy figure recouped for 2016/17			**53,244**
Total DSG after academy recoupment for 2016/17			**189,387**
Brought forward from 2015/16			**3,252**
Carry forward to 2017/18 agreed in advance			**(3,252)**
Agreed initial budget distribution in 2016/17	34,818	154,569	**189,387**
In year adjustments	0	0	**0**
Final budgeted distribution for 2016/17	**34,818**	**154,569**	**189,387**
Less actual central expenditure	35,270		**35,270**
Less actual ISB deployed to schools		154,569	**154,569**
Plus Council contribution for 2016/17	0	0	0
Carry forward to 2017/18	**(452)**	**0**	**2,800**

The final DSG for 2016/17 was reduced by £234k in July 2017 to take account of January 2017 census figures.

29. Grant income

The Council credited the following grants, contributions and donations to the CIES in 2016/17.

	2016/17	2015/16
	£'000	£'000
Credited to Services		
Benefit Subsidy	(259,734)	(268,605)
Dedicated Schools Grant	(189,387)	(188,407)
Local Taxation Admin Grants	(2,492)	(2,830)
Pupil Premium	(11,705)	(12,168)
Public Health	(21,313)	(19,336)
PFI Revenue	(5,669)	(5,669)
Universal Infant Free School Meals	(2,811)	(2,736)
Better Care Fund (Dept of Health via CCG)	(5,726)	(5,626)
Discretionary Housing Payments	(1,727)	(1,486)
Adult Learning Grant	(1,534)	(1,831)
16 + Grant	(4,528)	(4,899)
Tackling Troubled Families	(1,126)	(1,062)
Communities and Local Government grants	(1,186)	(2,594)
Department for Education grants	(1,250)	(1,087)
Home Office miscellaneous grants	(1,128)	(1,192)
Other miscellaneous revenue grants	(4,313)	(6,217)
Capital Grants treated as revenue	(3,955)	(5,691)
Other contributions and reimbursements	(13,902)	(18,498)
Total	**(533,486)**	**(549,934)**

	2016/17	2015/16
	£'000	£'000
Credited to Taxation and Non-Specific Income		
Business Rates - top-up	(55,220)	(54,763)
Revenue Support Grant	(50,988)	(64,061)
New Homes Bonus Grant	(6,897)	(4,497)
Education Services Grant	(2,785)	(3,066)
Business Rate and Retail Relief Grants	(1,863)	(2,617)
Local Services Support Grant	(6)	(54)
Other miscellaneous general grants	(5)	(18)
Council Tax Freeze Grant	0	(1,049)
Capital Grants	(24,058)	(40,578)
Donations	0	(4)
Total	**(141,822)**	**(170,707)**

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

	31/03/17	31/03/16
	£'000	£'000
Capital Grants and Contributions Received in Advance		
Planning Gains (S106 & S278)	(7,694)	(7,539)
Heritage Lottery Fund	0	(202)
Community Capacity Grant	0	(474)
Other	(841)	(830)
Total	**(8,535)**	**(9,045)**

	31/03/17	31/03/16
	£'000	£'000
Revenue Grants and Contributions Received in Advance		
Estate Regeneration	(2,371)	0
New Homes Bonus	(378)	(790)
DECC Heat Network Delivery Unit (HNDU)	(276)	(171)
Adult Learning Grant	(198)	0
Green Deal Communities Fund	(14)	(2,344)
Other grants received in advance	(110)	(58)
Total	**(3,347)**	**(3,363)**

30. Related Parties

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

<u>Central Government</u>

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, most of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in note 29 'Grant income'.

<u>Pooled Budgets</u>

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

Pension Fund

The pension fund accounts are set out elsewhere in the Statement of Accounts. The pension fund operates a separate bank account and makes investments separately from the Council. The Council owed the Pension Fund £0.858m as at 31 March 2017 and the Council charged the Fund £0.571 million for administration in 2016/17 (£1.475 million and £0.571 million respectively in 2015/16).

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

Both are wholly owned subsidiaries of Haringey Council and have been consolidated into the Council's Group Account. The net value of payments and receipts in 2016/17 were £61.9m and £8.5m respectively (£54.9 million and £5.6 million in 2015/16).

North London Waste Authority (NLWA)

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

Members and Senior Officers

Members of the Council including the Mayor have direct control over the Council's financial and operating policies. The total of members allowances paid in 2016/17 is shown in note 23. Members of the Council and senior officers participate in and are members of a variety of other public bodies and community groups either in a personal capacity or appointment by the Council.

In 2016/17 Haringey has provided financial support to, or purchased services from 17 charitable or voluntary organisations (18 in 2015/16) in which 25 members have declared an interest (25 in 2015/16). 15 of these instances were as a representative of the Council and 10 were in a personal capacity (16 and 9 respectively in 2015/16). In 2016/17 the total value of payments made was £1.761 million (£1.710 million in 2015/16) and the total value of receipts was £0.363 million (£0.397 million in 2015/16).

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

The Council has well established mechanisms and procedures for preventing undue influence in awarding of contracts or grant funding to organisations. Supporting these mechanisms is the disclosure of interests in the Register of Members' Interest which is open to public inspection at River Park House, 225 High Road, Wood Green, London N22 8HQ. This note has been compiled using this register and individual declarations made by elected members and senior officers. All members and current senior officers submitted declarations.

31. Capital expenditure and capital financing

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

	2016/17	2015/16
	£'000	£'000
Opening CFR	547,165	549,396
- Property, Plant and Equipment	94,102	88,887
- Investment Properties	3,374	9
- Intangible Assets	1,532	4,261
- REFCUS	16,472	6,110
- Assets acquired under finance leases	1,195	212
	116,675	**99,479**
Capital investment		
- Capital receipts	(6,335)	(8,050)
- Government grants and other contributions	(25,178)	(40,270)
- Major Repairs Allowance	(19,318)	(15,717)
- Direct revenue contributions	(35,536)	(24,462)
- Minimum Revenue Provision	(2,833)	(13,211)
Sources of finance	**(89,200)**	**(101,710)**
Closing CFR	**574,640**	**547,165**
Explanation of movements in year		
Increase / (decrease) in underlying need for supported borrowing	26,280	(2,443)
Assets acquired under finance leases	1,195	212
Increase / (decrease) in CFR	**27,475**	**(2,231)**

32. Leases

Authority as Lessee - Finance leases

The Council holds several assets under finance leases. The assets acquired under these leases are carried as investment property or property, plant and equipment in the Balance Sheet at the following net amounts.

	31/03/17	31/03/16
	£'000	£'000
Other Land and Buildings	4,422	7,629
Vehicles, Plant, Furniture and Equipment	3,284	3,940
Total	**7,706**	**11,569**

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

	31/03/17	31/03/16
	£'000	£'000
Finance lease liabilities (NPV of minimum lease payments)		
- current	1,043	1,220
- non-current	12,222	13,796
Finance costs payable in future years	22,133	23,258
Total	**35,398**	**38,274**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Less than one year	1,611	1,934	1,074	1,220
Between one and five years	4,357	5,693	2,771	3,445
Later than five years	29,429	30,647	9,597	10,351
Total	**35,397**	**38,274**	**13,442**	**15,016**

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

Authority as Lessee - Operating leases

The Council enters into operating lease agreements to acquire the use of plant, vehicles, equipment and computers. The future minimum lease payments due under non-cancellable leases in future years are as follows:

	31/03/17	31/03/16
	£'000	£'000
Not later than one year	981	656
Later than one year and not later than five years	3,033	2,579
Later than five years	2	552
Total	**4,016**	**3,787**

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

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

Authority as Lessor - Finance leases

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

Authority as Lessor - Operating leases

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

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

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

	31/03/17	31/03/16
	£'000	£'000
Not later than one year	1,496	1,723
Later than one year and not later than five years	5,040	5,372
Later than five years	28,829	29,993
Total	**35,365**	**37,088**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

33. Service Concession Arrangements

In 2000 the Council entered into a PFI contract that encompassed major building work and ongoing facilities management for its eight secondary schools. In February 2007, the agreement was suspended and all of the assets were brought back onto the Council's balance sheet. The remaining contract and liability that the Council has with the contractor is for the repayment of the outstanding liability of debt to cover the debt incurred when the original PFI works were first undertaken. This debt has also been recognised within the Council's Balance Sheet. The Council is required to repay this liability over the remaining period of the PFI arrangement which ends in September 2025.

The Council receives a £5.669 million revenue grant annually from the Government to assist in financing the PFI scheme. After payments to contractors to cover the repayment and interest costs of the outstanding liability and administration costs of £4.610 million (£4.252 million in 2015/16) a contribution to reserves was made of £1.059 million (£1.417 million in 2015/16).

Future payments to be made

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

	Payment for Services	Reimbursement of Capital Exp	Interest	Total
	£'000	£'000	£'000	**£'000**
Payable in 2017/18	153	2,662	1,409	**4,224**
Payable within 2 to 5 years	614	12,085	4,199	**16,898**
Payable within 6 to 10 years	537	12,726	1,522	**14,785**
Total	**1,304**	**27,473**	**7,130**	**35,907**

34. Pension schemes accounted for as defined contribution schemes

Teachers

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

In 2016/17 the Council paid £11.015 million (£10.391 million in 2015/16) to Teachers' Pensions in respect of teachers' pension costs which represented 16.48% of teachers' pensionable pay (the rate increased from 14.1% to 16.48% in August 2015). Expected contributions for 2017/18 are £11.2 million. The Council is responsible for additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 35.

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

The NHS pension scheme is an unfunded defined benefit scheme but is accounted for as if it were a defined contribution scheme. During 2016/17 the Council made employer contributions of £0.066 million to the NHS pension scheme which represents a 14.3% contribution rate (£0.079 million and 14.3% in 2015/16). Expected contributions for 2017/18 are £0.070 million.

35. Defined benefit pension schemes

Participation in the Local Government Pension Scheme (LGPS)

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

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

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

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement (added years) are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. Included within the present value of unfunded liabilities detailed in the following notes is £19.400 million (£18.854 million in 2015/16) in respect of Teachers unfunded pensions. At 31 January 2017, the Scheme had 1,193 members in respect of LGPS and 447 members in respect of Teachers unfunded pensions (1,263 and 480 respectively as at 31 January 2016).

Transactions relating to post-employment benefits

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

The following transactions have been made in the CIES:

	LGPS		Unfunded	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Cost of Services				
- current service cost	26,563	31,390	0	0
- past service cost	823	682	0	0
Total	**27,386**	**32,072**	**0**	**0**
Financing and Investment Income and Expenditure				
Total	**16,691**	**18,871**	**1,768**	**1,827**
Other Comprehensive Income and Expenditure				
- return on plan assets	(172,239)	17,045	0	0
- actuarial gains/losses (changes in financial assumptions)	259,473	(131,370)	5,811	(1,024)
- other	(46,594)	(20,610)	(2,832)	(3,427)
Total	**40,640**	**(134,935)**	**2,979**	**(4,451)**

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

	2016/17	2015/16
	£'000	£'000
Reversal of net IAS 19 charges	(45,845)	(52,770)
Actual amount charged for pensions in the year	30,402	29,606

Pensions assets and liabilities recognised in the Balance Sheet

	LGPS		Unfunded	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Present value of obligation	(1,588,538)	(1,339,206)	(53,359)	(52,461)
Fair value of plan assets	1,053,556	862,429	0	0
Net liability	**(534,982)**	**(476,777)**	**(53,359)**	**(52,461)**

	Single Entity		Group Amounts	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(1,641,897)	(1,391,667)	(1,803,250)	(1,548,646)
Fair value of plan assets	1,053,556	862,429	1,369,261	996,562
Net liability	**(588,341)**	**(529,238)**	**(433,989)**	**(552,084)**

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

Scheme Assets	LGPS		Unfunded	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Opening fair value	862,429	859,108	0	0
Interest income	29,972	27,380	0	0
Remeasurement gain / (loss)				
- the return on plan assets	172,239	(17,045)	0	0
Employer contributions	26,512	25,374	3,849	3,989
Contributions from employees into the scheme	6,995	6,970	0	0
Benefits paid	(44,591)	(39,358)	(3,849)	(3,989)
Closing fair value	**1,053,556**	**862,429**	**0**	**0**

Page 145

	Single Entity		Group Amounts	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	862,429	859,108	996,562	989,646
Interest income	29,972	27,380	34,709	31,586
Remeasurement gain / (loss)				
- the return on plan assets	172,239	(17,045)	192,096	(19,663)
Employer contributions	30,361	29,363	34,966	33,017
Contributions from employees into the scheme	6,995	6,970	8,193	7,988
Benefits paid	(48,440)	(43,347)	(51,482)	(46,012)
Closing fair value of scheme assets	**1,053,556**	**862,429**	**1,215,044**	**996,562**

Reconciliation of Present Value of Defined Benefit Obligation

Scheme Liabilities	LGPS		Unfunded	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,339,206)	(1,445,494)	(52,461)	(59,074)
Current service cost	(26,563)	(31,390)		
Past service cost	(823)	(682)		
Interest cost	(46,663)	(46,251)	(1,768)	(1,827)
Contributions from scheme participants	(6,995)	(6,970)	0	0
Remeasurement gain / (loss)				
- demographic	19,761	0	1,360	0
- financial assumptions	(259,473)	131,370	(5,811)	1,024
- other experience	26,833	20,853	1,472	3,427
Benefits paid	44,591	39,358	3,849	3,989
Balance as at 31st	**(1,588,538)**	**(1,339,206)**	**(53,359)**	**(52,461)**

	Single Entity		Group Amounts	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,391,667)	(1,504,568)	(1,548,646)	(1,671,478)
Current service cost	(26,563)	(31,390)	(31,192)	(35,903)
Past service cost	(823)	(682)	(1,032)	(692)
Interest cost	(48,431)	(48,078)	(53,970)	(53,461)
Contributions from scheme participants	(6,995)	(6,970)	(8,193)	(7,988)
Remeasurement gain / (loss)				
- demographic	21,121	0	23,439	0
- financial assumptions	(265,284)	132,394	(290,487)	149,543
- other experience changes	28,305	24,280	55,349	25,321
Benefits paid	48,440	43,347	51,482	46,012
Balance as at 31st	**(1,641,897)**	**(1,391,667)**	**(1,803,250)**	**(1,548,646)**

Analysis of Scheme Assets

2016/17 - Quoted Prices:	**Quoted - active markets**	**Not quoted - no active markets**	**Total**	**% of Total Assets**
	£'000	£'000	**£'000**	%
Cash and cash equivalents	26,673	0	**26,673**	3
Private equity	0	44,448	**44,448**	4
Debt securities	41,745	0	**41,745**	4
Real estate: UK property	0	76,744	**76,744**	8
Investment funds and unit transfers				
- equities	689,341	0	**689,341**	65
- bonds	151,770	0	**151,770**	14
- infrastructure	0	22,835	**22,835**	2
Sub-total	841,111	22,835	**863,946**	81
Total assets	**909,529**	**144,027**	**1,053,556**	**100**

2015/16	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	**£'000**	%
Cash and cash equivalents	8,066	0	**8,066**	1
Private equity	0	35,232	**35,232**	4
Debt securities	39,225	0	**39,225**	5
Real Estate				
- UK property	0	91,620	**91,620**	11
- Overseas property	0	448	**448**	0
Sub-total	0	92,068	92,068	11
Investment funds and unit transfers				
- equities	557,241	0	**557,241**	64
- bonds	119,923	0	**119,923**	14
- infrastructure	0	10,674	**10,674**	1
Sub-total	677,164	10,674	**687,838**	79
Total assets	**724,455**	**137,974**	**862,429**	**100**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Liabilities are discounted to their value at current prices using a discount rate of 2.5% (3.5% in 2014/15).

The Council's Pension Scheme liabilities as at 31 March 2017 have been assessed by Hymans Robertson, an independent firm of actuaries, and are projections based on data pertaining to the latest full valuation of the scheme as at 31 March 2016. There are risks and uncertainties associated with whatever assumptions are adopted as these are in effect projections of future investment returns and demographic experience many years into the future. The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute as described in the accounting policies note.

The significant assumptions used by the actuary are as follows.

	2016/17	2015/16
Mortality assumptions		
- Longevity at 65 for male current pensioners	21.8 years	21.9 years
- Longevity at 65 for female current pensioners	24.1 years	24.1 years
- Longevity at 65 for male future pensioners	23.8 years	24.2 years
- Longevity at 65 for female future pensioners	26.0 years	26.5 years
Rate of increase in salaries	3.0%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%

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

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

	Approximate increase to liability	Approximate value
	%	£'000
0.5% decrease in real discount rate	9	149,987
0.5% increase in salary increase rate	1	16,990
0.5% increase in pension increase	8	131,108

Investment Strategy

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

Impact on the Council's Cash Flows

The objectives of the scheme are to achieve and maintain full funding on an ongoing basis and to seek stability of employers' contributions. At its last triennial valuation, the Council and the Fund's actuary agreed a strategy designed to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

To mitigate the existing funding deficit, the Council anticipates paying contributions of £25.543 million for the period to 31 March 2018. The weighted average duration of the funded defined benefit obligation for scheme members is 17.0 years for 2016/17 and the previous year.

36. Contingent assets

The Council undertook a construction project to expand a local primary school. The construction was undertaken in three 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 considered may be the subject of a legitimate claim against the parties involved on the contract. Following a failed attempt to reach a settlement on the Council's losses arising out of the contract works, it issued a claim in the High Court for the value of those losses.

37. Contingent liabilities

Municipal Mutual Insurance Limited (MMIL)
MMIL ceased to write insurance business after 30 September 1992. After this date, a Scheme of Arrangement was entered, which meant that if the Company could no longer pay agreed claims in full, a percentage levy based on claims payments would be triggered. Haringey Council is one of 729 creditors of the MMIL Scheme of Arrangement. Following the Supreme Court judgement, which was handed down on 28 March 2012, in the Employers Liability Policy relating to mesothelioma claims, the levy was triggered. The percentage levy on claims payments is currently set at 25%; no further increases in the percentage levy have been required since 1 April 2016 but the Council will continue to monitor claims payments.

Lender Offer Borrower Offer (LOBO) Loans
The Council has £125 million of Lender Option Borrower Option loans (LOBOs), taken out between 2003 and 2006 and with terms of 40 to 60 years. Information on the Council's borrowings, including LOBO loans, is included in Notes 13 and 14. A number of local authorities, including this Council, have received objections from local electors as to the lawfulness of local authorities obtaining borrowings through LOBO loans. Whilst the LOBO loans held by this Council have not currently been found to be unlawful, there is ongoing analysis of LOBOs generally by councils affected, their auditor and specialist lawyers. The law in relation to this matter is complex and there is uncertainty as to what the consequences could be should a local authority have obtained borrowing through a LOBO that was found to be unlawful. In the event of a LOBO loan being found to be unlawful, restitutionary remedies may result in the outstanding balances on these loans having to be repaid in full to the lender and may result in additional costs resulting from losses incurred by the lender.

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

Thames Water
The Council entered into a contract in 2000, whereby it collected water charges from its tenants on behalf of Thames Water and was paid a commission. The High Court has found that a similar contract between LB Southwark and Thames Water is a contract for resale of water under which the recovery of commission is limited by law. The potential liability could be in excess of £5 million. The appeal of the High Court decision did not proceed, but the Council, with other Councils, is investigating other avenues of appeal.

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

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

38. Adjustments between group and single entity accounts

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

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

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

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

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

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

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

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

Homes for Haringey Ltd (Registered Company No. 05749092)

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

In April 2015 Move 51 Degrees North was established as a wholly owned subsidiary of Homes for Haringey Limited to deliver a private lettings and property management agency. Move 51 Degrees North ceased trading in March 2017.

NOTES TO THE STATEMENTS

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

	2016/17	2015/16 restated
	£000	£000
Turnover	(59,825)	(51,269)
*(Surplus) / Deficit for the year	1,208	2,817
Accumulated deficit	143	22,872

The accumulated deficit has been reduced by a pension surplus of £23.937 million (£22.525 million deficit in 2015/16).

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

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

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

The financial performance of the Trust is summarised below.

	2016/17	2015/16
	£000	£000
Turnover	(14,389)	(40,935)
(Surplus) / Deficit for the year	362	(25,613)
Accumulated (surplus) / deficit	(27,663)	(28,025)

In June 2015 the Heritage Lottery Board gave its approval to progress with the restoration of the East Wing of the Palace. During 2016-17 the appointed contractor progressed pre-construction and preliminary works, with full construction due to be completed in autumn 2018. The estimated total project cost is £26.7m to be funded by:

- A Heritage Lottery Fund grant (£18.9m)
- A grant from Haringey Council (£6.8m)
- APCT fundraising campaign (£1m)

In accordance with the Statement of Recommended Practice for Charities (SORP 2015), APPCT recognised this funding in 2015/16 and it forms part of their Restricted Reserves (unusable reserves in the Group statements).

