NOTICE OF MEETING

CORPORATE COMMITTEE

Thursday, 9th September, 2021, 7.00 pm - George Meehan House, 294 High Road, Wood Green, N22 8YX

To watch the meeting, click here

Members: Councillors Peter Mitchell (Chair), Erdal Dogan (Vice-Chair), Emine Ibrahim, Mark Blake, Dawn Barnes, Patrick Berryman, Mahir Demir, Scott Emery, Joseph Ejiofor, Alessandra Rossetti, Preston Tabois and Kaushika Amin

Quorum: 4

1. FILMING AT MEETINGS

Please note that this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on.

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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. DECLARATIONS OF INTEREST

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

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and

(ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

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

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

4. 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 10)

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 - 10)

To consider and agree the minutes of the meeting held on 15 July 2021.

7. DRAFT STATEMENT OF ACCOUNTS 2020/21 AND PROVISIONAL PLAN FOR AUDIT 2020/21 (PAGES 11 - 176)

8. AUDIT & RISK SERVICE UPDATE QUARTER 1 (APRIL - JUNE 2021) (PAGES 177 - 190)

9. TREASURY MANAGEMENT Q1 2021/22 UPDATE (PAGES 191 - 204)

10. ANY OTHER BUSINESS OF AN URGENT NATURE

To consider any items admitted at item 4 above.

11. DATE OF NEXT MEETING

16 November 2021

Philip Slawther, Principal Committee Co-ordinator
Tel – 020 8489 2957
Fax – 020 8881 5218
Email: philip.slawther2@haringey.gov.uk

Fiona Alderman
Head of Legal & Governance (Monitoring Officer)
River Park House, 225 High Road, Wood Green, N22 8HQ

Wednesday, 01 September 2021

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MINUTES OF MEETING Corporate Committee HELD ON Thursday, 15th July, 2021, 19:00

PRESENT:

Councillors: Peter Mitchell (Chair), Erdal Dogan (Vice-Chair), Emine Ibrahim, Mark Blake, Dawn Barnes, Patrick Berryman, Scott Emery and Kaushika Amin

Attending Virtually: Cllr Mahir Demir, Cllr Alessandra Rossetti

28. 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.

29. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Cllr Ejiofor.

Apologies for lateness were received from Cllr Ibrahim.

Cllrs Rossetti and Demir attended the meeting virtually.

30. URGENT BUSINESS

There were no items of Urgent Business.

31. DECLARATIONS OF INTEREST

None.

32. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

None.

33. MINUTES

The Committee requested an update around the follow-up audit of the purchase of Alexandra House. In response, officers set out that at its last meeting, the Committee received a report from Mazars into the initial decision not to purchase Alex House when the opportunity first arose. Subsequent to this, Internal Audit received a report from the external auditors around the later decision to purchase, which set out a number of areas of assurance that the Head of Audit accepted. The Head of Audit advised that he was happy to consider any further concerns raised by the Committee and whether a further piece of audit work was required. The Chair suggested that this could be picked up outside of the meeting.

A Member of the Committee sought clarification around what issues the Chair was hoping to pursue outside of the meeting. The Chair set out that there were still some outstanding issues around the initial decision not to purchase and the decision making processes involved therein. The Chair suggested that he would like to see some further assurances that similar mistakes would not be made in the future. The Chair proposed that he would have some further discussions with officers outside of the meeting and that the issue would come back to the Committee at a subsequent meeting.

A Committee Member suggested that these concerns should be outlined in the meeting in a public forum. It was commented that the Committee had already received a report at a previous meeting, and it was suggested that the justification for a further report was unclear. The Member cautioned against other members of the Committee being seen to pursue a political agenda. The Chair reiterated his concerns around good governance and value for money and advised that the discussions he had initially suggested were merely around the scope of further inquiry. The Chair accepted the point raised about the need for any future report to come back to a future meeting and be discussed in public.

The Committee Member in question reiterated the need for decisions to be taken in the meeting and suggested that, given this was a new Committee, perhaps the initial report should be brought back to the Committee in the first instance, with questions put to officers.

Cllr Amin requested that her strong opposition to the process be recorded in the minutes along with her concerns that this seemed to be part of a political agenda.

The Chair requested that an item around a possible follow-up audit on the decision to purchase Alex House would be added to the agenda for the next Committee. **(Action: Clerk).**

RESOLVED

That the minutes of the meeting held on 17th March 2021 were agreed as a correct record.