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

HOUSING REVENUE ACCOUNT

31 March 2016	HRA Income & Expenditure Statement	31 March 2017	
£'000		£'000	£'000
	Expenditure		
22,462	Repairs and maintenance	22,435	
40,826	Supervision and management	38,228	
(824)	Rents, rates, taxes and other charges	1,210	
20,172	Depreciation and impairment of non-current assets	19,700	
(1,333)	Revaluation (gains) / losses	(27,935)	
22	Debt Management Costs	15	
(747)	Movement in the allowance for bad debts	964	
80,578	**Total Expenditure**		**54,617**
	Income		
(86,774)	Dwelling rents	(85,369)	
(372)	Non-dwelling rents	(639)	
(20,915)	Charges for services and facilities	(24,392)	
(2,505)	Contributions towards expenditure	(1,058)	
(110,566)	**Total Income**		**(111,458)**
(29,988)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(56,841)**
679	HRA service share of Corporate and Democratic Core		**777**
(29,309)	**Net (Income) / Cost for HRA Services**		**(56,064)**
	HRA share of operating income & expenditure included in the Comprehensive I&E Statement		
(15,553)	(Gain) or loss on sale of HRA non-current assets	(21,482)	
10,325	Interest payable and similar charges	9,542	
(3,364)	Interest and net investment income	(2,245)	
207	Net interest on the net defined benefit liability	110	
(23,041)	Capital grants and contributions receivable	(1,057)	
			(15,132)
(60,735)	**(Surplus) or deficit for the year on HRA services**		**(71,196)**

HOUSING REVENUE ACCOUNT

31st March 2016	Movement on the HRA Statement	31st March 2017	
£'000		£'000	£'000
(38,606)	**Balance on the HRA at the end of the previous year**		**(39,319)**
(60,735)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(71,195)
	Adjustments between accounting basis and funding basis under statute		
(189)	- Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	(129)	
21,932	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	23,964	
15,553	- Reversal of gain or (loss) on sale of HRA non-current assets	21,482	
(301)	- HRA share of contributions to or from the Pensions Reserve	(110)	
21,759	- Capital expenditure funded by the HRA	34,807	
18,130	- Transfer to/(from) Major Repairs Reserve	14,998	
(18,130)	- Transfer to/(from) Capital Adjustment Account	(14,998)	
58,754	Net (increase) or decrease before transfers to or from reserves		80,014
	Transfers to or (from) reserves		
1,268	- HRA Smoothing Reserve	331	
0	- Homes for Haringey Reserve	629	
			960
(713)	(Increase) or decrease in year on the HRA		9,778
(39,319)	**Balance on the HRA at the end of the year**		**(29,541)**

HOUSING REVENUE ACCOUNT

1. Vacant possession

As at 31 March 2017 the vacant possession value of dwellings within the HRA was £5,673 million (£4,869 million as at 31 March 2016). The difference of £4,255 million between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to Government of providing Council housing at less than open market rents, net of the impairment to the value of the Housing Stock.

2. Number and types of dwellings in the housing stock

	2016/17 No.	2015/16 No.
Hostels	127	127
Houses and bungalows	5,057	5,097
Flats and maisonettes	10,233	10,342
Affordable housing	6	0
Stock at 31 March	**15,423**	**15,566**

3. Value of assets held on the balance sheet

	2016/17	2015/16
Value of assets	£'000	£'000
Dwellings	1,418,138	1,217,162
Other land and buildings	9,120	8,335
Investment properties	26,810	26,708
Values at 31 March	**1,454,068**	**1,252,205**

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

HRA REFCUS for 2016/17 was £4.697 million (£2.269 million in 2015/16) and relates primarily to capital expenditure on improvement works to Council estates e.g. bin stores, play areas and signage.

5. Impairment charges and revaluation losses

The HRA was charged with £0.331 million of downward revaluations on investment properties during 2016/17 (£1.220 million in 2015/16).

6. Capital expenditure

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

	2016/17	2015/16
	£'000	£'000
Expenditure on dwellings	58,210	62,982
Funded by		
Usable capital receipts	2,085	0
Revenue contributions	34,807	21,759
Grants and contributions	2,000	25,506
Major Repairs Reserve	19,318	15,717
	58,210	**62,982**

7. Capital receipts

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

	2016/17	2015/16
	£'000	£'000
Dwellings	(21,697)	(15,501)
Land and other property	(224)	(727)
	(21,921)	**(16,228)**

Depreciation

	2016/17	2015/16
	£'000	£'000
Operational assets		
Dwellings	14,814	17,992
Other land and buildings	158	139
	14,972	**18,131**

8. Major repairs reserve

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

	2016/17	2015/16
	£'000	£'000
Balance at 1 April	**(5,081)**	**(2,668)**
Amount transferred to Major Repairs Reserve during financial year	(14,972)	(18,130)
Capital expenditure on dwellings during financial year	19,318	15,717
Balance at 31 March	**(735)**	**(5,081)**

9. Rent Arrears

The arrears as at 31 March 2017 are set out below.

	2016/17	2015/16
	£'000	£'000
Type of tenancy		
Permanent (including licences)	9,962	8,708
Temporary	738	689
Total arrears	10,700	9,397
Less Provision for bad and doubtful debts	(8,142)	(7,957)
Net Arrears	**2,558**	**1,440**

The average rent for permanent tenants was £104.76 per week in 2016/17, a decrease of £1.03 (-1.0%) over the 2015/16 average rent of £105.79 per week.

The total provision included in the Balance Sheet in respect of all HRA uncollectable debts is £8.430 million (£9.010 million as at 31 March 2016).

COLLECTION FUND

2015/16 Council Tax £000	NDR £000	Total £000		Note	2016/17 Council Tax £000	NDR £000	Total £000
			Amounts required by statute to be credited to the Collection Fund				
(112,736)	(63,081)	(175,817)	Council Tax & Business Rate Income (net of benefits, discounts and transitional relief)		(115,956)	(66,312)	(182,268)
	(1,435)	(1,435)	Income collectable in respect of Business Rate Supplements			(1,419)	(1,419)
	(15,131)	(15,131)	Contributions towards previous year's Collection Fund deficit			(9,298)	(9,298)
			Amounts required by statute to be debited to the Collection Fund				
			Precepts and demands from major preceptors and the Council				
83,862	19,305	103,167	- London Borough of Haringey		87,188	19,837	107,025
20,889	12,870	33,759	- Greater London Authority		19,920	13,224	33,144
	32,175	32,175	- Central Government			33,061	33,061
	32	32	Non-domestic rates transitional protection payments			368	368
	1,367	1,367	Business Rates Supplement - Payment to levying authorities revenue account			1,348	1,348
	6	6	Business Rates Supplement - Administration costs			5	5
	307	307	Charge to General Fund for allowable collection costs			306	306
1,291	6,652	7,943	- Allowance for impairment		1,228	(2,469)	(1,241)
4,182	-	4,182	Contribution towards previous year's estimated surplus - Council Tax		7,315	-	7,315
(2,512)	**(6,933)**	**(9,445)**	**Movement on fund balance**		**(305)**	**(11,349)**	**(11,654)**
(6,218)	17,060	10,842	Accumulated balance brought forward at 1 April	1	(8,730)	10,127	1,397
(8,730)	**10,127**	**1,397**	**Accumulated balance at 31 March**	**1**	**(9,035)**	**(1,222)**	**(10,257)**

COLLECTION FUND

1. Fund Balance

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

	Council Tax	Non-domestic Rates	Total
	£'000	£'000	£'000
As at 1st April 2016	(8,730)	10,127	1,397
Movement on fund balance	(305)	(11,349)	(11,654)
As at 31st March 2017	**(9,035)**	**(1,222)**	**(10,257)**

2. Income from Business Rates

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

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

(i) The small business multiplier was 48.4 pence (48.0 pence in 2015/16); and

(ii) The standard multiplier was 49.7 pence (49.3 pence in 2015/16).

The total business rateable value for the Council at 31 March 2017 was £164.556 million (£165.082 million in 2015/16) of which £48.181 million related to small businesses. The total rateable value reduced during 2016/17 largely due to the effect of successful appeals.

3. Council Tax

In 2016/17 the tax base for Haringey was 72,175 properties (70,810 in 2015/16) which was used to calculate the Band D Council Tax of £1,484.01 (£1,479.32 in 2015/16), sufficient to generate the income required to cover the net expenditure of the two authorities which precept on the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties after allowing for non-collection (the tax base).

Band	Ranges from	to	No. Of Chargeable Dwellings		Proportion	Band D Equivalent No.	
	£	£	**2016/17**	**2015/16**		**2016/17**	**2015/16**
A	up to	40,000	3,933	3,690	0.67	2,622	2,460
B	40,001	52,000	10,900	10,467	0.78	8,477	8,141
C	52,001	68,000	23,176	22,622	0.89	20,601	20,108
D	68,001	88,000	19,057	18,710	1.00	19,057	18,710
E	88,001	120,000	8,355	8,251	1.22	10,212	10,084
F	120,001	160,000	4,626	4,627	1.44	6,683	6,684
G	160,001	320,000	4,239	4,255	1.67	7,065	7,091
H	320,001	and above	629	630	2.00	1,257	1,259
			74,915	73,253		75,974	74,537
Collection rate after allowance for non-collection						95%	95%
Council Tax base used to calculate Band D						**72,175**	**70,810**

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

Opinion on the Pension Fund financial statements and arrangements for securing value for money

To be included at the conclusion of the audit

PENSION FUND

2016/17	Pension Fund Account	Note	2015/16
£000			£000
	Dealings with members, employers and others directly involved in the fund		
47,249	Contributions	7	43,851
2,839	Transfers in from other pension funds	8	1,741
50,088			45,592
(47,223)	Benefits	9	(44,321)
(3,662)	Payments to and on account of leavers	10	(3,790)
(50,885)			(48,111)
(797)	**Net withdrawals from dealings with members**		**(2,519)**
(4,646)	Management expenses	11	(4,415)
(5,443)	**Net withdrawals including fund management expenses**		**(6,934)**
	Returns on Investments:		
4,146	Investment Income	12	4,675
(4)	Taxes on income	13	(25)
262,508	Profit and losses on disposal of investments and changes in market value of investments	14a	3,206
266,650	**Net return on investments**		**7,856**
261,207	**Net increase in the net assets available for benefits during the year**		**922**
1,046,277	**Opening net assets of the scheme**		**1,045,355**
1,307,484	**Closing net assets of the scheme**		**1,046,277**

31/03/17	Net Asset Statement	Note	31/03/16 restated
£000			£000
	Long Term Investments		
150	London CIV	1	150
150			150
	Current Investments		
1,275,186	Investment assets	14	1,024,883
33,907	Cash deposits	14	20,694
1,309,093			1,045,577
1,488	Current assets	21	2,140
(3,247)	Current liabilities	22	(1,590)
1,307,484	**Net assets of the fund available to fund benefits at the period end**		**1,046,277**

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

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

Introduction

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

The financial statements have been prepared in accordance with the Public Service Pensions Act 2013 (as amended) and Local Government Pension Scheme Regulations and with the guidelines set out in the *Code of Practice on Local Authority Accounting in the UK 2016/17*, which is based on International Financial Reporting Standards as amended for the UK public sector. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Net Asset Statement sets out the assets and liabilities for the Fund as at 31st March 2017.

Investments and Statement of Investment Principles

The Pension Fund's investment strategy is formulated within the parameters of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

The strategy is set out in detail in the Investment Strategy Statement (ISS), (previously the Statement of Investment Principles), which is published in the Pension Fund Annual Report. The ISS is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with the Myners principles of investment. All investments are externally managed, with the exception of a small allocation of cash required for the payment of benefits, which is managed internally. The Fund awarded two new mandates in 2016/17, one to a long lease property fund to Aviva, and a renewable energy mandate to Blackrock and Copenhagen Investment Partners. Neither of these mandates were funded as at 31st March 2017

Fund administration and membership

At 31 March 2017, there were 6,167 (2016: 6,229) active fund memberships with employees contributing to the Fund and 7,508 (2016: 7,304) pensioner and dependent memberships with individuals receiving benefits. There were also 8,769 (2016: 8,519) deferred pensioner memberships. Some individuals have multiple memberships due to having had multiple contracts of employment with fund employers.

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

Transferee Admission Bodies:

- Cofely Workplace Limited
- Churchill Contract Services
- Fusion Lifestyle
- Urban Futures London Limited
- Veolia Environmental Services (UK) PLC
- Lunchtime UK Limited (nine school contracts)
- ABM (two school contracts)
- Caterlink (four school contracts)
- Absolutely Catering
- Cooperscroft Care Home
- Superclean Services
- ISS Catering
- K M Cleaning
- Tottenham UTC
- Amey Community Limited
- Pabulum (nine school contracts)
- Hillcrest Cleaning

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- Homes for Haringey
- College of Haringey, Enfield & North East London
- Greig City Academy
- Fortismere School
- Alexandra Park Academy
- Woodside Academy
- Eden Free School
- Harris Academy Coleraine
- Harris Academy Philip Lane
- AET Trinity Primary
- AET Noel Park
- Haringey 6th Form Centre
- St Paul's & All Hallows Infant Academy
- St Paul's & All Hallows Junior Academy
- St Michael's Academy
- St Ann CE Academy
- Holy Trinity CE Academy
- Heartlands High School
- St Thomas More RC Academy
- Brook House Primary
- Millbrook Primary School
- Harris Academy Tottenham
- The Octagon

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

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

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 above. The Fund's income is derived from employees, contributions from employing organisations and income from investments.

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board. Details of the individuals who served on the Pensions Committee and Board during 2016/17 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The Committee and Board consists of six elected Councillors and four employer and employee representatives, (two of which were vacant in 2016/17). Councillors are selected by their respective political groups and their appointment is confirmed at a meeting of the full Council. Councillors are not appointed for a fixed term but the membership is reviewed regularly, normally annually, by the political groups. The membership of the Committee and Board during the 2016/17 year was:

Cllr Clare Bull	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Mark Blake	-	Member
Cllr Gideon Bull	-	Member
Cllr Viv Ross	-	Member
Cllr Noah Tucker	-	Member
Randy Plowright	-	Employee representative
Keith Brown	-	Employer representative

Restatement of Long Term Investments

The 2015/16 accounts included the Fund's £150k equity investment in the London Collective Investment Vehicle (CIV) in the current assets section of the accounts. The 2015/16 net assets statement and relevant notes to the accounts have therefore been restated, to show this as a long term investment, not a current asset.

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. Significant accounting policies

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.

Transfers in and out

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

Investment income

Interest on cash and short term deposits is accounted for on an accruals basis. Distributions from equity and bond pooled funds are recognised on the date of payment. Distributions from property unit trusts are shown on an accruals basis by reference to the ex-dividend date. Income retained within pooled funds is accounted for as part of the change in the market value of investments posted to the fund account. Interest is recognised on an effective interest rate basis.

Benefits

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

Taxation

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

Management expenses

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

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

Financial assets and liabilities

Financial assets and liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the net assets statement on the date the fund became party to the contractual acquisition of the asset or party to the liability. From this date any gains or losses from changes in the fair value of the asset or liability are recognised by the Fund. See note 16 for further detail including the valuation methodology for different investments.

The value of these holdings is based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers adjusted for draw-downs paid and distributions received in the period from the date of the private equity financial statements to 31st March 2017. Infrastructure holdings are valued by third parties appointed by the fund manager using mark to market modelling.

The valuation of securities denominated in overseas currencies is calculated by using the overseas bid or mid price current at the year-end date and the exchange rate for the appropriate currency at the year-end to express the value as a sterling equivalent.

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

Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

Actuarial Present Value of Promised Retirement Benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and a roll forward approximation is applied in the intervening years. This is done in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26 and CIPFA guidance, the Fund has opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements, however a brief summary of this is also included as note 20 in these accounts.

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 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed within transfers-in.

Further details about the AVC arrangements are disclosed in note 23 to the financial statements.

4. Critical judgements in applying accounting policies

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

Private Equity valuations – the value of the Fund's private equity holdings is calculated by the General Partners of the fund using valuations provided by the underlying partnerships. The variety of valuation bases adopted and quality of management data of the underlying investments in the partnership means that there are inherent difficulties in determining the value of these investments. Given the long term nature of these investments, amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference may be material. Further detail is given in note 16.

Actuarial present value of promised retirement benefits – the liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The liability is calculated by the Fund's qualified Actuary on a three yearly basis with annual updates in the intervening years. The three yearly triennial valuation provides the basis for setting employer contributions for the following three year period. The Actuary has advised that this has provided a reasonable estimate of the actuarial present value of promised retirement benefits. Further detail is given in Annex 1 to these accounts.

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

Items	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: - 0.5% increase in the discount rate would result in a decrease in the pension liability of £180m (10%) - 0.5% increase in assumed earnings would increase the value of the liabilities by approximately £32m (2%) - 0.5% increase in assumed pension earnings inflation would increase the value of liabilities by approximately £145m (8%)
Private Equity	Private Equity investments are valued at fair value in accordance with international Private Equity and Venture Capital Guidelines. These assets are not publicly listed, and as such there is a degree of estimation.	The total private equity investments in the financial statements are £54m. There is a risk that this may be over or understated: however, the private equity invesmtents only represent 4% of overall assets. Further detail is shown in Note 16 regarding the sensitivity of this valuation.

6. Events after the reporting date

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

7. Contributions receivable

2016/17		2015/16
£000	**By category**	£000
9,341	Employee contributions	9,122
	Employer contributions	
25,469	- Normal contributions	24,224
10,494	- Deficit recovery contributions	9,014
1,945	- Augmentation contributions	1,491
37,908	Total employers' contributions	34,729
47,249	**Total**	**43,851**

2016/17		2015/16
£000	**By authority**	£000
34,036	- Administering authority	32,249
11,301	- Scheduled bodies	9,705
1,913	- Admitted bodies	1,897
47,249	**Total**	**43,851**

8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2016/17 of £2.839 million (£1.741 million in 2015/16) and these all related to individuals.

9. Benefits payable

2016/17		2015/16
£000	**By category**	£000
37,195	- Pensions	36,387
8,040	- Commutation and lump sum retirement benefits	7,107
1,989	- Lump sum death benefits	827
47,223	**Total**	**44,321**

2016/17		2015/16
£000	**By authority**	£000
42,192	- Administering authority	39,585
3,904	- Scheduled bodies	3,480
1,127	- Admitted bodies	1,256
47,223	**Total**	**44,321**

10. Payments to and on account of leavers

2016/17		2015/16
£000		£000
87	Refunds to members leaving service	73
3,575	Individual transfers	3,717
3,662	**Total**	**3,790**

11. Management expenses

2016/17		2015/16
£000		£000
865	Administrative costs	722
3,493	Investment management expenses	3,325
288	Oversight and governance costs	368
4,646	**Total**	**4,415**

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

CIPFA guidance. The oversight and governance costs category includes £21k for external audit fees in 2016/17 (£21k in 2015/16).

2016/17		2015/16
£000		£000
3,237	Management Fees	2,927
0	Performance Related Fees	0
57	Custody fees	78
199	Transaction Fees	320
3,493	**Total**	**3,325**

12. Investment income

2016/17		2015/16
£000		£000
4,113	Pooled investments - unit trusts and other managed funds	4,654
33	Interest on cash deposits	21
4,146	**Total**	**4,675**

12a. Property income

Property income from the Fund's pooled property funds is included in the above figures and totals £3.768 million in 2016/17 (£4.252 million in 2015/16). The Fund does not directly own property, and no contingent rents were recognised as income during the period.

13. Taxes on income

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

14. Investments

14a. Reconciliation of movements in investment assets and liabilities

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

2016/17	Value at 1st April 2016	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2017
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,022,300	13,310	(22,832)	262,371	1,275,149
Cash deposits	20,694	63,364	(50,292)	141	33,907
Other investment assets	2,583	5	(2,547)	(4)	37
Total	**1,045,577**	**76,679**	**(75,671)**	**262,508**	**1,309,093**

Page 167

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

14b. Analysis of investments

31/03/2017	By category	31/03/2016
£000		£000
	Pooled Investment Vehicles	
90,876	Unit Trusts - Property - UK	103,149
329,747	Unitised Insurance Policies - UK	310,647
721,999	Unitised Insurance Policies - Overseas	499,971
0	Other managed funds - Property - Overseas	420
27,819	Other managed funds - Other - UK	21,611
50,467	Other managed funds - Other - Overseas	46,531
54,278	Private Equity	42,554
1,275,186		**1,024,883**
	Cash Deposits	
29,771	Sterling	19,393
4,136	Foreign Currency	1,301
33,907		**20,694**
1,309,093	**Total Investments**	**1,045,577**

14c. Analysis by Fund Managers

31/03/2017		By fund manager	31/03/2016	
£000	%		£000	%
5	0.00	Capital International	9	0.0
1,051,745	80.3	Legal and General	810,619	77.5
113,023	8.6	CBRE Global Investors	111,024	10.6
27,814	2.1	Allianz Global Investors	21,621	2.1
50,467	3.9	CQS	46,529	4.5
58,424	4.5	Pantheon	44,110	4.2
7,615	0.6	In house cash deposits	11,665	1.1
1,309,093	**100.0**	**Total**	**1,045,577**	**100.0**

The managed funds in which the Scheme has invested are all operated or managed by companies registered in the United Kingdom. The following investments represent more than 5% of the net assets of the scheme.

31/03/2017		Name of holding	31/03/2016	
£000	%		£000	%
138,965	11%	Legal & General World Emerging Equity Index	102,915	9.8
151,526	12%	Legal & General UK Equities Index	160,204	15.3
222,584	17%	Legal & General North American Equities	240,793	23.0
74,404	6%	Legal & General European (ex UK) Equities	79,217	7.6
183,837	14%	Legal & General Index Linked Gilts	150,733	14.4
214,432	16%	Legal & General Low Carbon Index	0	0.0

Page 168

15. Analysis of derivatives

The Fund does not hold any derivatives at 31 March 2017.

16. Fair Value Hierarchy

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

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

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

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Equity	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period. The Market approach may be used in some circumstances for the valuation of underlying assets by the fund manager.	Cashflow transations, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets, which may include market approach valuations: taking into account actual observed transations for the underlying assets or similar assets to help value the assets of each partnership.	Valuations could be affected by material events between the date of the financial statements provided and the pension fund's own reporting date, and by differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data, current market trends and information received regarding the valuation techniques of the fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2017	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	90,845	92,662	89,028
Private Equity	5%	54,278	56,992	51,564
		145,123	**149,654**	**140,592**

16a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. Criteria utilised in the instrument classifications are detailed below.

Level 1

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

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

Level 2

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

Level 3

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

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. The figures below do not include the cash holdings of the fund.

Values as at 31/03/17	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	37	1,130,026	145,123	1,275,186
Total	**37**	**1,130,026**	**145,123**	**1,275,186**

Values as at 31/03/16 restated	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	2,581	878,760	143,542	1,024,883
Total	**2,581**	**878,760**	**143,542**	**1,024,883**

The figures for level 2 and level 3 investments have been restated from 2015/16 to show £29.286m of pooled property fund investments as level 3 investments rather than level 2 investments. In the 2015/16 accounts the £2.581m assets at level 1 was shown as 'Loans and receivables' rather than 'Financial assets at fair value through profit and loss': this is now shown as 'Financial assets through profit and loss'.

16b. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

16c. Reconciliation of fair value measurements within level 3

2016/17	Value at 1st April 2016 restated	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2017
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	100,988	2,000	(9,791)	(2,275)	(77)	90,845
Private Equity	42,554	9,106	(8,959)	10,404	1,173	54,278
Total	**143,542**	**11,106**	**(18,750)**	**8,129**	**1,096**	**145,123**

The value of pooled UK property unit trusts as at 1st April 2016 has been restated from the previous year, as £29.286m of pooled UK property trust holdings were disclosed as level 2 investments as at 31st March 2016. The fund has taken the view that all of the pooled property holdings should be recognised as a Level 3 investments.

17. Financial Instruments

17a. Classification of financial instruments

The majority of the Fund's financial assets and liabilities are classified as "fair value through profit and loss". This means that the assets can be exchanged between parties at a market price. The Accounting Policies describe how fair value is measured. Assets which have fixed payments and are not quoted in an active market are classified as "Loans and Receivables". The only financial assets in this class held by the Fund are cash deposits and debtors. Creditors to the Fund are

Page 172

classified as financial liabilities at amortised cost because they are not held for trading.

The 2015/16 accounts included the Fund's £150k equity investment in the London Collective Investment Vehicle (CIV) in 'Loans and Receivables' section of this note, this is now shown as a long term investment below.

31/03/2017 Fair Value	Name of holding	31/03/2016 Fair Value restated
£000		£000
	Long Term Investments	
150	- London CIV	150
150		**150**
	Financial assets at fair value through profit or loss	
1,275,149	- Pooled investment vehicles	1,022,302
37	- Other investment balances	2,581
1,275,186		**1,024,883**
	Loans and receivables	
33,907	- Cash deposits	20,694
1,488	- Debtors	2,140
35,395		**22,984**
	Financial liabilities at amortised cost	
(2,736)	- Creditors	(1,467)
(511)	- Cash overdrawn	(123)
(3,247)		**(1,590)**
1,307,484	**Net Assets**	**1,046,277**

The fair values shown above are the same as the carrying value for each line.

17b. Net gains and losses on financial instruments

2016/17		2015/16
£000		£000
	Financial Assets	
262,513	Fair value through profit or loss	1,305
(4)	Loans and receivables	1,901
262,509		3,206

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

18. Nature and extent of risks arising from Financial Instruments

The Pension Fund's investment objective is to achieve a return on Fund assets, which is sufficient, over the long term, to fully meet the cost of benefits and to ensure stability of employer's contribution rates. Achieving the investment objectives requires a high allocation to growth assets in order to improve the funding level, although this leads to a potential higher volatility of future funding levels and therefore contribution rates.

a) Management of risk

The Pension Fund is invested in a range of different types of asset – equities, bonds, property, private equity and cash. This is done in line with the Local Government Pension Scheme Management and Investment of Funds Regulations 2016, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of

Page 173

risk. The latest version is attached to the Pension Fund Annual Report and Accounts.

The majority of the Pension Fund's assets are managed by external fund managers and they are required to provide an audited internal controls report regularly to the Council which sets out how they ensure the Fund's assets are safeguarded against loss and misstatement.

The listed equity and index linked portfolios held within pooled investment vehicles, representing 67.5% of the fund's investment strategy (this mandate is currently overweight in actual terms as newer investment mandates are funded from the passive portfolios), are managed on a passive basis to minimise the volatility of returns compared with market indices and to reduce the fees and governance requirements.

b) Market price risk

The key risk for the Pension Fund is market risk, which is the risk that the values of the investments fluctuate due to changes in market prices. The majority of the Fund is invested in pooled funds with underlying assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years.

As at 31/03/2017	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	145,910	13.2	165,214	126,606
Overseas equities	721,999	17.4	847,696	596,301
UK bonds	183,837	11.4	204,715	162,959
Cash	33,907	0.0	33,907	33,907
Property	90,876	5.5	95,836	85,917
Alternatives	132,564	5.3	139,565	125,563
Total Assets	**1,309,093**		**1,486,933**	**1,131,252**

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

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. Eight (2015/16: five) investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. No funds had been invested with the three new fund managers appointed in 2016/17 as at 31st March 2017. In addition to diversification, parameters have been set for the investment managers to work within to ensure that the risk of volatility and deviation from the benchmark are within controlled levels.

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

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 61% of the Fund value on 31st March 2017, equivalent to £793 million (2015/16: £509 million). These arise from passive pooled equities, private equity, property and cash. Foreign currency exposures were not hedged in 2016/17.

The main non-sterling currency exposures at 31st March 2017 was the US dollar. Other major exposures were the Euro, and Asian and emerging market countries.

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The Fund acknowledges that adverse foreign currency movements relative to Sterling can reduce the value of the fund's investment portfolio. The table below demonstrates the potential value of the fund's investments based on positive or adverse currency movements by 10%.

As at 31/03/2017	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	721,999	10.0	794,198	649,799
Multi-sector credit	50,467	10.0	55,514	45,420
Private equity	16,116	10.0	17,727	14,504
Cash	4,136	10.0	4,550	3,723
Total Assets	**792,718**	**10.0**	**871,989**	**713,446**

As at 31/03/2016	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	499,971	10.0	549,969	449,975
Overseas property	420	10.0	462	378
Private equity	6,904	10.0	7,594	6,214
Cash	1,301	10.0	1,431	1,171
Total Assets	**508,596**	**10.0**	**559,456**	**457,736**

The cash balances managed internally are only permitted to be in sterling.

d) Interest Rate risk

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

	Interest earned 2016/17	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	33	127	(61)
Total	**33**	**127**	**(61)**

	Interest earned 2015/16	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	68	160	0
Total	**68**	**160**	**0**

e) Credit risk and counterparty risk

Credit risk is the risk a counterparty fails to fulfil a transaction it

Page 175

has committed to entering into. This risk is particularly relevant to the Council's non-sovereign bonds (including those held in pooled funds) and cash investments.

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table below shows the split of the bond investments by credit rating at 31st March 2017 and 31st March 2016. The majority of bonds (2017: £184 million, 2016 £197m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

	Market value 31/03/2017	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	183,837	79	0	1	20
Total / Weighted Average	**183,837**	**79**	**0**	**1**	**20**

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

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

31/03/2017			31/03/2016	
Exposure	Credit rating		Exposure	Credit rating
£000			£000	
26,292	AA-	Northern Trust	9,029	AA-
7,615	AAAm	Money Market Funds	11,665	AAAm
33,907			**20,694**	

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

f) Liquidity risk

Liquidity risk is the risk that monies are not available to meet the Pension Fund's obligation to pay pension benefits on time. Maintaining a level of internally managed cash balances enables the Pension Fund to ensure liquidity is not an issue. All of the internally managed cash held on 31st March 2017 was in money market funds and bank accounts with the main bank or custodian, ensuring cash is available as required. Monitoring of the cashflow position daily assists with maintaining this position.

The majority of the Council's non cash investments are in pooled funds whose underlying holdings are listed equities or bonds. These funds have regular (at least monthly) trade dates, which ensure it is possible to realise the investments easily if necessary.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2016. The next valuation will take place as at 31st March 2019.

The key elements of the funding policy are:

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

The market value of the Fund at the time of the last triennial valuation as at 31st March 2016 was £1,046 million. Against this sum liabilities were identified of £1,323 million equivalent to a funding deficit of £277 million. The movement in the actuarial deficit between 2013 and the last valuation in 2016 is analysed below:

Reason for change	£m
Interest on deficit	(53)
Contributions greater than cost of accrual	13
Investment returns higher than expected	67
Change in demographic assumptions	6
Change in base mortality assumptions	17
Actual membership higher than expected	57
Experience items	1
Change in financial assumptions	(17)
Total	**91**

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

At the 2016 actuarial valuation, the fund was assessed as 79% funded (70% at the 31st March 2013 valuation). This corresponds to a deficit of £277m (2013 valuation: £369m) at that time.

Contribution increases were phased in over the three-year period ending 31 March 2017 for both scheme employers and admitted bodies. The actuary agreed that the Council's contribution rate could increase by 1.5% over a three year period from April 2017, from 24.9% of pensionable salaries to

26.4% in March 2019. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit.

Individual employer's rates will vary depending on the demographic and actuarial factors particular to each employer in the Fund. Full details of contribution rates payable can be found in the 2016 actuarial valuation report.

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

Future assumed rates as at 31st March 2016	%
Discount rate (annual nominal return rate)	4.0
Pay increase (annual change)	2.8
Pay increase - Pension (annual change)	2.1
Retail Price Index (RPI)	3.3

*An allowance is also made for promotional pay increases.

20. Actuarial present value of promised retirement benefits

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

31/03/17		31/03/16
£m		£m
(1,849)	Present Value of promised retirement benefits	(1,591)
1,307	Fair Value of scheme assets	1,046
(542)	**Net Liability**	**(545)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Please see Annex 1 to these accounts for more information.

21. Current assets

The current assets figures have been restated for 31/03/16 to take account of the £150k long term investment in the London CIV: this had been included as a sundry debtor and public corporation or trading fund in the below notes.

31/03/17		31/03/16
£000		£000
	Debtors	
89	- Contributions due - employees	105
1,351	- Contributions due - employers	1,830
48	- Sundry debtors	205
1,488	**Total**	**2,140**

The below is an analysis of debtors.

31/03/17		31/03/16
£000		£000
48	Central government bodies	32
165	Public corporations and trading funds	83
1,275	Other entities and individuals	2,025
1,488	**Total**	**2,140**

22. Current liabilities

31/03/17		31/03/16
£000		£000
(1,260)	Sundry creditors	(1,313)
(1,476)	Benefits payable	(154)
(511)	Bank overdraft	(123)
(3,247)	**Total**	**(1,590)**

The below is an analysis of creditors.

31/03/17		31/03/16
£000		£000
(92)	Other local authorities	(154)
(745)	Public corporations and trading funds	(731)
(2,410)	Other entities and individuals	(705)
(3,247)	**Total**	**(1,590)**

23. Additional Voluntary Contributions ("AVCs")

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

Movements by provider are summarised below:

31/03/2017	Equitable Life Assurance Society	31/03/2016
£000		£000
257	Value as at 6 April	344
0	Contributions received	2
(30)	Retirement benefits and changes	(89)
19	Changes in market value	0
246	**Value as at 5 April**	**257**
121	Equitable with profits	138
0	Equitable with deposit account fund	46
126	Equitable unit linked	73
246	**Total**	**257**
2	Number of active members	2
32	Number of members with preserved benefits	35

31/03/2017	Prudential Assurance	31/03/2016
£000		£000
754	Value as at 1 April	846
213	Contributions received	136
(281)	Retirement benefits and changes	(273)
35	Changes in market value	45
721	**Value as at 31 March**	**754**
483	Prudential with profits cash accumulation	466
85	Prudential deposit fund	87
153	Prudential unit linked	201
721	**Total**	**754**
73	Number of active members	77
23	Number of members with preserved benefits	26

31/03/2017	Clerical and Medical	31/03/2016
£000		£000
42	Value as at 1 April	41
2	Contributions received	2
5	Changes in market value	(1)
49	**Value as at 31 March**	**42**
6	Clerical Medical with profits	6
43	Clerical Medical unit linked	36
49	**Total**	**42**
2	Number of active members	2
3	Number of members with preserved benefits	3

24. Agency Services

There were no agency services provided by the fund in the year.

25. Related party transactions

Haringey Council

In 2016/17 the Pension Fund paid £0.571 million to the Council for administration and legal services (£0.571 million in 2015/16). As at 31st March 2017 an amount of £0.858 million was due from the Council to the Fund (£1.475 million in 2015/16).

Governance

During 2016/17 no Council members who served on the Pensions Committee and Board were also members of the Pension Fund. One of the employer and employee representatives for the Committee and Board was a fund member. Committee and Board members are required to declare their interests at the beginning of each Committee meeting and as necessary during the discussion of individual items of business at Committee meetings if it becomes clear that a conflict of interest has arisen.

Key Management Personnel

The key management personnel for the fund is the Section 151 Officer for Haringey Council. The Council does not recharge the pension fund for this officer’s costs. More details regarding the remuneration for this post can be found in the Council’s statement of accounts.

26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £122.7

million (£50.4 million with Pantheon – Private Equity, £21.8 million with Allianz – Infrastructure debt, £0.5 million with CBRE Property and £50m with Aviva Property at 31st March 2017 (2016: £81.5 million). The commitments relate to outstanding call payments due in relation to the private equity and property and infrastructure debt portfolios.

27. Contingent assets

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

Annex 1 to the Financial Statements

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund ("the Fund").

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

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

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

Present value of promised retirement benefits

Present value of Promised Retirement Benefits	Year ended 31/03/2017	Year ended 31/03/2016
Active members	666	719
Deferred pensioners	515	371
Pensioners	618	501
Total	**1,849**	**1,591**

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £265m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £34m.

Financial assumptions

Year ended	31 Mar 2017 % p.a.	31 Mar 2016 % p.a.
Inflation/Pensions Increase Rate	2.4	2.2
Salary Increase Rate	3.0	4.2
Discount Rate	2.6	3.5

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.8 years	24.1 years
Future Pensioners*	23.8 years	26.0 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

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

Sensitivity Analysis

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

Change in assumptions for the year ended 31 March 2016	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	10	180
0.5% increase in salary increase rate	2	32
0.5% increase in pensions increase rate	8	145

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2017 for accounting purposes'. The covering report identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Douglas Green FFA

27 April 2017

For and on behalf of Hymans Robertson LLP

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Governance Statement 2016/17

1. Scope of responsibility

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

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

1.3 The authority has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Haringey Council's local code of corporate governance is published on the Council's website and a copy can be obtained from the Council's Monitoring Officer. This statement explains the Council's commitments as part of the Local Code of Corporate Governance, together with how it gets assurance that these commitments are in place and effective; it also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to the publication of an Annual Governance Statement.

2. The purpose of the governance framework

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

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

2.3 The governance framework has been in place at Haringey for the year ended 31st March 2017 and up to the date of the approval of the annual report and accounts.

Documentation demonstrating compliance with the governance principles
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Behaving with Integrity

a) The Council's Member Code of Conduct (July 2014) requires members to declare interests; applies to Members and co-opted voting members on election or appointment. Published on the internet: http://www.haringey.gov.uk/sites/haringeygovuk/files/lbh_constitution_part_5_section_a_-_part_1__0.pdf

b) Induction is provided for all new Members when they are elected on expected standards of behaviour.

c) Officer Code of Conduct (February 2012). Published on the internal website. Code requires officers to declare all potential conflicts of interests and is provided to all new employees. Regular reminders are issued via internal staff newsletters on expected standards of behaviour.

d) Haringey Values updated in 2015 (Human, Ambitious, Accountable, and Professional). Published on the internal website and internet: http://www.haringey.gov.uk/local-democracy/our-standards

e) Decision making practices for member decisions follow legal and transparency requirements. Officer decisions are also recorded and published on Modern.gov: http://www.minutes.haringey.gov.uk/mgDelegatedDecisions.aspx?DS=2&bcr=1

f) Register of interests and gifts and hospitality for members/co-optees checked on election/appointment. Minutes show declarations of interest sought and appropriate declarations made for each meeting. http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests

g) Requirement for all new staff to complete Register of Interests declaration. Senior managers are required to complete a new form every two years; staff should complete a new form as/when circumstances change. Gifts and hospitality for members are recorded with their declarations of interests and are published on the website: http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests For officers, declaration forms are retained in Human Resources.

h) Standard report format requires report authors to state how their proposal meets the corporate objectives and priorities. Report authors must also provide reasoning and evidence for proposals, so that the basis for decisions is clear and include statutory officer's advice, including legal and finance advice. Training for report authors on writing clear, logical and objective reports was provided for officers in 2016/17 and standard templates are held on the internal website.

Documentation demonstrating compliance with the governance principles
i) Anti-fraud and corruption policies are in place, including the Whistle blowing policy (July 2015). The Head of Audit and Risk Management reports on actions, effectiveness and outcomes (and use of the whistle blowing policy) to Corporate Committee and provides awareness presentations to Corporate Management Group. Copies of the policies are on the internet: http://www.haringey.gov.uk/sites/haringeygovuk/files/anti-fraud_and_corruption_policy_july_2015_-_appendix_2_whistleblowing_policy.pdf http://www.haringey.gov.uk/sites/haringeygovuk/files/anti-fraud_and_corruption_policy_july_2015.pdf k) Corporate and service specific complaints policies are in place and published on the website. Level of complaints upheld at Stage 1 and 2 is monitored and reported regularly to the Council's Statutory Officers Group (latest report 18/10/16). Following the transfer of Feedback and Information Governance (FIG) Team to the Shared Service Centre (SSC) there has been an overhaul of reporting with an emphasis on learning from complaints. More information is being published and made easily accessible to customers – as part of this we are also conducting a review of the Publication Scheme. Training sessions have been developed looking at examples of best practice in responses and getting it right first time. http://www.haringey.gov.uk/contact/council-feedback/complaints-about-council l) Local Code of Corporate Governance (2013) in place and is published on the website: http://www.haringey.gov.uk/local-democracy/our-standards **<u>Demonstrating strong commitment to ethical values</u>** m) The Standards Committee, along with the Council's Monitoring Officer, establishes monitors and maintains the organisation's ethical standards and performance, reporting to full Council as necessary. The committee deals with allegations of breaches of the Member Code and issue (or require Groups to issue) reminders/advice notes to Members where issues of conduct cause concern. http://www.haringey.gov.uk/local-democracy/our-standards/standards-committee n) The Council is incorporating the Social Value Act requirements into all procurement and contracts; including a standard clause referring to 'PREVENT' in all contracts, as well as safeguarding and health and safety. The Council has various human resources policies and procedures in place; a process to review these was agreed by Staffing and Remuneration Committee in 2016/17: http://www.minutes.haringey.gov.uk/documents/s85741/SR_HR-Policy-Clustering%20JMcG.pdf o) The Council encourages external providers of services to act with integrity and in compliance with high ethical standards expected by the organisation in information sharing; http://www.haringey.gov.uk/community/community-safety-and-engagement/crime-and-disorder-information-sharing-protocol

Documentation demonstrating compliance with the governance principles
http://www.haringey.gov.uk/sites/haringeygovuk/files/safeguarding-adults-multi-agency-isp-2013.pdf In procurement: http://www.haringey.gov.uk/business/selling-council/council-contracts **Respecting the rule of law** p) Statutory officers are appointed by full Council. Their discipline/dismissals are dealt with in line with legal requirements that take account of the need to fulfil their responsibilities in accordance with legislative and regulatory requirements. q) The Council optimises the powers available for the benefit of citizens, communities and other stakeholders. Decisions are taken by Cabinet or full Council and examples in 2016/17 include Tottenham Hale regeneration, the ADA digital skills college, Marcus Garvey Library, and the Council development vehicle. r) Breaches of law/financial regulations can be the subject of a report to full Council by the relevant statutory officer. No statutory officer reports have been required in 2016/17. s) Statutory officers are available at meetings of the Council/Cabinet to advise and ensure law and regulations are not breached. The Council Constitution is reviewed and updated regularly and published on the internet: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution
B. Ensuring openness and comprehensive stakeholder engagement
Openness/ Implementing good practice in transparency a) The Council Publication Scheme sets out information available to view or download including under the requirements of the Transparency Code 2015. http://www.haringey.gov.uk/local-democracy/publications/publication-scheme b) Member decisions are rarely taken in the private (Part 2) section of meetings. One decision was has been taken in Part 2 in 2016/17, with five reports relating to procurement having part 2 appendices covering the commercially confidential information. Member delegated decisions are also taken at meetings advertised and open to the public. The constitution allows for deputations and petitions and a call in procedure for cabinet key decisions is in place. The local and statutory requirements are set out in the Council Constitution: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution

Documentation demonstrating compliance with the governance principles

c) The Council carries out consultation on a regular basis with stakeholders. It has a consultation co-ordinator and a consultation charter and toolkit on its internal website. All consultations require a consultation plan which is posted on the consultation e-plan on the internet. http://www.haringey.gov.uk/local-democracy/have-your-say-haringey. http://www.haringey.gov.uk/local-democracy/have-your-say-haringey/our-commitments-you
http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18/your-haringey-your-future
The Council publishes ‘Performance Wheels’ on Corporate Plan objectives and outcomes on the website; feedback on our performance is encouraged through this route: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance

<u>Engaging comprehensively with institutional stakeholders</u>

d) A new Partnership with the community sector was approved in December 2015 designed to forge stronger relationships with the local voluntary sector, working with the Moracle Foundation to improve the strength of the voluntary sector, enabling it to attract more funding and investment to support local communities. Co-production is being widely used across the Council’s Corporate Plan Priority 2 to redesign services and deliver outcomes; the processes encompass full engagement with stakeholders and service users.

e) Formal and informal partnerships allow for resources to be used more efficiently and outcomes achieved more effectively; the Corporate Plan incorporates key partnership working across all its priorities, including the Local Safeguarding Children’s Board (LSCB), Safeguarding Adults Board (SAB), Multi-Agency Risk Assessment Conference (MARAC) and the Community Safety Partnership (CSP). Agendas and minutes for the CSP are published on the website: http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=444&Year=0
Examples where the Council participates in partnership include the Joint Health & Wellbeing Partnership with Islington; the shared information technology service with Camden and Islington; delivering the STEM commission recommendations; working with our schools to improve outcomes for children.

f) Resident engagement also occurs in formal consultation and engagement processes; examples include between October and December 2016 on service priorities which was reported to Cabinet:
http://www.minutes.haringey.gov.uk/documents/s91191/Cab%20February%202017%20-%20MTFS%20and%20budget%20report%20-%20FINAL%20VERSION_18.48.pdf

g) The Council also uses social and print media to engage with residents and stakeholders, including the Council website, My Account, Twitter, Face book, Haringey People and the weekly Haringey People online. The Council also has specific partnerships and stakeholder newsletters including Team Noel Park; and Northumberland Park to engage with residents.