34. UPDATE ON STATEMENT OF ACCOUNTS 2020-21

The Committee received a verbal update in relation to the Statement of Accounts 2020/21. At the last meeting, the Committee set out that it would like to see the establishment of a working group to look into some of the operational issues that had been raised in the external audit report on the annual Statement of Accounts. Subsequent to that meeting, the Director of Finance met with the previous Chair of the Committee and advised that officers would provide updates to the Committee on this issue instead. The Chief Accountant advised the Committee that:

- The final Audit Letter (for 2019/20) had been circulated to members of the Committee and had been published on the Council's website. In the letter, the authority received an unmodified audit opinion of the Council's accounts.
- The three areas of concern raised by the external auditors as part of the audit of the 2019/20 accounts were accounts receivables, valuation of non-current assets and uncleared balances in the suspense account.
- The concerns raised by the external auditors on accounts receivables related to bad debt provision and the fact that the basis/percentages used for this had not be amended in light of Covid. Following the auditors raising this issue, offices fed back that the provisions were adequate, and that the over-provisions made by authority in the past years will mitigate any potential impact COVID might have on accounts receivables. The officers pointed out that as at the said time, no one could have reasonably estimated the impact of COVID. Subsequent to this, Finance officers had been working with services to go through every account receivable in detail to ensure that there was adequate provision in the 2020/21 accounts and that the impact of Covid was accurately captured. There were also some concerns raised by the auditors about the documentation of basis of the provision made. Officers advised that, since the audit report, the basis of provision made have documented in preparation for the audit of the 2020/21 accounts.
- The valuations of non-current assets related to plant, property, and equipment, as well as investment properties. The key areas of concern were:
    - A specific property that had been transferred and still appeared in the books
    - Errors in the valuations of gross internal areas of schools and other buildings.

  Officers advised that the readjusting to the new ways of working due to COVID led to the final accounts team not picking up on the disposal of the Laurels that took place just 3 months before the lockdown. This was however, picked up before the audit started and corrected it but auditors still had to report it as it was corrected after the draft account was produced.

  On the error relating to gross internal areas, officers advised that these were usually spotted once we receive the data from external valuers. That these are usually corrected by physically visiting and remeasuring. This did not happen in this case due to COVID restrictions. Officers advised that in response to the issues highlighted with valuations, the authority had procured a system which would capture all of the Council's assets correctly and that an officer had been recruited who would be reviewing all the information/measurements we have and accurately capture all of the internal areas on Auto-CAD.
- The third key area of concern raised by the auditors related to historical balances that had not been cleared from the suspense account. Officers advised that these takes time as one needs some time to understand and trace where they came from and that they were working with individual services to go through each of these in turn. Since audit completion in April, Finance had cleared £467k from a total of around £750k in uncleared balances. Going forwards, Finance officers would be going through errors in account codes with the services on a month-by-month basis to clear the accounts.

<u>2020/21 SOA</u>

- The government had extended the deadline for the sign-off and publishing of the 2020/21 draft set of accounts to 1st August. Officers advised that they were on target to meet the deadline for finalising and publishing the draft accounts.
- The Audit of the accounts needed to be finished by 30th September.
- In preparation for the audit, officers were currently undertaking technical reviews of high value transactions to ensure the reporting meets the latest CIPFA guidance, as well as completion checks on the accounts and evaluating transactions carried out after year end.
- Officers advised the Committee that they hoped to have a first draft of the accounts available the following week and that the draft accounts would be published in the week commencing 26th July. A report on the draft 2020/21 accounts would be brought back to the Committee at its next meeting. **(Action: Kaycee Ikegwu).**

The Committee noted that the update from officers was difficult to hear at points due to poor audio quality. The Committee asked if officers could circulate a written briefing on the update outside of the meeting. **(Action: Kaycee Ikegwu).**

In response to a question, the Chair advised that the reason that a verbal update was provided at this meeting rather than a report was because of the extended deadline for publication of accounts falling after this meeting and that officers would bring a report to the following meeting instead.