Documentation demonstrating compliance with the governance principles
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits; and **D. Determining the actions necessary to optimise the achievement of the intended outcomes**
<u>Defining actions/outcomes and sustainable economic, social and environmental benefits</u> a) The Corporate Plan sets out how the Council might work with partners and with communities to improve the borough and make Haringey a more successful place, while delivering around £70million savings by 2018. The plan has five core priority areas, each under-pinned by a series of ambitious targets. It considers and balances the economic, social and environmental impact of policies, plans and decisions. The Plan includes a challenging set of performance measures. Programme planning and management require focus on outcomes and benefits identification and tracking as part of project implementation. There is a clear and consistent approach to the reporting of outcomes, benefits, risks and issues across Priority Boards. The Plan is published on the website: http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18 a) The Council publishes updates on its website to show how the Council and partners are achieving against specific targets every three months. The outcome targets specify the intended impact on service users, residents and other stakeholders. b) The Council has an agreed Medium Term Financial Strategy (MTFS) and Workforce Plan. Agreed at the same time as the Corporate Plan, these set out how the Council will deliver the corporate plan taking into account the full cost of operations and within available resources, balancing service priorities, and ensure its workforce has the right skills to enable it to achieve the agreed outcomes. Quarterly reports are provided to the Cabinet: http://www.minutes.haringey.gov.uk/mgAi.aspx?ID=40179#mgDocuments c) Robust planning and control cycles cover strategic and operational plans, priorities and targets. A new internal governance process was implemented in 2016/17 to provide regular monitoring and scrutiny of the achievement of the corporate plan and resources applied. For each priority, three new governance Boards were introduced: Finance Sub-groups and Operational Boards attended by senior officers and Strategic Boards attended by the relevant Cabinet Members. Performance against objectives is published on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance d) A new 10-year capital strategy was approved by Full Council in July 2016, which sets out the Council's longer term investment requirements linked to priority objectives: http://www.minutes.haringey.gov.uk/documents/s86587/Report%20from%20Cabinet%20to%20Council%20-%20Capital%20Strategy.pdf **<u>Determining actions and optimising achievement of intended outcomes</u>** e) The Council includes requirements to enhance social value in contracts. For example, construction projects over £1m in value must

Documentation demonstrating compliance with the governance principles
include an apprenticeship scheme, and where possible, employers are encouraged to pay the London Living Wage. High value procurements include a significant weighting in the 'social value' section and, where applicable, requirements as to the use of community assets.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
<u>Developing the entity's capacity</u> a) The Council's workforce plan runs from 2015-2018 and aims to ensure the Council has the right people in the right places with the appropriate skill to deliver the Council's priorities. The plan is published on the website: http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18 Workforce expectations also form a clear part of contracting and commissioning processes, as our workforce is not limited to employed staff, including complying with minimum and London Living Wage requirements. **<u>Developing the capability of the entity's leadership and other individuals</u>** b) The Council Constitution specifies the types of decisions that are delegated and those reserved for the collective decision making of the full Council or Cabinet. http://www.haringey.gov.uk/local-democracy/about-council/council-constitution c) The Council's Constitution sets out the leader and chief executive roles to ensure the respective responsibilities are defined in accordance with decision making accountabilities. These comply with relevant statutory requirements. It also includes the general scheme of delegation. Each service area also has a service area scheme of authorisation for officers, currently published on the intranet. d) Members who sit on the Corporate and Regulatory Committees are provided with training specific to their responsibilities for these committees. Training sessions during 2016/17 included planning, licensing, audit, finance, pensions and treasury. e) The Council provides a programme of training for all members, and members have access to the Council's corporate training and development programme, which is published on the internal website. f) During 2016/17 the Council rolled out 'My Conversation', a new performance management process, to all staff which focuses on personal and organisational development and performance; the Staffing and Remuneration Committee receives regular reports on people management issues in line with the Workforce Plan objectives. Guidance and templates for all staff are published on the internal website.

Documentation demonstrating compliance with the governance principles
g) The Council's Workforce Health and Wellbeing Strategy 2015-18 focuses on ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. The Council's corporate Health, Safety and Wellbeing Board monitors all key aspects of statutory and local requirements and has an action plan in place to address any identified gaps in compliance. Health and Wellbeing Fairs have been run to promote employee health. h) The Council has protocols in place which govern how the operational and working relationships between officers and members are managed and forms part of the Constitution: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution i) The Council reviews operations, performance and use of assets on a regular basis to ensure their continuing effectiveness; the Corporate Plan highlights key performance objectives, targets and outcomes which are monitored and reported via the Council website. The performance reporting also compares current performance with statistical neighbours, London and England averages in most cases: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance j) The Council has undertaken a Local Government Association (LGA) Peer Review and a 'Towards Excellence in Adult Social Care' of our adult social care services. No significant risks or issues were reported.
F. Managing risks and performance through robust internal control and strong public financial management; and **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**
<u>Managing risk</u> a) Haringey has a corporate Risk Management Policy and Strategy which is published on the internal website and reviewed on a regular basis. Through a variety of processes and procedures, ensures that risk management is embedded across the organisation and its activities, including business planning and project management processes. b) The Council's key risks are managed via corporate risk and Priority Boards risk registers; each is regularly reviewed via strategic and operational board meetings. Responsibility for individual risks and issues identified is clearly set out in risk registers. Internal audit reviews of key risks are undertaken as part of the annual audit programme. Performance objectives and outcomes are reported on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance c) Haringey's business continuity planning is based on risk assessment and business impact analysis. Each service area produces a business continuity plan which is updated twice a year. Service continuity plans are incorporated into the Council-wide Business Continuity Plan. No significant business continuity issues were reported during the year.

Documentation demonstrating compliance with the governance principles
Managing performance d) The Council monitors service delivery effectively including planning, specification, execution and independent post implementation review which is set out in the Corporate Plan and outcome objectives: http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18 e) Overview and Scrutiny takes a detailed look at the Council's decisions and policies and works to promote open decision making and democratic accountability in Haringey by holding the Cabinet to account; developing and reviewing policy in an inclusive cross-party manner that involves local communities and other interested parties, reviewing the performance of the Council and scrutinising local services not provided by the Council, such as health services. Overview and Scrutiny Committee also reviews the Performance Wheels on a quarterly basis and individual Scrutiny Panels consider performance with reference to their reviews. The reports and recommendations are discussed and responded to by the Cabinet and published on the Council's website: http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=128&Year=0 **Strong public financial management and robust internal control** f) The Medium Term Financial Strategy (MTFS) outlines the overall financial strategy for achieving the Council's priorities. The MTFS requires £70m of savings to deliver a balanced budget position each year between 2015 and 2018. The savings proposals were consulted on with residents, before being approved by Full Council in February 2015. Each Priority Board considers finance and budgets at every meeting, looking at both the budget and savings positions and tracking progress on both. Transformation and delivery of outcomes are strongly aligned to achieving savings and remaining within budget limits; the performance outcomes are reported on the website. g) The Council's financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. Managers submit monthly budget forecasts and the Cabinet receives quarterly budget management information. The implementation of the new fortnightly Finance Sub-groups in 2016/17 allowed for greater senior officer scrutiny of the budget forecasts at an early stage. This led to a focus on key risk areas and the implementation of a number of effective management plans to manage demand pressures. Corporate spend controls were also implemented as a result and this led to the projected overspend reducing from £28m at the end of the first quarter to £18m by quarter 3: http://www.minutes.haringey.gov.uk/documents/s91203/Period%209%20Financial%20Report%20to%20Cabinet%20-%20Final%20-%20010217%20version.pdf h) The Council operates a 'zero tolerance' approach to fraud and corruption. The anti-fraud and corruption policy includes a fraud response plan, anti-bribery and money laundering policies and a whistle-blowing policy. The anti-fraud policy is published on the Council website

Documentation demonstrating compliance with the governance principles
and regular articles on how to report fraud are published in staff newsletters and Haringey People. In 2016/17, the Council investigated and recovered 48 illegally sublet properties; and prevented 100 potentially fraudulent Right to Buy applications in line with the anti-fraud policy. Referrals made using the whistle blowing policy were all reviewed, investigated and reported to the Corporate Committee, copies of the reports are on the website: http://www.minutes.haringey.gov.uk/documents/s90792/Counter%20Fraud%20update%20report%20Qtr%203%202016-17%20final%202.pdf i) The Council's internal and external auditors produce annual audit reports and the Annual Audit Letter, which were both reported to the Corporate Committee. External audit reported that the council had provided a good set of financial statements and working papers for 2015/16. No significant governance issues were raised by either report; recommendations were made to address some identified control weaknesses. j) Regular internal and external audit reviews check compliance with financial and contract procedure rules across the Council and the outcomes of these are reported to the Corporate Committee on a quarterly basis. All high priority recommendations, excluding those covering schools audits, made by internal audit were found to be implemented when follow up audits were undertaken. The Corporate Committee fulfilled its terms of reference in relation to audit functions; and reported positive outcomes in relation to pro-active counter-fraud activities in 2016/17. k) The Council's internal control arrangements are subject to annual self assessment by the Head of Audit and Risk Management; any gaps in compliance with mandatory standards are included in the statutory annual Head of Audit report. **Managing data** l) The Council has policies dealing with various aspects of data management including security and data protection; Freedom of Information Act; information asset registers; and general records management. These and supporting guidance are all published on the intranet. Data quality policy is published on the website: http://www.haringey.gov.uk/sites/haringeygovuk/files/data_quality_policy_2013.pdf m) The Statutory Officers Group in August 2016 agreed a new protocol for the development of and accountability for data sharing protocols with partners. **Implementing good practices in reporting** n) The Council produces an annual report to accompany its statement of accounts; for 2015/16 this received an unqualified opinion from the

Documentation demonstrating compliance with the governance principles
external auditor in 2016/17, who confirmed that the accounts provided a true and fair view of the Council's financial position; and the arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. Under the Local Accountability Act, the Council is responsible for appointing its external auditors from 2018/19; approval for the preferred appointment process was obtained from Corporate Committee in November 2016 and Full Council in February 2017: http://www.minutes.haringey.gov.uk/documents/s91371/CC_to%20Council%202017%2002%2027%20External%20Audit%20appointment.pdf o) The Council's Annual Governance Statement (AGS) is produced in accordance with required guidance and included in the statement of accounts; the AGS is reviewed by the Statutory Officers Group and Corporate Committee to ensure that any gaps in assurance or compliance issues are identified and addressed. Significant issues reported in 2015/16 are being addressed. p) As part of the Corporate Plan delivery arrangements, five Priority Boards are responsible for delivering the Corporate Plan with a responsible manager allocated as owner for each corporate priority. Outcomes and performance against all the priorities' objectives are published on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance **Assurance and effective accountability** q) Internal and external audit provide assurance on the Council's system of internal control to support the section 151 officer requirements, including reporting compliance with financial and contract procedure rules across the Council. The outcomes of audits are reported to the Corporate Committee on a quarterly basis. All outstanding recommendations are reported to Corporate Committee; a focus is maintained on ensuring all high priority recommendations are implemented. None remained outstanding in 2016/17. r) The Head of Audit and Risk Management and the internal audit service fully complied with the requirements of the mandatory UK Public Sector Internal Audit Standards, as evidenced by peer review and self assessment. Access to officers, members and information is guaranteed by the Constitution.

4. Significant governance issues

4.1 The Council identified some key areas where work would be undertaken in 2016/17 to ensure governance arrangements were in place and effective. An action plan was drawn up and progress on this is set out below.

Issue	Agreed Action/ Deadline	Progress update
Significant budget overspends within Children's and Adult Social Services and the Housing (Temporary Accommodation) budget.	Ensure the demand-led budgets within Children's and Adult Social Services and Temporary Accommodation are managed effectively in 2016/17 to reduce the identified overspends. Deadline: March 2017	Actions in progress: Issue included again for 2016/17 governance statement.
Implement new processes agreed in the Council's Workforce Plan to develop and manage staff effectively.	Performance management framework for employees to be implemented across all service areas in 2016/17; the outcomes reported to senior managers to assist in improving the Council's training and development plans. Deadline: March 2017	Complete.
Changes to the Council's governance structures were made to assist the delivery of the Corporate Plan.	Implement the new governance structures to assist the delivery of the outcomes in the Corporate Plan. Revise the Council's Local Code of Corporate Governance to reflect the changes in the corporate structures. Deadline: March 2017	In progress: Priority Boards' governance structures in place; Local Code of Corporate Governance to be agreed in 2017/18.

4.2 The Council has identified the following significant governance issues during 2016/17. 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
Delivery of the MTFS savings targets – significant budget overspends in 2016/17.	Ensure the demand-led budgets within Children's and Adult Social Services and Temporary Accommodation are managed effectively in 2017/18 to deliver a balanced budget. Where MTFS savings targets cannot be met, the services will need to identify alternative savings plans to deliver a balanced budget. Regular reports on progress will be made to Cabinet.	Director of Children's Services; Director of Adult Services; Section 151 Officer	March 2018
Recommendations were made by external audit to address some identified control weaknesses.	An action plan is in place to address the recommendations. Reports on progress will be made to Corporate Committee during 2017/18.	Section 151 Officer	March 2018
Schools performance; significant deterioration in audit assurance outcomes and financial balances.	The Council's Senior Leadership Team, in conjunction with the Schools Forum, is developing an action plan to address financial and control weaknesses. Audit follow ups and action plans will be reported to the Schools Forum and Corporate Committee.	Director of Children's Services; Section 151 Officer	March 2018
Preparing for the new EU General Data Protection Regulations in 2018.	An action plan is in place, which includes other key information governance requirements including Freedom of Information/Environmental Information Regulations; Transparency Code; and data sharing requirements.	Chief Operating Officer	March 2018
Updating the Local Code of Corporate Governance to reflect the new CIPFA/SOLACE guidance.	Revise the Council's Local Code of Corporate Governance: ensure that it reflects the new Priority Boards' governance structures and the 2016 guidance.	Assistant Director of Corporate Governance	March 2018
The Council's Accounts Payable Manager identified that corporate payment control processes had broken down within Parks and Leisure Services.	A reconciliation of expenditure was undertaken to ensure that payments to authorised suppliers in Parks and Leisure Services had been made in accordance with agreed processes. New corporate processes were implemented in 2016/17; Internal Audit will review the new control processes to confirm they are operating effectively in 2017/18.	Assistant Director for Commercial and Operations	March 2018

5. Review of effectiveness

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

5.2 The Chief Operating Officer who holds the Council's statutory section 151 Officer role; the Assistant Director of Corporate Governance (the Council's Monitoring Officer); and the Head of Audit and Risk Management have also reviewed the work done by the Council relating to governance issues in 2016/17. Their comments on the key governance issues are as follows:

- Chief Operating Officer: There were significant overspends in three areas in both 2015/16 and 2016/17: Children's Services, Adult Social Services and Temporary Accommodation. Directors, Assistant Directors and the s151 Officer have been working to bring the services' spending in line with approved budgets, but the Council made a one-off contribution from non-ring fenced reserves to balance the budgets in these areas. Further action in all these areas will still be required during 2017/18 if the Council's MTFS is to be achieved.

- Assistant Director of Corporate Governance: No significant governance issues were identified during the year in relation to Monitoring Officer functions.

- Head of Audit and Risk Management: Work to support schools to address control weaknesses was maintained in 2016/17; however outcomes from school audits returned a significantly worse level of assurance overall: three schools received a 'nil' assurance rating; eleven schools received a 'limited' assurance rating; and five schools received a 'substantial' rating. Internal Audit provided training and guidance for school governors, head teachers and school finance staff in advance of all audits. Reports were made to the Schools Forum and Corporate Committee where the correlation between having a poor financial situation and a 'limited' or 'nil' assurance audit rating was highlighted. It has been agreed that further work with the Schools Forum will be undertaken during 2017/18 to help to improve the control and management processes at schools. No other significant governance issues were raised by internal audit during 2016/17.

5.3 The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2016/17. The report concluded that in most areas across the Council, with the exception of those areas receiving 'limited' assurance, there are sound internal financial control systems and corporate governance arrangements in place, and that risk management arrangements are satisfactory. All high priority recommendations outside of school audits were confirmed as being implemented when internal audit completed the follow up reviews.

5.4 Priority Owners have completed a statement of assurance covering 2016/17 which is informed by work carried out by Directors; Assistant Directors; heads of service and managers; internal audit; any external assessments; and risk management processes. The statements are used to provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. No significant governance issues, apart from those identified at paragraph 4.2 were recorded.

5.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) statements on the role of the Chief Financial Officer (CFO) and the role of the Head of Internal Audit (HoA) in public service organisations have both been incorporated into the Council's overall governance arrangements. During 2016/17, the Council can confirm that both the CFO and HoA fulfilled all the requirements set out within the CIPFA statements, and assurance on this was obtained via internal and external audit reviews. No gaps in compliance were identified for either role.

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

5.7 The evidence provided with regards to the production of the Annual Governance Statement has been considered by the Chief Executive and officers at the Statutory Officers' Group meetings on 15 November 2016 and 4 April 2017; and by the Council's Corporate Committee on 25 July 2017, who concluded that the Council has satisfactory governance systems in place and satisfactory plans to address the identified issues to ensure improvement; these arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The Chief Executive and the Statutory Officers' Group are committed to implementing the action plan, strengthening and improving controls and keeping the effectiveness of the Council's corporate governance arrangements under review during the year.

Signed by:

Councillor Claire Kober	**Zina Etheridge**
Leader of the Council	**Interim Chief Executive**

LONDON OF BOROUGH OF HARINGEY

AUDIT COMPLETION REPORT

Audit for the year ended 31 March 2017

13 September 2017

BDO

CONTENTS

SUMMARY

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section below.
Audit risks	The following have been heightened to significant risks during the course of our audit procedures subsequent to our issue of our Audit Plan: • Land, buildings, dwellings and investment property valuations has been increased from a normal risk to a significant risk due to volatility and uncertainty over market prices in the year. • Pension liability valuation has been increased from a normal to a significant risk because significant judgements and estimation is used by the actuary for the valuation of the present value liability to pay future pensions. This reflects recent guidance within the audit profession that valuations subject to a higher degree of judgement and estimation that could have a material impact on the varying value should be classified as significant audit risks.
Materiality	Our final materiality is £16 million for the Council and £16.227 million for the Group financial statements which we have not required reassessment since our Audit Plan dated 10 March 2017, but have been updated to reflect the gross expenditure reported in the draft financial statements presented for audit. We set triviality threshold at £500,000.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.

KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Our audit identified one prior period material misstatement relating to Tottenham Green Leisure Centre's value which was stated as £329,940 in the 2015/16 valuation report but, upon further investigation due to a significant increase in value this year, should have been reported by the valuer at £26,371,890 last year. This resulted in PPE being undervalued by £26,041,949 last year and the gain incorrectly recorded this year. We identified one material misstatement in the current year in respect of enhancements to existing assets which do not increase the value of the assets amounting to £47,322,920 that were not written off during the year. This resulted in PPE being overstated by £47,322,920. Management are in the process of correcting these misstatements in the revised set of financial statements. Our audit identified other non-trivial misstatements which management are in the process of correcting. Details of these misstatements are set out within the key audit and accounting matters section of the report.
Unadjusted misstatements	Our audit identified 5 unadjusted audit differences in respect of Housing Capital Receipts expense, bank reconciling items, schools expenditure and adjustment for nine HRA dwellings owned by the Council for several years which were recognised for the first time in 2016/17. These would decrease net assets by £2.2 million and decrease the surplus on the provision of services by £1.7 million if corrected.

SUMMARY

KEY AUDIT AND ACCOUNTING MATTERS	
Control environment	We identified two instances where non purchase order invoices were coded and approved by the same person. This means that one person can commit the Council to expenditure and approve the invoice subsequently. We consider the coding of invoices and their subsequent approval as incompatible duties which should be segregated. We have selected a sample of non PO expenditure transactions to test in detail to ensure that expenditure disclosed in the accounts is valid given the control issues identified. No issues were identified from our testing. In 2015/16 we identified journals where there were no descriptions in the header text. We are in the process of testing the validity of journals and to determine if this is still an issue in 2016/17.

KEY MATTERS FROM OUR AUDIT OF USE OF RESOURCES	
Sustainable finances	The Council need to continue to monitor the control of demand-led services, the delivery of the savings necessary to meet the MTFS and the impact of changes being implemented on the delivery of services, to ensure that there are no unanticipated detrimental outcomes. We are currently assessing the plans being put in place to address the funding gap which remains over the period of the MTFS.
Haringey Development Vehicle	We are satisfied that the Council has undertaken sufficient review of the proposed governance, financial risks and financial modelling to support its proposal to enter into the Haringey Development Vehicle joint venture. We will continue to monitor the development of this proposal.

AUDIT OPINION	
Financial statements	We anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.
Use of resources	We anticipate issuing an unmodified opinion on the use of resources for the year ended 31 March 2017.

SUMMARY

OTHER MATTERS FOR THE ATTENTION OF THE CORPORATE COMMITTEE	
Whole of Government Accounts (WGA)	We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the financial statements. We will issue our opinion on the consistency of the DCT return with the audited financial statements before the 29 September 2017 statutory deadline.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Objections received from members of the public	We have received objections regarding the legality of transactions in the financial statements or the reasonableness of a decision made by the Council regarding the following matters: • Decision to enter into the schools PFI contacts and the on-going expenditure associated with these contracts • Income received from the cost of summons issued for non-payment of council tax • Decision to enter into the Haringey Development Vehicle joint venture proposed. Investigations into these transactions will continue. However, work completed to date does not suggests that there will be a material impact on the financial statements or use of resources and is unlikely to result in delay to the audit opinions on the financial statements or use of resources.
Audit certificate	We will issue our audit certificate to formally conclude and close the audit for the 2016/17 financial year after we have completed our work on the financial statements, use of resources, whole of government accounts and concluded on the objections received noted above.

INTRODUCTION

PURPOSE AND USE OF THIS REPORT

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

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

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

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

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

AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

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

OUTSTANDING MATTERS

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

1	Clearance of outstanding issues on the audit queries tracker currently with management including: • 8 tenancy agreements for temporary accommodation • Post year bank statement for Northumberland Park School to confirm two reconciling items • Users listing for i world system • Review of journals
2	Clearance of manager and partner review points
3	Internal quality control review process
4	Subsequent events review
5	Final review and approval of the financial statements
6	Management representation letter, as attached in Appendix VI, to be approved and signed

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

We assessed the following matters as audit risks. Since we issued out Audit Plan on 10 March 2017, we have amended the risk from normal risk to significant risk in respect of property, plant and equipment and investment property valuations and the pension liability valuation.

Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1	Management override of controls	Under auditing standards there is a presumed significant risk of management override of the system of internal controls in all entities. By its nature, there are no controls in place to mitigate the risk of management override.	We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.	Our audit work in relation to journals is ongoing.
			We reviewed significant accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.	We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.
			We obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual	No unusual or transactions outside of the normal course of business were identified.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	Revenue recognition	Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the existence of income. In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital of grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES). We also consider there to be a significant risk in relation to the existence of fees and charges recorded in the CIES.	We tested a sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES. We tested a sample of fees and charges to ensure income has been recorded in the correct period and that all income that has been recorded should have been recorded.	Our audit testing has not identified any issues in respect of the recognition of grant income. Our audit testing has not identified any issues in respect of the recognition of fees and charges income.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	**Land, buildings, dwellings and investment property valuations** (continued)	Management uses external valuation data to assess whether there has been a material change in the value of classes of assets. Investment properties are revalued annually according to market conditions at year-end. Higher value operational properties and other land and buildings and dwellings are revalued annually to provide assurance that carrying values are materially stated. We consider there to be a risk over the valuation of land buildings, dwellings and investment properties where valuations are based on market assumptions. This has been increased from a normal risk to a significant risk due to volatility and uncertainty over market prices in the year.	We reviewed the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert. We confirm that the basis of valuation for assets valued in year is appropriate based on their usage. We confirm that an instant build modern equivalent asset basis has been used for assets valued at depreciated replacement cost. We reviewed valuation movements against indices of price movements for similar classes of assets and followed up valuation movements that appeared unusual.	We assessed the valuer's competence, independence and objectivity and determined we could rely on the management expert. We reviewed the valuations provided and the valuation methodology applied, and confirmed that the basis of valuation for assets valued in year is appropriate based on Code requirements. However, we identified one material misstatement in the current year in respect of enhancements to existing assets which do not increase the value of the assets amounting to £47,322,920 that were not written off during the year. Guidance requires that, where component depreciation has not been applied, local authorities should estimate the remaining carrying value of replaced assets and to report this as a disposal. This resulted in PPE being overstated by £47,322,920. We have challenged the valuer in respect of a number of property valuation movements which appeared unusual in comparison to general indices. Further information about our assessment of the estimates applied can be found on the following pages. We identified one prior period material misstatement relating to Tottenham Green Leisure Centre's value which was stated as £329,940 in the 2015/16 valuation report instead of £ £26,371,890. This resulted in PPE being undervalued by £26,041,949. (continued)

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	Land, buildings, dwellings and investment property valuations (continued)			We noted a number of other non-trivial errors in the accounting of PPE valuations: • The valuer originally provided an incorrect figure for New River Leisure Centre. The valuer confirmed a revised valuation during the audit. This has had the effect of decreasing PPE and the valuation gain by £1,134,000. • Alexandra Palace had not been depreciated. This had an effect on the year end net value. Asset overstated and expenditure understated by £1,396,000. • Investment assets and revaluation gain were over-stated due to a duplication of assets on the fixed assets register caused by a revaluation upload error. This has had the effect of decreasing Investment Assets and the valuation gain by £1,160,000. • The revaluation report relating to garages was not originally provided so 2015/16 values were used for preparing the draft accounts. The report was obtained at the request of the auditors and it showed the assets have increased in value as a result of a rent increase. This has had the effect of increasing PPE and increasing the revaluation gain by £2,314,000. • Some new shared ownership assets were double counted as they had been recorded both as additions and as revaluation gains. This has had the effect of decreasing PPE by £240,000 and the revaluation gain by £240,000. (continued)

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	**Land, buildings, dwellings and investment property valuations** (continued)			• An asset that had been disposed of some years ago was treated as an addition due to an error. This has had the effect of increasing expenditure by £325,000 and decreasing PPE additions by £325,000. Management are correcting the misstatements noted above in the revised set of financial statements. Additionally, nine HRA dwellings owned by the Council for several years were recognised for the first time in 2016/17. This resulted in both a brought forward error as PPE was understated by £0.519 million and a current year error as the revaluation gain has been overstated but the same amount. This has been included as an unadjusted difference in Annex I. (continued)

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
Land, buildings, dwellings and investment property valuations		
ESTIMATE	**HOW RISK WAS ADDRESSED BY OUR AUDIT**	**AUDIT CONCLUSION**
Land and buildings are valued by reference to existing use market values Dwellings are valued by reference to open market value less a social housing discount Investment properties are valued by reference to highest and best use market value Some specialist buildings are valued at depreciated replacement cost by reference to building indices	We reviewed the movements in valuations with other relevant market indices to assess the reasonableness of the valuations. The Council engaged an external valuer to value its council dwellings, offices, car parks, public conveniences, surplus assets and investment properties as at 1 April 2016, and a further review to identify any further material movements during the year. This resulted in a net upwards revaluation movement of £171.668 million in the year for PPE and of £1.791 million for investment properties after adjusting for errors identified in the above section. Our work on comparing valuations to expected market movements is on-going.	PRUDENT AGGRESSIVE

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	**Pension liability assumptions** (continued)	The net pension liability comprises the group and Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions. An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements. There is a risk that the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability. This has been increased from a normal risk to a significant following a review of assumptions used by the actuary for the valuation of the present value liability to pay future pensions.	We agreed the disclosures to the information provided by the pension fund actuary. We checked whether any significant changes in membership data were communicated to the actuary. We reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.	We did not identify any issues regarding the accuracy of the disclosures in the financial statements. As part of the pension fund audit we identified that 32 active members recorded on the Altair system had actually left the Council (in some instances a number of years ago). We are currently discussing with the actuary whether this could have a material impact on the 2016 triennial membership data that has been rolled-forward for the 31 March 2017 pension liability calculation. Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions

ESTIMATE

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows

HOW RISK WAS ADDRESSED BY OUR AUDIT

The actuary has used the following assumptions to value to future pension liability:

	Actual used	Actuary range	PwC assessment of actuary range to market expectations
RPI increase	3.4%	3.4%	Reasonable
CPI increase	2.4%	2.4%	Reasonable
Salary increase	3.0%	--	Reasonable
Pension increase	2.4%	2.4%	Reasonable
Discount rate	2.6%	2.5-2.7%	Reasonable
Mortality:			
- Male current	23.8 years	23.5-26.6	Reasonable
- Female current	26.0 years	26.5-28.3	Lower than the bottom end of the expected range
- Male retired	21.8 years	21.4-24.4	Reasonable
- Female retired	24.1 years	24.2-26.0	Reasonable
Commutation			
- Pre-April 2008	50%	25-75%	Reasonable
- Post-April 2008	75%	25-75%	Reasonable

PwC concluded:

"We are comfortable that the methodologies used to establish assumptions will produce reasonable assumptions at 31 March 2017 for all employers."

Conclusion

We have compared the assumptions and estimates used by the actuary with the expected ranges provided by the independent consulting actuary. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges.

AUDIT CONCLUSION

PRUDENT AGGRESSIVE

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Changes in presentation of the financial statements	The Code requires a change to the presentation of some areas of the financial statements. This includes: • change to the format of the Comprehensive income and Expenditure Statement (CIES) • change to the format of the Movement in Reserves Statement • new Expenditure and Funding Analysis (EFA) note • change to the Segmental Reporting note • new Expenditure and Income analysis note. These changes will require a restatement to the 2015/16 CIES. There is a risk that these presentational changes are not correctly applied in the financial statements.	We reviewed the draft financial statements and checked these against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements. We confirm that the analysis by service in the CIES is consistent with the internal reporting within the Council. We reviewed the restatement of the comparative 2015/16 information to ensure that this is presented consistently with the current year basis.	When restating the prior year CIES, the HRA income and expenditure do not reconcile to the prior HRA statements. The net position is correct but the income and expenditure vary by around £3 million. An adjustment has been made to the accounts on the CIES and HRA but only affecting the face of the CIES in terms of classification and not affecting the surplus / deficit made. Other than the need to more clearly indicate that the new Expenditure and Funding Analysis is not a primary statement, which has been proposed on other disclosures, no other issues were identified by our audit.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	Housing Revenue Account (HRA) asset componentisation	Historically, the Council has not componentised its HRA dwellings on the grounds that this does not have a material impact on the financial statements. In the prior year, we applied benchmark component allocations and useful lives, and reported a potential significant (but not material) understatement of the depreciation charge. We understand that the Council is considering increasing the percentage allocation of the overall value as land (not depreciated) and reducing the allocated value to the buildings this year. There is a risk that the revised allocation of the overall value between land and buildings, and not further componentising the buildings, may result in a misstatement of the depreciation charge for HRA dwellings.	We reviewed the assumptions that underpin the basis of the HRA land and building component split. We reviewed DCLG housing valuation guidance for a reasonable range for allocation of components and estimated useful economic lives and the life-cycle replacement capital programme for the HRA.	Our audit work is in progress.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7	Minimum Revenue Provision (MRP) charge (continued)	Regulations require that a local authority "shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent". Guidance issued by DCLG suggests four ready-made options for calculating MRP. The options are those likely to be most relevant for the majority of authorities but other approaches are not meant to be ruled out, provided they are fully consistent with the statutory duty to make prudent provision. Authorities must always have regard to the guidance, but having done so, may in some cases consider that a more individually designed MRP approach is justified. That could involve taking account of detailed local circumstances, including specific project timetables and revenue-earning profiles. The Council changed its calculation of MRP from 1 April 2016. There is a risk that the Council may not apply a prudent MRP provision resulting in insufficient funds being set aside for future debt repayments to cover current capital expenditure.	We reviewed the Council's draft MRP strategy and considered whether it is prudent in respect of future debt requirements and funding availability. The Council's policy includes five different MRP calculations depending upon the type of debt held: • pre-2008 debt will be charged at a straight line 2% rather than a 4% reducing balance (forecast saving in 2016/17 £3.46 million) • post-2008 debt charged using an annuity curve method rather than straight line over the life of the asset (forecast saving in 2016/17 £1.49 million) • debt for assets not yet in operation to only commencing MRP charge once operational (no forecast savings in 2016/17) • finance leases will be charged over the life of the contract (no change to policy) • PFI debt charged using an annuity curve method and over the life of the asset rather than straight line over the life of contract (forecast saving in 2016/17 £0.25 million). Management has calculated that the application of the revised policy on previous amounts set aside as MRP for pre-2008 debt to date would suggest that excess MRP has been set aside totalling £20.76 million. Management will apply £3.46 million of this over the next 6 years to reduce for forecast pre-2008 dent MRP to £0.	The revised MRP policy has resulted in a reduced charge for 2016/17 of £2.833 million compared to the £13.211 million charged in 2015/16 under the previous policy. In recent years, many other local authorities have calculated what they believe to be excess MRP set aside and have used this to reduce their current MRP charge until the excess has been fully utilised. The Council has obtained a legal interpretation from counsel that suggests that this is acceptable. We have reported some concerns over the use of the annuity curve method of charging MRP on post-2008 and PFI debt rather than using a straight line charge, as this will result in the proportion of MRP being charged in the early years being significantly lower than what will be charged in the latter years. Over the life of the debt, the Council will still put aside that same total amount, but this weights the profile towards future years that may not necessarily reflect the benefits consumed by the asset by the current service users compared to the tax payer in the future. We acknowledge that the CLG guidance does allow this method of charging MRP but this tends to be applied where the asset acquired through borrowing will earn rentals or income on a matching annuity curve (with upward rent reviews or income generation) rather than being consumed in providing services. (continued)

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7	Minimum Revenue Provision (MRP) charge			The guidance also allows an annuity method MRP charge where you are seeking to reflect the future time value of money. For example, where inflation allows for greater amounts to be charged through general taxation (council tax) this would suggest putting aside higher amounts of MRP in the future. However, we have noted concerns that headroom available through future council tax increases may be severely restricted under current Government policy. While we are content that there is not a material understatement of an appropriate and prudent MRP charge for 2016/17, the revised policy serves to defer repayment of debt charges from current service users to future tax payers that may not reflect the utility or benefits received from the assets funded from debt. We are also aware that CLG has noted similar concerns across the sector and has proposed to consult on revised guidance next year that may restrict some of the options currently used by local authorities to reduce the MRP charge.

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA		RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
8	Consideration of related party transactions	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and accurate, and in line with the requirements of the accounting standards. There is a risk that related party transactions disclosures are omitted from the financial statements, or do not accurately reflect the underlying related party transaction.	We reviewed the related party transactions identification procedures in place and reviewed relevant information concerning any such identified transactions. We also carried out Companies House searches for undisclosed interests. We discussed with management and reviewed member's and senior management declarations to ensure there are no potential related party transactions which have not been disclosed.	Our testing identified 10 undeclared company directorships. This did not result in the identification of any additional related party transactions that needed to be disclosed in the financial statements. We also identified two related parties which were not disclosed in the accounts but declared on the declaration of interest. These had total transactions of £78,000. As a result of this note 30, total value of payments made and the total value of receipts in 2016/2017 and number for charitable or voluntary organisations the council has provided financial support to, or purchased services from was amended.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
9	Bank reconciliation	As part of the prior year audit we reported the difficultly in testing reconciling items within the bank reconciliation. We reported that a large number of reconciling items within the bank reconciliation had cleared on the bank statement but were netted off the cash book on different clearing codes. This made it very difficult to trace the items and determine if they had been accounted for correctly.	We obtained year-end bank reconciliation for each bank account and tested a sample of reconciling items to ensure that the transactions have been accounted for the in the correct period of accounts.	We note that efforts have been made during the year to reduce the outstanding balances on clearing codes but this matter has not been entirely resolved. In addition we note that due to the way an automated process is setup, there is a delay of one working day in posting bank transactions to the ledger. We appreciate it is not always practical for the posting of banking transactions to take place on the day they occur but the accounting date used should reflect actual activity on bank accounts. This has not had a significant impact on the accounts this year but could potentially result in a material misstatement in future years. The effect of this is an understatement of cash and bank by £680,000. Management hase opted not to adjust for this error so we have noted it in Annex I.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
10	Allowances for non-collection of receivables	The Council's bad and doubtful debt impairment provision on aged debt is determined for each income stream using available collection rate data. The significant provisions include council tax arrears, non-domestic rates arrears, housing benefit overpayments, housing rent arrears and parking PCNs. There is a risk that the provisions may not accurately reflect collection rates based on age or debt recovery rates for that income stream.	We reviewed management's calculations and considered the reasonableness of the estimates against collection rates calculated for the current aged debt profile.	We did not identify any material issues regarding the recoverability of receivables. Our review of the reasonableness of management's calculations is noted in the following page.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
Allowances for non-collection of receivables	Overall we have concluded that the impairment allowances for receivables are reasonable.	
	Housing benefit overpayments The impairment allowance at 31 March 2017is £24,956,000, an increase of £13,880,000 from the prior year, against an overpayments balance of £31,574,000. This is due to the recognition in 2016/17 of the gross debt owed by current tenants which was not previously recognised within debtors. The bad debt provision was calculated at 100% for balances over three years, 90%, 70% and 55% for two, one and current year balances, however limited information could be provided to support the collection rates used by management. Our audit work indicated that the average recovery rates for the Housing Benefit overpayments were lower than the Council's estimation, and therefore, the Council's impairment allowances could potentially be understated by £1.5 million. Management should review and revise, if appropriate, the impairment allowances as more collection rate information becomes available.	PRUDENT AGGRESSIVE
	Council tax arrears The total impairment allowance for the Collection Fund at 31 March 2017 is £21,899,000, an increase of £350,000 from the prior year, against total arrears of £26.8 million, due to a slight increase in the value of outstanding debt at year end. The Council has an 81.63% share in these balances. The impairment calculation is based on the expected collection rates for Council Tax arrears, with the provision increasing in line with the age of the debt. Our testing has indicated that the collection rate for arrears has improved in recent years following an increased focus by the Council to collect arrears owed; this would suggest that the Council may potentially have overstated its Council Tax arrears provision by £1.6 million. In light of the improved recoverability of the Council Tax arrears, management should review the provision percentages applied and consider the impact of the improved recoverability.	PRUDENT AGGRESSIVE
	Housing rent arrears The impairment allowance at 31 March 2017 for Housing Rent arrears is £8,142,000, an increase of £185,000 from the prior year, against a debtor balance of £10,700,000. The impairment allowance calculation is split by current and former tenants, with greater provisions applied for tenants no longer occupying Council dwellings. Our audit findings suggest that the Council's impairment allowance for Housing Rent arrears could potentially be understated by £1.2 million due to a lower than expected recovery rate of previous years rent arrears. We would encourage management to review and revise, if appropriate, their impairment allowances using more recent collection rate information.	PRUDENT AGGRESSIVE

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
11	School bank balances	In the prior year there was a £3.535 million overstatement of bank mentioned in the prior year Audit Completion Report. This related to expenditure incurred by schools that had not been recognised in the accounts. Cash & bank in the accounts exceeded the bank totals reported by schools on their returns. We understand management do not wish to make a prior period adjustment for this error as it is not material. This year, £1.989 million of this was written off to expenditure in the draft accounts and the remaining £1.546 million is still under investigation by management. We are of the view that this should also be written off to expenditure, an unadjusted error has been raised on appendix 1. Unadjusted brought forward error between bank and expenditure and an unadjusted current year error against expenditure and reserves shown in Appendix I. There is a misstatement of £618,000 between bank and creditors for schools. This is caused by the accounting packages some schools use not having the functionality to produce accurate balance sheet reports and the year-end cash balance being manually calculated based on unpresented payments and receipts. This has an impact of understating bank and creditors by £618,000. An unadjusted error has been raised on Appendix I.
12	Cash Flow Statement	We identified a number of disclosure issues within the cash flow statement. These were as follows: • £5 million of impairment was misclassified within Depreciation rather than the Impairment line in Note 20. • Assets acquired under financial leases amounting to £1.1 million were not originally included in PPE purchased during the year under investing activities.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
13	**Other disclosures**	We identified a number of other disclosure issues within the draft financial statements as follows: • Error in the previous year identified that the Council was only recognising a debtor for the invoiced element of the overpayment for former tenants and did not include "live" claimants in the debtor balance. The Council has recognised £20.2 million income (and a bad debt provision) within grants and contributions. As this is material, we have recommended that it is disclosed separately as a material item of income and that there is a split to show the 2016/17 income element and then the prior year element in note 5.3. • Note 1 of the Housing Revenue Account (HRA) states that the difference between the vacant possession value and the balance sheet value is £4,155 million. Upon recalculation, this was found to be £4,255 million. • Council Tax and business rate income on the Collection Fund was stated as £66.237 million when it should be £66.312 million and income collectable in respect of business rates supplements was stated as £1.494 million when it should be £1.419 million. • Note 16 short-term investments was renamed to short-term deposits. Short-term investments would usually be a separate line on the balance sheet. We are satisfied these assets meet the requirements of cash equivalents. • NDR VOA schedule showing rateable value at year end which did not agree to the amount in the daft accounts. VOA report show £164,555,770 and draft accounts £164,521,271 a difference of £34,499. • Grant income per note 29 and government grants and other income per note 5b did not agree by £40.569 million. Of this £20.218 million relates to Housing Benefit recovery which should be disclosed separately as material item of income. The remaining £20.350 million was moved from fees and charges column on note 5b to grants column. • In Note 26, Officers' Remuneration, Zina Etheridge's employer pension contribution is disclosed separately between her two roles in the year. However, the contribution to her role as Interim Chief Executive from March 2017 (£3,604) has been double counted in both lines. • Note 2 depreciation of HRA assets: 'Flats/maisonettes: 46% Land/54% building' needed to be changed to 55%/45%. • Four general ledger codes relating to corporate income recharges were excluded from the calculation of the Support Services Income/Expenditure figure. The resulting effect was an understatement of £10.026 million for both the Income and Expenditure figures. • On note 5c HRA employee benefits expenses has been disclosed as £38.828 million yet only £1.728 million of this relates to costs related to employee expenses. • When restating the prior year CIES, the HRA income and expenditure do not reconcile to the PY HRA statements. The net position is correct but the income and expenditure differ by £3 million. • The accounts did not clearly indicate that the new Expenditure and Funding Analysis is not a primary statement. • Housing Benefit & Council tax Admin Subsidy was included in the Grant note within the credited to services section. This was moved to above the line. Management are in the process of correcting these disclosure issues in the revised set of financial statements.