35. TREASURY MANAGEMENT OUTTURN 2020/21

The Committee received a report which set out the Council's Treasury Management activities and performance in the year to 31st March 2021, in accordance with the CIPFA Treasury Management Code of Practice. The report was introduced by Tim Mpofu, Head of Pensions and Treasury as set out in the agenda pack at pages 15-29. The following arose during the discussion of the report:

a. The Committee sought clarification around the outlay on lending to third parties and what the payback rate was. The Committee also sought reassurances around how this compared to other boroughs. In response, officers advised that Table six of the report set out the outlay to third parties, these included other local authorities and some local charities. The biggest balance was £49.3m to Alexandra Palace, which was largely historical. Officers advised that they did not have information in relation to how this compared with other local authorities about agreed to provide this information in a future update to the Committee. **(Action: Tim Mpofu).**
b. The Committee sought clarification around the government's plans to set up a UK Infrastructure Bank, with money available for carbon net-zero projects and whether the Council would be looking to apply. In response, officers advised that the bank had just been set up, with £4 billion specifically earmarked to local authorities. Officers advised that an initial review of these proposals had been undertaken and would continue to be monitored going forwards. However, the borrowing costs were comparable to existing loans from the PWLB, but the bidding process would impact the flexibility needed to fund the

capital programme. In addition, there was a limit of a £5m on the value of loans, which was quite small in comparison to the total value of the capital programme.

c. The Committee sought assurances around the borrowing costs being significantly less than the budget for those costs. In response, officers acknowledged that there had been less activity on borrowing within the HRA and that no long terms loans had been taken out on the HRA this year. Borrowing on the HRA and General Fund was dependant on cashflow needs and that the borrowing rates for shorter term loans had resulted in the Council needing to take out less long term borrowing. There had also been other opportunities within the GF to make sure that the authority was not overpaying on borrowing costs.

RESOLVED

That the Corporate Committee:

I. Noted the Treasury Management activity undertaken during the year to 31st March 2021; and the performance achieved which was set out in Appendix 1 of the report;

II. Noted that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

36. ANNUAL GOVERNANCE STATEMENT 2020/21

The Committee received a report from the Head of Audit and Risk Management which set out the draft annual governance statement (AGS) relating to the 2020/21 financial year, for review and approval. The report was included in the agenda pack at pages 31-64. The following arose during the discussion of the report:

a. In response to a question around who was responsible for reporting data breaches, officers advised that as part of the GDPR regulations, it was the Council that was responsible for assessing the severity of any breaches and, if necessary, reporting them to the Information Commissioner. In response to a follow-up, it was noted that HfH had systems in place to monitor and report their own data beaches and that those were not included in the report, notwithstanding the corporate services that HfH commissioned the Council to undertake on its behalf.
b. The Chair sought clarification as to whether the table on page 56 should read 6th June 2021, rather than 6th June 2020. Officers confirmed that this was a typo and should read 2021. The Chair commented that, in which case, it did not appear that much progress had been made in relation to moving leaseholders out of the two blocks on Broadwater Farm. In response, officers advised that there were a small number of leaseholders who were not willing to relinquish their leases, which had caused significant delays. The local authority was looking into alternative courses of action to acquire those leases.
c. In response to a follow-up question around whether this would impact the purchase price, officers advised that they would ask colleagues in the housing service to provide a written response on this. **(Action: Minesh Jani).**

RESOLVED

I. That the Corporate Committee reviewed and approved the draft 2020/21 AGS attached at Appendix A of the report.

II. That the Corporate Committee noted the approval timescale and processes for the draft 2020/21 AGS.

37. ANNUAL INTERNAL AUDIT REPORT 20/21

The Committee received a report which sought to inform Members of the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2020/21 and present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other bodies. The report fulfilled the relevant statutory requirements of the 2017 UK Public Sector Internal Audit Standards; the 2017 Local Government Transparency Code; and the Committee's own Terms of Reference. The report was introduced by Minesh Jani, Head of Audit and Risk Management, as set out in the agenda pack at pages 65-101. The following arose as part of the discussion of the report:

a. The Committee noted that an adequate assurance rating was given overall, which was the second highest level of assurance. 13 audits received limited assurance and there were no instances of audits being assigned a nil assurance rating.
b. The Committee sought clarification as to whether there was any link between the key issues highlighted with the audits carried out within the Council and those carried out in relation to schools. Officers advised that, although there may be similar issues involved, these should be treated as separate and that the report at Agenda Item 12 on the Annual Schools Audit would set out the key issues in relation to schools in more detail.
c. The Committee sought clarification on why the IT change management follow-up audit on page 85 did not receive an assurance rating. In response, officers advised that this part of the report summarised the audits carried out by Mazars and that some of these audits were not assurance related works. Not all of the audits undertaken required an assurance rating, such as if the audit related to the implementation of a new system or if management requested an audit as they knew there was a specific problem. The Committee were advised that the IT change management follow up audit was not assigned a separate audit score to the initial audit score as it was reviewing the extent to which the recommendations from the earlier audit had been implemented. The other two audits in this section of the report without assurance scores were, the Early Years audit and a CCTV audit. In both of these instances, the audits were requested by management following a series of issues raised by complainants and were not assurance related pieces of work.
d. The Committee sought clarification on the statement in the report at paragraph 3.11 that 'the action in relation to school audits in the Annual Governance Statement had been closed'. In response, officers advised that because so many schools received low levels of assurances last year, that this was significant enough to warrant inclusion in the AGS as an area of concern. Because there had been an improvement in this area, it was no longer felt necessary to include it in the AGS. Officers assured the Committee that school

audits work would continue throughout the year and that a robust process of monitoring would be maintained. In response to a follow-up question, officers confirmed that if performance in this area were to drop again, it would be added to a future annual governance statement.

e. In response to a question, officers confirmed that inclusion within the audit plan did not mean that something untoward had taken place, just that the risks were not being managed to a level that provided surety that adequate checks and balances were in place, or that the Council been exposed to a risk that had raised a control issue.

f. The Committee sought assurances around what could be done to improve performance, where schools were not meeting the standards required to receive a satisfactory assurance rating. In response, officers advised that they were working with schools to improve audit scores and that at least twice a year training and advice sessions were organised and schools who were due to undergo an audit were invited to come along and take part. Officers confirmed that attendance at these sessions was good. In relation to a follow-up question, officers advised that from an audit and financial control point of view, school governing bodies were also offered training by the Head of Audit and Risk Management's team, which took place biannually and was generally well attended.

g. In response to a question, the Committee was advised that arrangements for letting contracts related to letting of contracts for goods and services, rather than letting of commercial properties. The Committee was advised that the audit raised one priority 1 and five priority 2 recommendations. The recommendations sought to address a lack of a robust central record relating to contracts; better awareness and training for management; more robust vetting of suppliers; better use of technology and more oversight corporately of compliance with contract procedures rules and procedures.

h. In relation to concerns around limited assurance scores in procurement areas, and the fact that the direction of travel for the audit of contract waivers had not improved; the Committee sought assurance around how often these were audited. Officers acknowledged that procurement was a high risk area and that there was usually 30-40 days in the audit plan allocated for different areas of the procurement cycle. A review was planned for later in the year around procurement as a whole, to investigate some of the reasons behind the limited assurance scores and what could be done to improve these.

i. In response to a question, officers advised that management had agreed to all priority 1 recommendations and the timescales for implementing these at the point in which the recommendations were agreed, so the Head of Audit was not concerned about the resource implications of this as management should highlight any resource concerns before agreeing the recommendations.

j. The Head of Audit acknowledged the need to improve the process of following up on audit recommendations and advised that he would be exploring ways to improve capturing quality assurance for Priority1 recommendations and their progress in quarterly assurance reports, as well as trying to improve the organisational understanding of Priority 1 recommendations more generally.

k. In response to a question around the fact that the report outlined that Haringey had fewer audit days than many other London local authorities, the Head of Audit advised that Haringey was in the lower quartile two to three years ago but that some changes had been made to resourcing within the team and the Head of Audit confirmed that he was happy with the level of resource that was currently available in the audit plan. The Head of Audit advised that he would continue to monitor the situation going forwards.

l. The Committee raised concerns around the fact that there were targets in place for tenancy fraud and the idea of incentivising prosecutions for tenancy fraud. In response, officers highlighted that the purpose of the target was to provide structure and some form of performance management for the fraud team. Officers acknowledged the concerns raised by Members around this but also set out that tenancy fraud was one of the largest areas of fraud, as was regularly demonstrated from national intelligence gathering exercises. It was an area of focus for local authorities because of the amount of intelligence available about how widespread an issue this was.
m. The Committee suggested that there was an issue of proportionality, with illegal sub-letting at one end of the scale and people on the housing waiting list failing to notify the Council about a change of circumstances, perhaps as a result of a language barrier, at the other. In response, officers advised that this was not about pursuing people on the waiting list, but rather those who had obtained housing dishonestly through misleading the authority that they were entitled to housing when they were not, or through using a property in a manner that was not what it was provided for.
n. In relation to gas meter safety visits, officers advised that if there was reason to suspect illegal subletting, then a fraud officer would accompany others during a visit to ensure that the person residing at the property was who it should be.
o. In relation to a question around No Recourse to Public Funds, officers acknowledged that Covid was likely to be a significant factor to why there were higher numbers of referrals for this year over the previous year. The Committee suggested that Brexit would also have had a significant impact.