OTHER REPORTING MATTERS

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

	MATTER	COMMENT
14	The draft financial statements, within the Statement of Accounts, was prepared and provided to us for audit on 22 June 2017. As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.	We have no matters to report.
15	We are required to review the draft Annual Governance Statement and be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	Our work is in progress.
16	We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	Our work is in progress.

CONTROL ENVIRONMENT

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

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

We note that the Council's internal audit function has issued a number of observations and recommendations on the Council's control environment during 2016/17. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

Our audit has identified the following significant deficiencies, which are included in the action plan at Appendix II:

AREA	OBSERVATION	IMPLICATION
Authorisation of non-purchase order payments	During our testing we identified two instances where the invoice was coded and approved by the same person.	We consider the coding of invoices and their subsequent approval as incompatible duties which should be segregated. There is a risk that an individual can commit the Council to an expenditure which he will approve on himself.

We have also identified other deficiencies in controls which have been discussed with management and included in the action plan at Appendix II.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

	MATTER	COMMENT
17	For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Authority for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	Local authorities' were required to submit the unaudited DCT to HM Treasury and auditors by 7 July 2017. The Council met this deadline. Our review of the Council's WGA Data Collection Tool (DCT) is in progress. We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Council's financial statements. We will issue our opinion on the consistency of the DCT return with the audited financial statements before the 29 September 2017 statutory deadline.

USE OF RESOURCES

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

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

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

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

We reported our risk assessment, which included use of resources significant risks, in the 2016/17 Audit Plan issued in March 2017. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

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

USE OF RESOURCES

Key: ■ Significant risk ■ Normal risk

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
1	**Sustainable finances**	In our Audit Plan we identifying the required level of savings in the coming years will be a significant challenge and is likely to require difficult decisions around service provision and alternative delivery models. We reviewed the reasonableness of the Medium Term Financial Strategy (MTFS), assessed budgeted to actual savings in 2016/17 and the plans to reduce services costs and increase income from 2017/18. **Financial outturn 2016/17** The 2016/17 General Fund revenue budget for the year was £255.6 million compared to a final outturn of £271.7 million, which represents a net overspend of £16.1 million. Within this net figure there are a number of key overspends totalling £27.2 million: • £7.8 million on Children's services – mainly due to mitigating actions to address £5.1 million overspend could not be put in place by the year-end, £2.8 million overspend in increased payments to providers and £1.8 million overspend due to a delay in implementing a planned service restructure • £12.4 million on Adults social services – mainly due to a delay in implementing planned efficiencies • £7.0 million for temporary accommodation – mainly due to cost pressures from having to provide temporary accommodation for households in the borough. These overspends have been mitigated by a number of underspends: £3 million in respect of recognition of housing benefit overpayments; £6.0 million on non-service revenue budgets and £1.8 million pension auto-enrolment provision that was not required in year. The net General Fund overspend position is £16.1 million, but there are a number of services that have underspends, where the service has submitted requests for unspent budgets to be carried forward. A total of £6.9 million has been requested for carry forward as expenditure relating to these budgets will be incurred in 2017/18. (continued)	The Council need to continue to monitor the control of demand-led services, the delivery of the savings necessary to meet the MTFS and the impact of changes being implemented on the delivery of services, to ensure that there are no unanticipated detrimental outcomes. We are currently assessing the plans being put in place to address the funding gap which remains over the period of the MTFS.

USE OF RESOURCES

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
1	Sustainable finances	The Council collected 96.15% of council tax in 2016/17 which is slight improvement compared to 2015/16. This performance along with a reduction in single person discount resulted in a surplus of £6.6 million available for distribution in 2017/18. Business rate collection underperformed expectation in 2016/17 resulting in £0.4 million which will be recognised in 2017/18. The Housing Revenue Account (HRA) underspent by £10.7 million against the budget due mainly to increased rental income, reduced debt financing charges and depreciation, savings on leaseholder charges and a delay in the Estate Regeneration Programme. **MTFS assumptions** The update to the Medium Term Financial Strategy (MTFS) covers a five year period from 2017/18 to 2021/22. The MTFS makes reasonable assumptions in respect central government funding (finance settlement), council tax increases, inflationary increases, such as pay rises, and demographic changes. Given the overspend in the Children's, Adults and temporary accommodation budget over the last two years budgets have been aligned and increased in these areas to better reflect the actual demand. The capital programme has also been re-modelled which means there are plans to acquire more land, sell less of their assets to finance new projects and be active partners in the future developments and regeneration plans that in the long term will deliver future income streams. The MTFS shows a deficit of £45.6 million over the five years to 2021/22 and, assuming that all savings proposals are implemented (£23.6 million), a residual shortfall of £22 million over the MTFS period. (continued)	

USE OF RESOURCES

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
1	Sustainable finances	For 2017/18, the £8.8 million deficit will be funded from the use of reserves in order to set a balanced budget. The Council recognises that reliance on reserves is not sustainable in the long term and the MTFS will be refreshed during 2017/18 and options developed to fund later years' residual shortfalls. We are currently assessing the plans being put in place to address the funding gap which remains over the period of the MTFS. The key to ensuring that savings proposals are implemented and shortfalls are addressed will be to carry out detailed assessments in demand-led services such as Children's, Adults and temporary accommodation which constitute approximately 70% of the Council's net expenditure to clearly understand what drives these costs. Based on 2015/16 data collated by Public Sector Audit Appointments (PSAA), spend in these areas are ranked in the highest percentile when compared to other London Boroughs. Total net spend per head is £2,746.51 compared to an average of £2,334.38 per head for all London Boroughs. This ranks the Council in the highest 20 percent and is mainly as a result of: • Spend on adult social care: £480.69 compared to an average of £383.86 per head • Spend on all children and young people services: £4,483.52 compared to an average of £4,160.36 per head • Spend on homelessness services: £187.39 compared to an average of £90.06 per head. Management has confirmed that plans to transform these demand-led services are being put in place.	

Page 232

USE OF RESOURCES

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
2	Haringey Development Vehicle (HDV)	After completing the initial feasibility review of the project the Council identified significant governance issues such as concerns over democratic accountability, transparency and contingency plans. In order to address this risk we reviewed the work undertaken by the Council to address the issues identified and that appropriate plans around governance, performance management and risk management are put in place. **Due process for decision making** The Council has obtained external legal advice to confirm that Cabinet has the appropriate powers to make the decision whether or not to proceed with the Haringey Development Vehicle as this is within the scope of the Council's budgetary framework. We note that a number of individuals have raised concerns regarding the amount of published information on the business case and financial projections made available, and we acknowledge that the Council has sought to provide transparency through the decision making process but have had to withhold certain information during the procurement process. **Reasonableness of proposed decision** Under public law, any decision may be challenged through the courts where it is determined that a decision taken is unreasonable. The key tests are: • in making the decision, the Council took into account factors that ought not to have been taken into account, or • the Council failed to take into account factors that ought to have been taken into account, or • the decision was so unreasonable that no reasonable authority would ever consider imposing it. Nothing has come to our attention to date that would suggest that the proposed decision is unreasonable. (continued)	We are satisfied that the Council has undertaken sufficient review of the proposed governance, financial risks and financial modelling to support its proposal to enter into the Haringey Development Vehicle joint venture. We will continue to monitor the development of this proposal.

USE OF RESOURCES

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
2	Haringey Development Vehicle (HDV)	**Due diligence and financial modelling** We were pleased to note that the project team had a clear understanding of the proposal, were appropriately experienced and have obtained appropriate external legal, financial and taxation due diligence advice. The risk assessment has been developed through the project and the Chief Internal Auditor has worked with the project team to develop risk mitigation planning.	

OBJECTIONS AND INFORMATION FROM MEMBERS OF THE PUBLIC

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

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

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

	OBJECTION	NATURE OF OBJECTION AND WORK PERFORMED	FINDINGS AND CONCLUSION
OBJECTIONS REMAINING WITH YOUR PREVIOUS AUDITOR			
1	Income generated from parking penalties on housing land	An objection was received by your previous auditor regarding the lawfulness of the income raised from PCNs on housing land that had not been adopted under a Traffic Management Order.	The Council continues to work with Grant Thornton to resolve this issue.
OBJECTIONS OUTSTANDING FROM 2015/16			
2	Lender Option Borrower Option (LOBO) Loans	An objection was received regarding the lawfulness of the Council's decision to take borrow in the form of Lender Option Borrower Option loans in previous years.	We have completed our review of these loans and have drafted a 'Provisional view' setting out our conclusion that we believe that the decision to take these loans was not unreasonable based on the information available to the Council at that time.

OBJECTIONS AND INFORMATION FROM MEMBERS OF THE PUBLIC

	OBJECTION	NATURE OF OBJECTION AND WORK PERFORMED	FINDINGS AND CONCLUSION
OBJECTIONS RAISED IN 2016/17			
3	Lawfulness of schools PFI contacts	An objection was received regarding the lawfulness of the Council's decision some years ago to enter into a PFI scheme for the redevelopment of schools and the lawfulness of on-going payments under the contract.	The Council terminated the PFI service concession some years ago and the remaining obligation relates to the outstanding debt incurred by the PFI partner in the construction of the schools. Our initial view is that the on-going payments are lawful.
4	Income received from the cost of summons issued for non-payment of council tax	An objection was received regarding the lawfulness of the basis for setting the summons costs for non-payment of council tax.	Our initial view is that the basis for estimating costs to be recovered using historic costs and current year estimated summons issued is appropriate.
5	Decision to enter into the Haringey Development Vehicle joint venture proposed	An objection was received regarding the reasonableness of the decision to proceed with the Haringey Development Vehicle joint venture.	As noted in the use of resources section above, we are satisfied that management had all relevant information to hand and had not inappropriately discounted relevant information in making its decision to proceed with the joint venture. Due diligence has been undertaken on the legal issues and financial modelling to support the decision. Management obtained counsel's advice that it was appropriate for Cabinet to take this decision rather than full Council. However, we are aware that pre-notice judicial review letters have been received and this may be subject to legal review.

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

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

ADJUSTED AUDIT DIFFERENCES

We identified the following material misstatements in the draft financial statements, which management has amended:

- Tottenham Green Leisure Centre's value was stated as £329,940 in the 2015/16 valuation report instead of £ £26,371,890. This resulted in PPE being undervalued by £26,041,949. This has been corrected as a prior period error.
- Enhancements to existing assets which do not increase the value of the assets amounting to £47,322,920 were not written off during the year. This resulted in PPE being overstated by £47,322,920

Management is working on the above adjustments and other non-trivial adjustments to determine the impact on surplus on provision of services.

UNADJUSTED AUDIT DIFFERENCES

There are 5 unadjusted audit differences identified by our audit work which would if corrected would decrease the surplus on the provision of services by £1.7m. You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct them even though not material.

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		STATEMENT OF FINANCIAL POSITION	
		DR	CR	DR	CR
	£m	£m	£m	£m	£m
Surplus on the provision of services before adjustments	TBC*				
DR Housing Capital Receipts expense	(865)	865			
CR Creditors					865
(1) Being an adjustment for housing capital receipts pooling expenditure which was understated at year end as confirmed by the final returns.					
DR Bank				680	
CR Income	680		680		
(2) Being an adjustment for bank reconciling items which are mis-posted and reconciling items caused by a one day delay in recording bank transactions.					
DR Bank				618	
CR Creditors					618
(3) Being an adjustment for misstatement between bank and creditors for schools arising from the fact that the accounting packages some schools use do not having the functionality to produce proper balance sheet reports and the year -end cash balance being manually calculated based on unpresented payments and receipts.					
DR expenses	(1,546)	1,546			
CR Bank					1,546
(4) This related to expenditure incurred by schools that had not been recognised in the accounts of £3.5m identified in prior year. £1.989m of this was written off to expenditure in the draft accounts and we are recommending writing off the remaining £1.546m.					
Continued					

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		STATEMENT OF FINANCIAL POSITION	
		DR	CR	DR	CR
	£m	£m	£m	£m	£m
DR expenses	(1,546)	1,546			
CR Bank					1,546
(5) This related to expenditure incurred by schools that had not been recognised in the accounts of £3.5m identified in prior year. £1.989m of this was written off to expenditure in the draft accounts and we are recommending writing off the remaining £1.546m					
DR Revaluation gain (CIES)		519			
CR Revaluation reserve (B/L)					519
(6) Being adjustment for nine HRA dwellings owned by the Council for several years which were recognised for the first time in 2016/17.					
TOTAL UNADJUSTED AUDIT DIFFERENCES	(1,731)	2,930	680	1,298	3,548
Deficit on provision of services if adjustments accounted for	TBC*				

APPENDIX I: AUDIT DIFFERENCES

IMPACT ON GENERAL FUND AND HRA BALANCES	GENERAL FUND BALANCE £000s	HRA BALANCE £000s
Balances before adjustments	TBC*	TBC*
Adjustments to CIES above	(1,731)	
Adjustments via movement in Reserves Statement:		519
BALANCES AFTER ADJUSTMENTS	**TBC***	**TBC***

*- This will be updated once we receive the second draft set of accounts. Management is working on agreed adjusting misstatements.

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Significant deficiency in internal control ■ other deficiency in internal control ■ Other observations

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS					
Aproval of non-purchase order invoices in SAP	We identified two instances where non purchase order invoices were coded and approved by the same person. This means that one person can commit the Council to expenditure and approve the invoice subsequently. We consider the coding of invoices and their subsequent approval as incompatible duties which should be segregated.	We recommend that SAP be segregated to ensure that one person cannot code and approve an invoice	Agreed	SAP Application Specialist	Dec 2017
Unrecorded assets	Some assets owned by the Council for several years had not previously been recorded in the fixed assets register or recognised in in the accounts. These were recognised for the first time in 2016/17 as a revaluation gain.	We recommend that management should carry out an exercise to identify all the Council's assets and update the fixed asset register.	Agreed - action incorporated as part of closure of accounts plan	Chief Accountant	Mar 2018
Valuation report errors	We noted numerous errors in the valuation report including: New River Leisure Centre, investment assets had duplicated assets caused by a revaluation upload error and Tottenham Green Leisure Centre was undervalued in 2015/16 as a result of the WHE stating an incorrect amount.	We recommend that management review the valuer's report to identify errors and understand significant movements.	Agreed - action incorporated as part of closure of accounts plan	Chief Accountant	Mar 2018
Signed employment contracts (prior year recommendation)	Of the 37 employees tested as part of our sample, signed employment contracts were not available for three Council employees.	We recommend that management undertake a review of all staff (including schools personnel) to ensure that there is a signed contract in place.	Agreed	Head of HR	Mar 2018

APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING (COUNCIL)

	FINAL	PLANNING
Materiality	£16,000,000	£16,600,000
Clearly trivial threshold	£500,000	£500,000

Planning materiality of £16,000,000 was based on 1.5% of gross expenditure, using the draft accounts

We had no reason to revise our final materiality level.

MATERIALITY - FINAL AND PLANNING (GROUP)

	FINAL	PLANNING
Materiality	£16,227,000	£16,700,000
Clearly trivial threshold	£500,000	£500,000

Planning materiality of £16,227,000 was based on 1.5% of gross expenditure, using the draft accounts

We had no reason to revise our final materiality level.

APPENDIX IV: INDEPENDENCE

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
Senior team members	Number of years involved
Leigh Lloyd-Thomas - - Audit engagement lead	2
Kerry Barnes - Audit manager	1

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

Other than the items identified above and in Appendix V, we have not identified any potential threats to our independence as auditors.
Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX V: FEES SCHEDULE

	2016/17 FINAL PROPOSED £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	206,475	206,475	206,475	
Objections	TBC	TBC	TBC	
Housing benefits subsidy claim	38,223	38,223	33,190	
TOTAL AUDIT AND CERTIFICATION FEES	244,698	244,698	239,665	
Reporting on government grants:				
• Pooling of Housing Capital Receipts return	3,500	3,500	3,500	
• Teachers' Pension return	3,500	3,500	3,500	
NON-AUDIT ASSURANCE SERVICES	7,000	7,000	7,000	
TOTAL ASSURANCE SERVICES	251,698	251,698	246,665	

APPENDIX VI: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER
BDO LLP
55 Baker Street
London
WIU 7EU

[XX] September 2017

Dear Sirs

Financial statements of London Borough of Haringey for the year ended 31 March 2017

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2017 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2017 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

APPENDIX VI: DRAFT REPRESENTATION LETTER

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

a) Pension fund assumptions

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

- Rate of inflation (CPI): 2.4%
- Rate of increase in salaries: 3%
- Rate of increase in pensions: 2.4%
- Rate of discounting scheme liabilities: 2.6%
- LGPS commutation take up option:

  Pre-April 2008 50%

  Post-April 2008 75%

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

APPENDIX VI: DRAFT REPRESENTATION LETTER

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

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

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

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

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax arrears, NDR arrears, housing benefit overpayments, housing rent arrears and parking charges are reasonable, based on collection rate data.

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

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Clive Heaphy, Chief Financial Officer

[date]

Cllr Barbara Blake, Corporate Committee Chair

[date]

Signed on behalf of the Corporate Committee

FOR MORE INFORMATION:

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Finance Department

Clive Heaphy Chief Finance Officer

Haringey LONDON

BDO LLP
55 Baker Street
London
WIU 7EU

Date: 21 September 201

Your ref:

Our ref: LofR 2016-17

Dear Sir,

Financial statements of London Borough of Haringey for the year ended 31 March 2017

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2017 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2017 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

Finance Department
Alexandra House
10 station Road
N22 7TR

T 020 8489 2766
E rob.woollatt@haringey.gov.uk

www.haringey.gov.uk

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

a) Pension fund assumptions

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

- Rate of inflation (CPI): 2.4%
- Rate of increase in salaries: 3%
- Rate of increase in pensions: 2.4%
- Rate of discounting scheme liabilities: 2.6%
- LGPS commutation take up option:

Pre-April 2008 50%
Post-April 2008 75%

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

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

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

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

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

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax arrears, NDR arrears, housing benefit overpayments, housing rent arrears and parking charges are reasonable, based on collection rate data. We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Clive Heaphy, Chief Financial Officer
21 September 2017

Cllr Barbara Blake, Corporate Committee Chair
21 September 2017
Signed on behalf of the Corporate Committee

Report for: **Corporate Committee – 21 September 2017**

Item number: **12**

Title: **Internal Audit Progress Report 2017/18 – Quarter 1**

Report authorised by : **Assistant Director of Corporate Governance**

Lead Officer: Anne Woods, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: anne.woods@haringey.gov.uk

Ward(s) affected: **N/A**

Report for Key/ Non Key Decision: **Information**

1. Describe the issue under consideration

1.1 This report details the work undertaken by Internal Audit in the quarter ending 30 June 2017 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised – work undertaken by the external provider (Mazars).

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the audit coverage and follow up work completed.

4. Reasons for decision

4.1 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.

4.2 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 annual audit plan. Where further action is required or recommended, this is highlighted with appropriate recommendations for the Corporate Committee.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The information in this report has been complied from information held within Audit & Risk Management and from records held by Mazars.

7. Contribution to strategic outcomes

7.1 The internal audit work makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

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

8.1 Finance and Procurement
There are no direct financial implications arising from this report. The work completed by Mazars is part of the framework contract which was awarded to the London Borough of Croydon and extended to 31 March 2018, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. The maintenance of a strong internal audit function and a proactive and reaction fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal
The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and advises that there are no direct legal implications arising from the report.

8.3 Equality
The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

As contracted providers of Haringey Council, the internal audit contractor is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010. Ensuring that the Council has effective internal audit and assurance arrangements in place will also assist the Council to use its available resources more effectively.

9. Use of Appendices
Appendix A – Mazars Progress report – Internal audit

10. Local Government (Access to Information) Act 1985
Not applicable.

11. Performance Management Information

11.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. Table 1 below shows the targets for each key area monitored and gives a breakdown between the quarterly and cumulative performance.

Table 1 – Performance Indicators

Ref.	Performance Indicator	1st Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	42%	10%	95%
2	Priority 1 recommendations implemented at follow up	N/A	N/A	95%

12. Internal Audit work – Mazars

12.1 The activity of Mazars for the first quarter of 2017/18 is detailed at Appendix A. Mazars planned to deliver 195 days of the annual audit plan (780 days) during the quarter and delivered 81 days audit work during the quarter. Conclusion of the 2016/17 audit plan meant that delivery of the current year's plan was reduced. Ongoing monthly contract monitoring reviews ensure that performance levels are kept under review and the annual target is still expected to be achieved. The follow up programme of work will commence during quarter 3 and will be reported to a future committee meeting.

12.2 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 concerns which members may have to be considered in a timely manner. Appendix A provides a list of all final reports which have been issued during the quarter. Detailed summaries of any reports with a limited or nil assurance are included in Appendix A for information.

12.3 **Significant issues arising in Quarter 1**

Osborne Grove and appointeeships. During the quarter, two audits received a 'nil' assurance rating. Given that these areas manage or are responsible for some of the Council's most vulnerable clients, this is of significant concern. Internal Audit have maintained ongoing discussions with the director, who has invested resources into the areas in order to address the high priority recommendations raised. Internal audit will undertake formal follow up reviews later this year and report the outcomes to the corporate committee.

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Internal Audit
Quarter 1 Internal Audit Report 2017/18
London Borough of Haringey

Mazars Public Sector Internal Audit Ltd.
September 2017

Contents

Page

Executive Summary

Introduction

This is our first quarter report to the Corporate Committee for the 2017/18 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 2017/18:

2016/17 Internal audits finalised in the quarter

- Re-Referrals
- Special Guardianships
- Care Reviews
- Childview Application
- Facilities Management
- Supply Chain Resilience (Adult Services)
- Cyber Security

- Residential Care
- Sexual Health & Substance Misuse
- Dynamic Purchasing
- Tetherdown Primary School
- Earlham Primary School – Follow –Up
- St Ignatius Primary School Follow-Up
- Earlsmead Primary School Follow -Up

2017/18 Internal Audit Reports finalised in the quarter:

- Osborne Grove

2017/18 Draft Internal Audit Reports issued this quarter

- Alexandra Primary School
- Bruce Grove Primary School
- Chestnuts Primary School

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter 1 of 2017/18 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
2016/17							
Re-referrals	Nov 2016	May 2017	Substantial	N/A	0	2	0
Special Guardianships	Nov 2016	May 2017	Limited	N/A	4	6	0
Case Reviews	Jan 2017	May 2017	Substantial	N/A	1	0	1
Childview Application Review	Nov 2016	May 2017	Substantial	⟺	1	3	1
Facilities Management	Oct 2016	May 2017	Substantial	N/A	1	1	0
Supply Chain Resilience (Adults Services)	Feb 2017	Jun 2017	Substantial	N/A	0	3	1
Cyber Security	Feb 2017	Jun 2017	Substantial	N/A	0	0	2
Residential Care	Nov 2016	Jun 2017	Substantial	N/A	0	1	0
Sexual Health & Substance Misuse	Oct 2016	Jun 2017	Substantial	N/A	0	1	1
Dynamic Purchasing	Dec 2016	Jun 2017	Substantial	N/A	0	3	0
Appointeeships	Feb 2017	Jun 2017	No	N/A	8	2	1
2017/18							
Osborne Grove	Apl 2017	Jun 2017	No	N/A	11	9	2

Audit area	Scope	Status/key findings	Assurance
Priority 1 – Outstanding for all			
Special Guardianships	Audit work was undertaken to cover the following areas: • Policies & Procedures • Support Plans • Financial assessments • Other Payments • Performance Monitoring and Reporting	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: As a result of our audit work we have raised three Priority 2 and one Priority 3 recommendation which should assist in improving the control environment. • A Protocol for payment of: Adoption, Special Guardianship, and Child Arrangement Orders Allowances has been created. The protocol references the Department for Education's (DfE) special guardianship guidance. We noted that the protocol is still in draft format and is yet to be finalised and approved by senior management. • The DfE means testing calculator is used to determine the financial status of the beneficiaries of Special Guardianship Orders (SGOs). We were informed by the Acting Team Manager that undertaking the means test calculations was a task previously undertaken by the Council's finance team. The finance team withdrew this service; the task was passed to the Fostering & Adoption teams. Adoption identified that there has not been any dedicated training for staff involved in managing SGOs relating to carrying out financial assessments of the individuals subject to SGOs using the DfE means testing calculator. • Testing identified 13 cases where the financial assessment using the DfE calculator was used. This financial assessment could not be evidenced in 12 cases. • A support plan should be in place for each special guardianship package, which details the assessments of the child's circumstances and support needs. Testing of 25 SGOs identified	**Limited**

Audit area	Scope	Status/key findings	Assurance
		21 cases where a support plan could be evidenced and four cases where a support plan was not seen. Also, there were six cases where there was no evidence of sign off of the support plan by the Head of Service and one case where the support plan was not signed off by the special guardian. • A letter is sent to the beneficiary once the support plan has been agreed. Testing of 25 SGOs identified 14 cases where the letter sent to the beneficiary could not be located. • There should be an annual monitoring and review of the support plan as a minimum requirement including the financial plan. Testing of 25 SGOs identified 21 cases where on-going yearly review of the support plan including its financial elements could not be evidenced. • Payments made to the beneficiary should be in line with the agreed plan. Testing identified 16 cases where a fully approved support plan could be evidenced which showed full approval of the amount agreed in respect of SGO. This could not be evidenced in nine cases. We also evidenced payments to the beneficiaries via bank statements in seven cases but not in the other 18 cases. • We have noted a number of issues with the documentation retained and management of cases, although no action plans have been developed to address these. We also identified that a number of cases are managed in finance - funding granted without these being subject to scrutiny by the Adoption team (a total of 247 cases were identified as at audit date from Finance listing provided). • Discussions with the Acting Team Manager - Adoption identified that there is currently no reporting on SGOs to senior management within the Council. • We identified that there is no dedicated personnel in charge of the financial calculations to support SGOs. Discussions with the Acting Team Manager - Adoption identified that there used to be an officer overseeing the financial management of SGO cases but this individual has since left the Council (2013/14) and since then this position has not been filled.	

Audit area	Scope	Status/key findings	Assurance
		As a result of our audit work we have raised four Priority 1 and six Priority 2 recommendations, which should assist in improving the control environment. The Priority 1 recommendations are as follows Staff involved in managing SGOs should be trained in the use of the DfE financial means calculator. Management Response: Negotiation are continuing with the Brokerage Team in Commissioning and Shared Financial Services to identify which service will undertake the process of financial assessments and the process of annual financial reviews. Deadline June 2017 The support plan's financial elements should be subject to regular (at least annual) reviews to confirm on-going eligibility of the beneficiaries Management Response: Following the policy being approved and the process confirmed, the reviews will be undertaken at least annually. Deadline June 2017 Key Performance Indicators (KPIs) and targets in relation to how many SGOs are in place, monitored and reviewed should be put in place. Reports should then be made to senior management against these targets on a regular basis (at least quarterly). Management Response: The Fostering & Adoption Service Manager will produce an annual report with quarterly reporting to the Head of Service. Deadline July 2017 A process flowchart should be developed, which includes all parts of the process for managing SGOs and this should be used to design a revised process which ensures all those involved in the process work together to optimise outputs. Management Response: This is work in progress and is linked to point re: training. A draft flow chart is being developed which is linked to legal timescales. Deadline June 2017. The Priority 2 recommendations are as follows: The Protocol for payment of: Adoption, Special Guardianship, and	

Audit area	Scope	Status/key findings	Assurance
		Child Arrangement Orders Allowances should be finalised and approved by senior management of the Council Management Response: The draft payment policy is currently being developed by the Head of Service and a senior Department lawyer. An implementation plan will also be developed alongside. Deadline June 2017 A support plan should be put in place in all cases, which should be approved by the Head of Service and the special guardian. Management Response: The draft policy proposes that the Asst Director Safeguarding & Support will authorise all SGO and adoption allowances. Deadline June 2017 The letter sent to the special guardian/beneficiary signifying the agreement should be retained in all cases. Management Response: Discussions are taking place with the Council legal department to ensure that there will be an evidence trail of correspondence and support plans on letter & report templates. June 2017 Financial assessments of the special guardian's circumstances should be carried out using the DfE calculator in all cases. Management Response: Negotiation are continuing with the Brokerage Team in Commissioning and Shared Financial Services to identify which service will undertake the process of financial assessments and the process of annual financial reviews. Deadline June 2017 Payments to be made to beneficiaries should be clearly detailed within the support plan and evidence showing payments should be retained in all cases. Management Response: The draft policy will identify the level of allowance payable subject to the means test calculator and based on the DfE minimum fostering rate for London deadline June 2017 Monitoring arrangements for the financial assessment of SGOs should be put in place. Management Response: Negotiations are continuing with the Brokerage Team in Commissioning and Shared Financial Services to identify which service will undertake the process of financial	

Audit area	Scope	Status/key findings	Assurance
		assessments and the process of annual financial reviews. Deadline June 2017	
Ad-Hoc Audits			
Appointeeship	Audit work was undertaken to cover the following areas: • Governance & procedures • Management of Client Finances • Fees • Access Controls • Performance Monitoring & Reporting	Existing controls are inadequate to manage the risks in this area and/or operation of existing controls is ineffective The key findings are as follows: • Haringey Council act as Appointee for 136 residential clients, and 81 community clients. • Staff have been provided with training related to their role, including training on benefits from Child Poverty Action Group (CPAG), a variety of training using FUSE, a learning platform, and a combination of internal training, arranged by the Team Leader of the Income Maximisation and Personal Budget. • Policies and procedures are in the process of being drafted by a Transformation Project Manager. • We found that there is not currently a Job Description in place for all roles relating to Appointeeships. • When an application is made for an Appointeeship, the Council will receive a BF57 form, which confirms the Council have been formally appointed to act for the claimant. BF57 forms are retained in Mosaic. • We established that when Department of Work and Pensions (DWP) payments are made to the Council, these will be assigned to the suspense account, with the National Insurance number used as a reference. Using the National Insurance number, the banking team will allocate this money to the clients account in SAP AR. When payments are due, the funds	**No**

Audit area	Scope	Status/key findings	Assurance
		will be transferred from the client account to their Personal Funds account, in the General Ledger. • Testing was undertaken on 10 community clients. It was found that five clients had Personal Spending plans in place. It was found that authorisation of Personal Spending plans has not been formally documented. • Personal Spending plans are reviewed on at least an annual basis, or if there has been a change in the clients' circumstance. • The Income Maximisation and Personal Budget team have a Purchase Card, for who the Team Leader is the only authorised persons for expenditure. The Purchase Card is used to make payments for clients in an appointeeship, where raising invoices is not suitable. • Monthly statements received for the purchase card are reconciled with the logged use. The Purchase card in replenished on a monthly basis. • Haringey Council do not currently charge fees for the administration of Appointeeships. • We found that client data is held securely by the Finance Team. Spreadsheets including clients' personal information are password protected and can only be accessed by the Financial Assessments Officer and the Head of Service Assessment and Personalisation. • We established from the SAP access levels: - 211 users who are able to move money from one General Ledger account to another. - 205 users who are able to move money from a customer account to a General Ledger account - 63 users who are able to move items and clear them.	

Audit area	Scope	Status/key findings	Assurance
		As a result of our audit work we have raised eight Priority 1,two Priority 2 and one Priority 3 recommendations which should assist in improving the control environment. Our priority 1 recommendations are as follows Policies and procedures should be established for the provision of Appointeeships. These should be formally approved and disseminated to all relevant staff and subject to annual review to ensure they are in line with current practices and legislation. The policy for appointeeship is within IAPP procedures. The policy requires a review and if necessary updated. The team is currently undergoing a review of its functions and when the re-design of the team has been implemented, timelines will be agreed to produce procedures. At present there is a resource issue due to historical savings. It should be noted that all operational process maps have been drafted and updated with the team as part of the recent service review. Deadline March 2018 Job descriptions should be established for all roles relating to Appointeeships Due to historical changes to the team driven by savings, the roles and responsibilities of staff has evolved to meet service demands. A subsequent re-alignment of JD's is required to detail the appointeeship activity and review what the original job descriptions detail. Going forward this will be addressed by the service review. Deadline March 2018 Client funds should be maintained in a separate bank account for each client. The Project Manager for the service review has identified this and put forward a recommendation to the Departmental Management Team to	

Audit area	Scope	Status/key findings	Assurance
		procure new bank account(s) and IT products(s) to manage appointeeship. Subject to approval this will be addressed. Deadline March 2018 All personal spending plans should be authorised by the relevant authorities prior to the provision of payments. Once we move towards the implementation of plans and re-design of the team, this area will be reviewed to ensure that clear plans and the decisions around the plans are in place. This will principally be the responsibility of the delegated officer to review and sign off. At present, expenditure which is not regular, for example, funerals, holidays, clothes, furniture, emergency cash, rent arrears, social activity is agreed by the team manager / head of service. This information is uploaded to Mosaic. The income / expenditure plans in place will be reviewed and considered for authorisation by 31/3/18. Income and expenditure should be reconciled on a monthly basis and at year end. The Project Manager for the service review has identified this and put forward a recommendation to the Departmental Management Team to procure new bank account(s) and IT products(s) to manage appointeeship. Subject to approval this will be addressed. Deadline March 2018 Haringey Council should reconsider its decision to not charge fees. This will be considered as part of the service review. However, this requires a wider legal and member's consideration and possibly a public consultation. Once the upfront analysis is complete and it's agreed to proceed then a consultation strategy and timelines will need to be agreed. Deadline March 2018	

Audit area	Scope	Status/key findings	Assurance
		SAP Access should be reviewed and updated so that access is in line with users' duties and responsibilities. With the implementation of Segregation of Duties across SAP AR we have reduced user access rights to the SAP AR function therefore limiting the number of users that would be able to access Corporate Appointee Accounts from 211 to 14. Thankfully we have not identified any Corporate Appointee account where a fraud has taken place due to User access rights. However; I believe the requirement for preventative measures and better ways of working is essential to safeguard the service. SAP AR access has already gone through a Segregation of Duties review which has been carried out by the SAP systems Team Deadline June 2017 KPIs should be established, and these should be compared against actual performance periodically. The service review proposes the development of KPI's and governance which will allow the team to monitor and report activity associated with the management of appointeeship and to monitor performance. As part of this process IT systems will need to be developed to produce the KPI's. Senior management should receive periodic management reports which should also identify any key issues. The service review proposes the development of KPI's and governance which will allow the team to monitor and report activity associated with the management of appointeeship and to monitor performance. As part of this process IT systems will need to be developed to produce the KPI's. Our priority 2 recommendations are as follows Personal spending plans should be in place for all community clients.	

Audit area	Scope	Status/key findings	Assurance
		In terms of income and expenditure plans, we recognise that this element of work has been ad-hoc and we do have aspirations to have 100% personal spending plans in place. However, due to team resources and current set up, the team does not have the capacity to undertake this significant and substantive piece of work. The importance of this activity has been recognised and recommendations have been put forward for the approval of resources and reconfiguration of the team. At present, income and expenditure plans involve collating the information from Care Management teams and care providers to produce the plans. Personal expenditure which is not regular, the team seeks approval from the manager of the team and Service Managers. Deadline March 2018 Job descriptions should be established for all roles relating to Appointeeships. Due to historical changes to the team driven by savings, the roles and responsibilities of staff has evolved to meet service demands. A subsequent re-alignment of JD's is required to detail the appointeeship activity and review what the original job descriptions detail. Going forward this will be addressed by the service review. Deadline March 2018	
Priority 2 – Outstanding for all (Adult Social Services)			
Osborne Grove	Audit work was undertaken to cover the following areas: • Governance • Staffing • Personal Care Plans • Complaints • Medical Care • Financial management	Existing controls are inadequate to manage the risks in this area and/or operation of existing controls is ineffective The key findings are as follows: • We obtained the CQC master action plan and identified that this included comments, RAG rated tasks and specified an officer responsible for each task. • We confirmed that the Home uses Haringey Council Payroll Service, and identified that reconciliations between expected and actual expenditure for payroll is not conducted.	**No**

Audit area	Scope	Status/key findings	Assurance
	• Ordering & Invoicing • Assets • Security & Safety • Business Continuity	• We examined a sample of five overtime claims made within the March payroll report and found none specified a reason for overtime, and one had not been signed by the claimant. • We were informed that there is no Central Employee Record that records all permanent and agency staff. • Due to the home failing the CQC inspection and the need to quickly recruit nursing staff, new staff are recruited from agencies, for which starter forms are not completed, and for five new agency staff examined, we confirmed the following: o No formal contract for any of the five; o No evidence of checks conducted by the Home for DBS; o No medical certification for the three staff where it was required; and o No references obtained. • There are seven staff carers and three registered nurses confirmed for week day shifts, and staff are supervised by the Nurse Specialist and Deputy Clinical Manager. We identified that for week nights and weekends, there is no supervision of nurses and care assistants. • There are 19 residents within the Home of whom, five had not had a Malnutrition Universal Screening Tool (MUST) completed within the last month. Two residents were identified to have been scheduled for monthly MUST evaluations as specified within their MUST forms, and three residents were observed to require MUST screening on at least a monthly basis via review of their Personal Care Plans (PCP) and risk assessment forms. • We observed that following the monthly shipment of pharmaceuticals, excess medication was kept within the	

Audit area	Scope	Status/key findings	Assurance
		Hairdresser's room instead of the locked cabinet within the Treatment room. • We were informed that there is no contract in place between the Home and 'Care to Homes' (formerly known as Chemistree), the pharmaceutical company providing medication to the Home on a monthly basis. • Budget monitoring reports are produced on a monthly basis, reasons for variations are noted by the Home Manager, and reports uploaded to SAP for review by the Council Finance department. • We selected 10 payments under £5,000. Six of the 10 payments were identified to be payments made by procurement card. We confirmed via review of documentation that all six were approved by the Home Manager and reconciled to bank statement prior to submission to the Council for formal posting onto SAP. The remaining four payments were all confirmed to have approved purchase orders and invoices, with totals that matched SAP records, although in one instance the purchase order was raised after the invoice date. • The Home Inventory list was obtained for review. We identified that this was a manual paper record which had many amendments made by hand. We were also informed that the list had not been updated to include new purchases made. Upon review of the Inventory list, we identified that ICT assets are not consistently security marked and there was insufficient details regarding serial number, make and model of all ICT equipment. • There is no formal Disposal procedure in place and no records of disposed items. • Residents personal belongings were confirmed to have been detailed within a list provided by the Senior Improvements	

Audit area	Scope	Status/key findings	Assurance
		Officer, however this list was not available at the Home, was not signed off by the Home Manager, and did not include belongings that are kept on the resident (such as earrings). We were informed that all residents' belongings are noted upon admission, however we were unable to evidence this via review of resident files. • We selected five pieces of mechanical equipment and five built in systems within the home for testing. We identified that of the 10 selected, six did not have a current contract in place and eight did not have evidence of regular maintenance as per service agreements. • All current residents have their own personal evacuation plan. However, there have been no fire/ evacuation drills conducted since 15 September 2016. • We identified one complaint which was first made 11 January 2016 and a Stage One response issued 21 January 2016. The complaint was escalated to Stage Two on 22 June 2016 and closed 27 July 2016. We could not obtain any documentation to identify any explanation for the five-month delay to escalate the complaint. As a result of our audit work we have raised eleven Priority 1, eight Priority 2 and three Priority 3 recommendations which should assist in improving the control environment. Our priority 1 recommendations are as follows Payroll reconciliations should be undertaken on a monthly basis. Once completed, the reconciliation should be signed off by the Home Manager. Agreed: This is part of the monthly budget monitoring process and is completed with the Home Manager and Finance. At the time of the audit the manager was new and the process not fully embedded. Already Implemented	

Audit area	Scope	Status/key findings	Assurance
		A Central Employee Record should be created to include both agency and permanent staff. The Central Employee Record should include DBS and any medical certifications required to evidence checks have been conducted prior to employee start date. Agreed: A central record to be established. Deadline June 2017. All required checks should be completed for all new staff in advance of their employment. A record should be retained of all such checks completed. Partly Agreed: Agency staff that have been sourced though the Hays framework agreement requires these to be completed and so will be accepted in accordance with the agreement, this will be reviewed pending the planned outcome of the Hays audit. A record for all agency staff not recruited through Hays will be created and maintained. Deadline June 2017. A record should be retained of the terms and conditions as confirmed through the agency website authorised by the Home Manager. A formal signed contract should be retained for each member of staff and specify pay scale of starter and date of employment. Part Agreed. A shared electronic folder has been established with access limited to managers this will include Terms and conditions by each agency and details of employees. Deadline June2017 Residents level of dependency should be formally conducted to ensure appropriate numbers of staff are available to care for resident needs. Agreed: Dependency assessment has now been completed and implemented. Clinical routine and structure and rotas etc. being finalised Deadline June 2017 The Home should develop a schedule which identifies all residents and when a MUST is required, with the result of each MUST recorded as and when completed subject to periodic review by the Home Manager to ensure completion. Agreed: A timetable for all key plans and assessments has been established and the MUST assessment is an aspect of this. Deadline June 2017	

Audit area	Scope	Status/key findings	Assurance
		All medication received for residents should be maintained within a suitable locked container, accessible only by the registered nurse on duty. Agreed. A new room has been identified for storage and is being fitted with a lock and we are arranging for air conditioning and shelving to be installed. To note all control drugs are signed for but a registered nurse and stored in the lockable medicine cabinet. Deadline July 2017 Current contracts should be maintained for all pharmaceutical needs. Agreed – already identified as an action as part of the home improvement plan. This is a possible procurement process. And is likely to take 3 to 6 months. Deadline Dec 2017 Current contracts should be maintained for all equipment needs. All equipment should be serviced regularly as per contract service agreement and records of this servicing should be retained. Agreed: we have since located evidence of the servicing of the equipment however not all servicing contracts were in place at the time of the audit. These are now in place. Resident personal belongings should be recorded upon admission and list secured within the safe along with relevant belongings if appropriate. Any belongings not stored within the safe should specify reason and location of item. Any changes made to the list should be authorised by an appropriate officer. Resident money records should be fully completed, detailing all cash received and spent, and authorised by an appropriate officer. Agreed: The admissions procedure is to be reviewed and updated to include this. An audit will be done of all current residents' possessions to ensure that an accurate record is in place. Deadline July 2017 A list of risk assessments should be created for the Home, including a schedule of review for each. Agreed. Will be created annual review and as required. Deadline June 2017	

Audit area	Scope	Status/key findings	Assurance
		Our priority 2 recommendations are as follows Documentation relating to complaints made, should be retained on file and reasons for delays in complaints handling should be noted. This is already in place. The complaints handing process and associated information is managed centrally and held within the Respond system. Escalation is instigated by the complainant. Official order forms should be raised for all purchases prior to placing orders with suppliers. Agreed. And this is in accordance to the council's process. These were historical invoices and the home is already following the correct procedure. Already Implemented The Inventory list should be maintained electronically with access to the document restricted to key individuals responsible for maintenance of the list. The list should be updated as new items are purchased or old items written off, and should include the serial numbers, make and model details for all ICT equipment. The inventory should be checked to actual assets on an annual basis and a record of the check retained. Agreed: the asset list is currently being updated and a new process developed. Once in place the list will be updated monthly to reflect disposals and new acquisitions. Deadline July 2017 A catering stock record should be created and maintained, with a periodic reconciliation to actual stock held, to reflect up to date stock levels. Agreed. There is a system that has been implemented and is being reviewed. Deadline June 2017 A disposal policy should be created and detail disposal procedures, method of disposal and an appropriate officer for approval of any disposal. Records of disposed assets should be kept for a clear management trail. Agreed. Procedure being developed and will align with the risk register procedure. Deadline July 2017 Record of all keys to drug cabinets should be maintained and signed off to evidence hand over of keys between shifts.	

Audit area	Scope	Status/key findings	Assurance
		Agreed: Update of handover sheet to record it. Regular fire/evacuation drills should be conducted and documented. Lessons learned from drills should be documented and incorporated into the next drill. Roll call lists should be updated to include the names of all current residents and staff. Agreed. The Home manager has now ensured that fire safety arrangements are in place A list of fire wardens should be identified and list placed in an easily observable area. Agreed. This will be the Nurse on duty and advertised as such. Training is to be provided. Deadline July 2017 An updated Business Continuity Plan should be implemented, to include heating and evacuation procedures. The BCP should be reviewed and updated on an annual basis with the date of the last review recorded. Agreed. Plan has been updated in accordance with the Corporate Deadline and includes the heating and evacuation procedures	

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 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 our 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 us 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. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our 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 work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

September 2017

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

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Report for: **Corporate Committee – 21 September 2017**

Item number: **13**

Title: **Counter Fraud Update Report 2017/18 – Quarter 1**

Report authorised by : **Assistant Director of Corporate Governance**

Lead Officer: Anne Woods, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: anne.woods@haringey.gov.uk

Ward(s) affected: **N/A**

Report for Key/ Non Key Decision: **Information**

1. Describe the issue under consideration

1.1 This report details the work undertaken by the Counter Fraud Team in the quarter ending 30 June 2017 and focuses on details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities – work undertaken by the in-house Fraud Team.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the counter-fraud work completed in the quarter to 30 June 2017.

4. Reasons for decision

4.1 The Corporate Committee is responsible for monitoring the effectiveness of Council policies on Anti-Fraud and Corruption. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee on the responsive and pro-active fraud investigation work.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The information in this report has been compiled from information held within Audit & Risk Management.

7. Contribution to strategic outcomes

7.1 The counter-fraud team makes a significant contribution through its pro-active work in ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

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

8.1 Finance and Procurement
There are no direct financial implications arising from this report. The work completed by the Fraud Team is funded from within the Audit and Risk Management revenue budget. The maintenance of a strong proactive and reaction fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal
The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and advises that there are no direct legal implications arising from the report.

8.3 Equality
The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

The in-house counter-fraud team is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010 and this is built into the team's operational procedures. Ensuring that the Council has effective counter-fraud arrangements in place will assist the Council to use its available resources more effectively.

9. Use of Appendices
Not applicable

10. Local Government (Access to Information) Act 1985
Not applicable.

11. Performance Management Information

11.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. Table 1 below shows the targets for each key counter-fraud area monitored and gives a breakdown between the quarterly and cumulative performance.

Table 1 Performance measures – counter fraud activity

Ref.	Performance Indicator	1st Quarter	Year to date	Target
1	Tenancy fraud – properties recovered	11	11	50
2	Right to Buy – fraudulent applications prevented	10	10	80

12. In-house Counter-Fraud Team: Fraud investigation/Pro-active work

Haringey LONDON

12.1 Internal employee investigations

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees.

Quarter 1 investigations. Within the first quarter, four new cases relating to permanent and temporary employees were referred to the Fraud Team. One case was completed during the quarter: no evidence was found to substantiate the allegations and the report issued to service management recommended that the employee was returned to work in line with the disciplinary Code of Conduct. Seven cases remain in progress at the end of quarter one, including four cases brought forward from quarter four 2016/17.

The Fraud Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible.

Whistleblowing referrals. The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. No referrals were made during Quarter 1. Regular reminders are provided for staff on how to raise concerns and use the Whistleblowing Policy; the latest reminder was issued in the July 2017 staff newsletter. A copy of the policy is also held on the Council's intranet and website.

12.2 Tenancy Fraud – council properties

In 2017/18, the numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

<u>2017/18 – Referrals received</u>		
Brought forward from 2016/17		93
Referrals received in 2017/18		58
Total referrals received for investigation		**151**
<u>2017/18 Outcomes</u>		
Properties Recovered	**11**	
No Fraud identified	26	
Total cases concluded		37
Ongoing Investigations		**114***
***See Note 1 below**		

Note 1: Of the 114 ongoing investigations; **42** of these cases (37%) are progressing towards tenancy recovery. The property will be included in the 'recovered' data when the keys are returned and the property vacated.

The Fraud Team liaise with Legal Services on individual cases to ensure these are progressed as quickly as possible. For the ongoing investigations where tenancy recovery is in progress, the status of the tenancy has been investigated and the case is either: awaiting a Court Hearing; the Particulars of Claim are with Legal Services; an NTQ is awaiting expiry; a succession application has been refused and the tenant is awaiting an offer of smaller accommodation; or the rent account is showing an 'Unauthorised Account' on the Housing database.

The Fraud Team works with Homes for Haringey (HfH) to target and investigate housing and tenancy fraud, which forms part of HfH's responsibilities in the Management Agreement. HfH have confirmed that they will continue to fund the seconded officer in the Fraud Team on a long term basis to assist with the tenancy fraud work. Training has been provided to HfH staff on tenancy fraud, raising awareness of potential fraud indicators that will assist in the recovery of illegally sub-let properties.

The Fraud Team will continue to work with HfH to identify the most effective use of fraud prevention and detection resources across both organisations to enable a joined up approach to be taken, especially where cases of multiple fraud are identified e.g. tenancy fraud, and right to buy fraud.

Other tenancy investigations. Included in the 11 properties recovered during the quarter were three which were as a result of the ongoing project for Gas Safety visits.

12.3 Pro-active counter-fraud projects

During 2017/18, the Fraud Team have continued with a number of pro-active counter-fraud projects in areas which have been identified as a high fraud risk. Progress reports on this work will be reported to the Corporate Committee during the year; the findings and outcomes are all shared with service managers as the projects are delivered.

12.3.1 Gas safety – execution of warrant visits

In 2016/17, the Fraud Team agreed to support the HfH Gas Safety Compliance Engineer and accompany warrant officers on all executions of warrant of entry visits where it was suspected that the named tenant was not in occupation.

As a result, the Fraud Team are advised of the date for the warrant to be executed and attend the visit with the warrant officer. The Fraud Team aim to interview any occupant and establish the legitimacy of the tenancy, or investigate further if the property is empty, or identified as being potentially sublet or abandoned. The Fraud Team may also identify cases where the tenant is a vulnerable adult, in which case a referral is made to social workers and/or tenancy management. The Gas Safety Team can and do make referrals to the Fraud Team if they identify notice any potential fraud indicators through the normal course of their work.

In 2017/18, the Fraud Team have assisted with 51 Gas Safety warrants of execution in Quarter 1. To date:

- three properties which were already under investigation by the Fraud Team were re-possessed as the absence of the tenant in each case corroborated the findings and actions being taken in the respective investigations;
- eleven properties are under continued investigation for one of the following three reasons (i) a forced entry and awaiting collection of the keys by the displaced occupant (ii) the property is already subject to an 'Unauthorised Occupant' or (iii) an Notice to Quit (NTQ) has been served.

12.3.2 Tenancy Block Visits

Feedback from HfH officers highlighted potential fraud risks in key sites (tenancy blocks) across the borough. It was agreed that the Fraud Team would undertake a pro-active tenancy fraud project focused on individual tenancy blocks to identify any properties that may be sub-let. The Fraud Team obtained a report on key housing stock sites which used data matching to identify potential sub-let properties. The Fraud Team identified Stellar House, Northolt House and Kenley as blocks which required further investigation.

Visits to all three blocks have been completed by the Fraud Team; as a result twelve NTQ's were served on properties in Stellar House and Northol. One property has now been recovered, three are with Legal Services to progress court recovery proceedings; and a further two properties remain under further investigation.

Investigations into the third block, Kenley, have been completed and four NTQ's have been served.

12.3.3 No Recourse to Public Funds (NRPF)

No Recourse to Public Funds (NRPF) is an immigration condition restricting access to public funds, including benefits such as welfare and housing. Families and individuals may have a right to financial support (accommodation and subsistence) if certain statutory needs are identified. In these cases, the local authority has a duty to support the accommodation and subsistence costs of residents with NRPF.

These cases are often complex to identify, assess and resolve and unpredictable in terms of how much they cost and how long they last. The Council receive no funding to support this work and so have a dedicated NRPF team to provide accommodation and subsistence and to liaise with the Home Office to make sure that immigration queries are resolved as quickly as possible.

In the first quarter, eleven referrals were received from the housing officer in the newly formed Single Point of Access (SPA) team; and one NRPF social worker who was seeking up to date information to review families already housed. There were no accompanied interviews and the outcomes from the Fraud Team interventions will be reported at a later committee meeting.

The average cost of NRPF support per family based on accommodation and subsistence for a two child household is estimated to cost the Council approximately £20,000 a year. The Fraud Team will continue to work with the NRPF Team to develop processes to identify and prevent fraud.

12.4 Right-to-buy (RTB) applications

In 2017/18, the Fraud Team has approximately 340 ongoing applications under investigation. The team reviews every RTB application to ensure that any property where potential benefit or succession fraud is indicated can be investigated further. Increasing property valuations has meant fewer overall RTB applications received, but this is still a key fraud risk area.

In the first quarter, 10 applications have been withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or the requirement to complete money laundering processes.

12.5 Financial Values 2017/18

Tenancy Fraud – council stock and temporary accommodation: The Audit Commission valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, mainly relating to average Temporary Accommodation (TA) costs. No new national indicators have been produced; therefore although this value is considered low compared to potential TA costs if the property has been identified as sub-let for several years, Audit and Risk Management continue to use this figure of £18k per property for reporting purposes.

In 2017/18 to date, **11** council stock properties and **three** temporary accommodation property have been recovered through the actions and investigations of the Fraud Team; therefore **a total value of £198k** can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies**.**

Right to Buy Fraud: Overall, the 10 RTB applications withdrawn or refused represent **over £1.04m** in potential RTB discounts; and means the properties are retained for social housing use.

 Agenda Item 13

Report for: Corporate Committee, 21 September 2017

Item number: **13**

Title: Schools Finance and Audit.

Report authorised by: Tracie Evans, Deputy Chief Executive

Lead Officer: Eveleen Riordan, Joint Assistant Director, Schools and Learning

Ward(s) affected: All

Report for Key/ Non Key Decision: N/A

1. Describe the issue under consideration

1.1 Corporate Committee has asked for a report setting out the actions that Schools and Learning (along with other associated Services) are taking to address the increasing number of primary, secondary and special schools with either nil or a limited assurance from the audits carried out in the academic year 2016/17.

1.2 This report summarises the actions already taken/in progress as well as those actions planned across 2017/18.

1.3 The report is for noting only and does not require any action of the Corporate Committee.

2. Cabinet Member Introduction

2.2 NA

3. Recommendations

3.1 That the Committee note the contents of this report.

4. Reasons for decision

4.1 That the committee note the contents of the report, and that they also note that further reports and updates will be bought back to Committee to update members on the financial health of our schools as and when appropriate.

5. Alternative options considered

5.1 NA

6. Background information

6.1 Haringey's Internal Audit undertakes a programme of school audit reviews to ensure that our schools are complying with the requirements of the Schools

Finance Manual, issued in 2007; and to confirm the risks associated with the key financial and non-financial processes are appropriately managed.

6.2 Internal audit is **not** required to audit the School Financial Value Standard (SFVS), but the audit programme does check that the SFVS has been completed and whether it aligns with the audit findings. The programme of routine audit work should also assist schools in providing assurance to Governing Bodies for the SFVS

6.3 The table below summarises the findings of the 2016/17 financial year's audits.

	Number of audits planned	**Substantial Rating assurance**	**Limited[1] Assurance rating**	**Nil[2] Assurance rating**
2016/17				
Primary Schools (incl. nursery/special)	21	6	12	3
Secondary Schools	3	2	1	0
Sub-total	**24**	**8**	**13**	**3**
Total	**68**	**31**	**33**	**4**

6.4 School audits showed significant weaknesses across all schools and 2016/17 saw a rise in the number of primary and secondary schools with limited or nil assurance ratings.

6.5 The fact that 67% of schools audited in 2016/17 returned limited or nil assurance ratings is of serious concern to the Council and the issue has been included in the statutory Annual Governance Statement, which was reported to the Corporate Committee on 25 July 2017 as part of the Council's annual accounts. At the July 2017 Committee members asked for an outline of the actions that the Council is taking to address the poor audit returns.

6.6 The paragraphs below summarise the actions already taken/in progress, and also refers to other financial support and challenge being given to our schools to help enable them to be financially robust and stable.

Historic Training for Schools and Governors

6.7 In addition to circulating the school audit test programme, workshop sessions have been provided for school staff (finance staff, bursars, and head teachers) over the last three financial years to further assist schools in identifying key risk areas and control processes.

6.8 A workshop session was again offered to all schools with audits planned during 2017/18; the session was held on 15 March 2017 and the majority of schools due to be audited in 2017/18 attended the session.

[1] Weakness in the system of controls are such as to put the system objectives at risk.

2 Control is generally weak leaving the system open to significant error or abuse.

6.9 A training session on audit and risk management, covering governor roles and responsibilities in relation to audit and risk management, as well as providing advice and guidance on key risk/control areas, was provided on 23 March 2017 as part of the annual governor training package. The training session is offered every academic year.

Internal Audit schools audit and follow up programme 2017/18

6.10 Internal Audit has started the 2017/18 programme of school audit visits; and all schools have been contacted and agreed dates for their respective audit visits.

6.11 Internal Audit will also arrange to follow up the 2016/17 audit work and recommendations. All schools will be visited during 2017/18; where 'nil' assurance reports were issued, a full audit will be undertaken. Any schools where high priority recommendations (Priority 1) remain outstanding may be included in the 2018/19 school audit programme for further review.

The Council's Challenge to audit outcomes in Haringey Schools since June 2017

Officer challenge to Head teachers and Chairs of Governors

6.12 Following a series of poor audit outcomes across a number of schools, the Director of Children's Services, the Joint Assistant Director for Schools and Learning, the Head of Audit and Risk Management and the Finance Business Partner for Schools & Learning called in the Head Teacher, Business Manager and Chair of Governors of a number of our schools in July 2017 to discuss each of their school's financial position, challenge those areas of the school's finance where change was required to support a more robust financial position, and agree next steps in terms of any potential licensed deficit and for a further audit of the school to be carried out in the autumn 2017 term. From these meetings it was clear that there was a potential need to remove the delegated budget for at least one of the schools *if* our confidence in how the financial matters in the school is not considerably increased at the point of the next audit (due 25 September 2017).

6.13 In addition to the challenge provided to these schools as part of the above meetings, the measures outlined below will further assist those schools called in by the LA together with **all** other schools in Haringey in acute financial management.

Schools Forum

6.14 At the beginning of January 2017 the Haringey Schools Forum[3] agreed to designate a sum of money amounting to £80,000 to be used by the Council to provide financial support to schools. This sum was allocated following the failure of a number of applications that had been made by 'schools in financial difficulty' to secure additional funding to prop up their school's financial position.

[3] The Schools Forum is made up of representatives from schools and academies, with some representation from other non-school organisations, such as nurseries and 14-19 education providers. The forum acts as a consultative body on some issues and a decision making body on others. One of its functions is to decide how much funding may be centrally retained within the Dedicated Schools Grant. Further information on the roles and responsibilities of the Forum can be found here.

Officers reported back to Forum in July 2017 that they proposed to commission high quality and targeted financial support to address the following areas:

1. Universal high quality training and support to head teachers, school business managers and chairs of governors (with support to enable effective challenge for CoGs):
2. Advice on specific issues/targeted support to specific schools, e.g. supporting one form entry schools and their economies of scale, potential for federation and sharing back office and other functions, model structures for 1fe, 2fe, 3fe etc. schools.
3. Work with Haringey's Finance team to agree fit for purpose templates for our schools across a range of financial functions.

6.15 This work is expected to be commissioned by officers and begin to be delivered early in the autumn term 2017.

Council's Finance Board

6.16 A Finance Board has been agreed and will meet from September 2017 with monthly meeting scheduled and diarised across the school year up to and including July 2018. The purpose of the Board will be to:

1. Challenge any restructure proposal within a community or voluntary aided school where the restructure could result in redundancy(s). The LA is responsible for the payment of any redundancies monies[4] in all but very limited circumstances and the Board will challenge all restructures to ensure that they are, among other things, a last resort, that there is a clear rationale for the proposed staffing reduction, and that the restructure is based on an accurate and reasonable prediction of the school's future financial position;
2. challenge and determine applications for licensed deficits including challenge to ensure repayment within a specified and reasonable timeframe;
3. determine ongoing proposals to support schools in financial difficulty, including dedicated and tailored high quality financial advice and support, such determination to take account of support offered to date from the LA and feedback from schools and from finance colleagues on the effectiveness and relevancy of such support.

Other matters expected to impact on the financial viability of our schools.

6.17 Following extensive and prolonged consultation on a national funding formula (NFF) for schools, we are expecting an announcement on the practicalities of how that formula will be introduced imminently. A very successful national campaign that was instigated within Haringey by a parent (Fair Funding for All Schools) was very successful in lobbying government and forcing some concessions in how any NFF might be rolled out, and led to Justine Greening, Minister for Education, to comment on 27th June 2017 that the government will

[4] Section 37 of the Education Act 2002 makes it clear that the costs incurred in respect of securing a dismissal of staff through redundancies shall not come from the school's delegated budget unless the Local Authority has good reason for refusing to fund all or part of the costs (good reason, while not defined, might be that the Local Authority believes that the proposed redundancy was unnecessary).

stand by its manifesto pledge that no school will lose out under ifs NFF. However, the Education Secretary failed to confirm how much money schools in England will receive in total over this Parliament.

6.18 Officers in Haringey have carried out extensive modelling on how a NFF *might* impact on Haringey's schools and presented this modelling to Schools Forum. From this modelling it is clear that we can expect an overall reduction in funding to Haringey's schools at a level of around -10%. Further clarification on actual impact will only be possible once the details of the NFF are published by the Education Funding Agency (EFA). However, back in 2016 officers, working with representatives from the Schools Forum, established a Funding Formula Review Group tasked with determining the expected impact of a NFF and how to best to positively mitigate against these impacts. The group is chaired by a primary Head teacher and has primary, secondary, and officer representation. The group's next meeting is scheduled for mid-September 2017 upon schools' return from the summer break.

Conclusion

6.19 The above sets out the steps that officers have already or are in the process of implementing to challenge and support schools in being able to carry out robust and sound financial management.

6.20 The information in this report also sets out other pre-emptive measures that officers are taking to respond to the likely impacts of the emerging NFF and to ensure that any restructures that result in redundancies are carefully planned and a last resort measure having regard to all material implications in any given school.

7. Contribution to strategic outcomes

7.1 The work and actions outlined above contribute to Priority 1 of the Corporate Plan, enable every child and young person to have the best start in life, with high quality education.

8. Statutory Officers comments

Legal – Victoria Barman, Principle Corporate Lawyer

8.1 This report sets out the findings of an internal audit into maintained schools to assess compliance with the Schools Financial Manual 2007. Corrective actions undertaken to date and proposed actions for implementation are detailed for the Committee to note.

8.2 In cases of financial mismanagement or failure to comply with requirements, a school governing body's right to a delegated budget can be suspended by the local authority in accordance with section 51 of the Schools Standards and Framework Act 1998. Pursuant to Part 3 Section C of the Constitution, any decision to suspend a delegated budget is delegated to the Director in consultation with the relevant Cabinet member.

Finance CAPH55 – Yoke O' Brien, Interim Finance Business Partner - Schools & Learning

8.3 At the end of Summer term 2017 the Chair of Governors, Headteacher and School Business Manager of six Primary and two Secondary schools were invited before a Schools in Financial Difficulty Panel of Council Officers consisting of the Director of Children's Services, the Joint Assistant Director for Schools and Learning, the Head of Audit and Risk Management and the Finance Business Partner for Schools & Learning, to discuss the financial health of their school.

These eight schools faced acute urgent financial management issues and needed Licensed Deficit Order approvals for their forecast deficits and additional financial cash loan advance to help sustain their continuing day to day operations. Two of this eight schools have nil assurance audit rating. Amongst these two schools, one of them will be audited again on the 25th September 2017 to determine whether financial delegation will need to be withdrawn.

The discussions between the LA and the school re-affirmed some of the concerns the LA had with regards to the school's financial and audit health. A number of these schools relied heavily on the advice and services of external consultants which do not always match the needs of the school which in turn has a detrimental effect on the school financial health.

At the close of 2016-17 14 out of 65 Haringey Schools ended the year with a revenue budget deficit, the highest with a deficit of £204,273. 60% of all Haringey schools had relied heavily on brought forward reserves to balance their budgets, the highest with an in year revenue deficit of £519,564.51. This is the current landscape prior to the arrival of the proposed Schools National Funding Formula which will potentially affect every schools funding.

Haringey Schools are currently operating under very difficult and challenging financial landscape. Every school needs to be financially alert and operate at optimal cost during these difficult times. Governing bodies of single form entry schools need to consider the various options available to them in terms of sharing resources with other neighbouring schools to achieve value for money back office and pastoral support. At present Haringey Council is owed more than £2.7M by 12 schools in terms of cash loan advances which if withdrawn would put those schools day to day operations at risk. This in turn is a financial risk to the Council's should one of those schools were to go insolvent.

9. Use of Appendices

9.1 NA

10. Local Government (Access to Information) Act 1985

10.1 NA