RESOLVED

That the Committee noted the contents of the Head of Audit & Risk annual audit report and assurance statement for 2020/21.

38. AUDIT & RISK UPDATE

The Committee received a report which detailed the work undertaken by the in-house Audit and Fraud team as well as Mazars, for the quarter ending 31 March 2021. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 103-116. The following arose during the discussion of the report:

a. The Committee sought clarification around waivers to Contract Standing Orders and how often these were used. The Committee specifically queried which contracts these had been used for, how often they were used and whether this had resulted in extra costs as a result. In response, the Head of Audit advised that he would ask the service to provide a written response on this. **(Action: Minesh Jani).**
   The Head of Audit advised that during the process of auditing the Procurement service, it was apparent that the two main reasons for seeking waivers were

because of the need to procure something quickly or in instances where a contractor had a particular speciality.

RESOLVED

That the Corporate Committee noted the activities of the Audit and Fraud team during quarter four of 2020/21.

39. ANNUAL SCHOOLS AUDIT REPORT - 2020/21

The Committee received a report which set out of the outcomes of the 2020/21 schools audit programme and the follow-up of 2019/20 audits carried out in 2020/21. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 117-131. The following arose during the discussion of the report:

a. The Committee sought assurances around the progress on the implementation of recommendations from school audits and whether these were being followed up on. In response, officers confirmed that they were.
b. In relation to page 131, the Chair queried the fact that the assurance levels remained the same for the following year except for the Brook special school. Officers advised that the assurance level stated in the table was the assurance level assigned during the original audit and that assigning a new assurance level was not part of the process of following-up on the audit recommendations. Officers agreed to make that clearer in future reports and would also look at the assurance rating for the Brook, as the change in assurance rating was clearly an error.
c. The Committee sought assurances around the impact of Covid and whether officers had effectively lost a year of school audits. In response, officers advised that they had been able to carry out all but two of the scheduled audits and that these two had been rolled into the current year's audit plan instead.

RESOLVED

That the Committee noted the report.

40. ANY OTHER BUSINESS OF AN URGENT NATURE

None

41. DATE AND TIME OF NEXT MEETING

9th September

CHAIR: Councillor Peter Mitchell

Signed by Chair ………………………………..

Date …………………………………

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Report for: Corporate Committee 9th September 2021

Title: Draft Statement of Accounts 2020/21 and Provisional Plan for Audit 2020/21

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

Lead Officers: Kaycee Ikegwu, Chief Accountant - kaycee.ikegwu@haringey.gov.uk
Sahr Kamanda, Deputy Chief Accountant - sahr.kamanda@haringey.gov.uk

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 Draft Statement of Accounts 2020/21 and the provisional plan for the audit of the Statement of Accounts for 2020/21 (SOA)

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee notes the contents of this report, the appended Draft Statement of Accounts and any further update given at the meeting by BDO LLP, in relation to provisional plan for audit of the 2020/21 SOA.

4. Reason for Decision

4.1. None.

5. Other options considered

5.1. None.

6. Background information

6.1. The preparation and audit of the annual statement of accounts is a statutory requirement of the Accounts and Audit (England) Regulations 2015. Usual timescales are:

- The draft accounts must be prepared and certified by 31 May by the Section 151 Officer that they represent a true and fair view of the financial position of the Council.
- Audits should then be concluded by 31 July and audited accounts published by this date, or, if audits have not concluded audited accounts should be published as soon as possible after this date.

6.2. In response to the pandemic, these timescales were relaxed. In 2020/21, the draft accounts deadline of 31st May was pushed back to 1st August, and the audit completion deadline of 31st July deadline has been pushed back to 30th September.

6.3. The Council's Draft Statement of Accounts was certified and published on the 1st August 2021 in accordance with the regulations. However, the audit of the draft statement of account is unlikely to be completed by 30th September due to the prolonged 2019/20 audit and resources issues with audit firms across the nation. All these were impacted by COVID-19 pandemic.

6.4. The content of the Statement of Accounts is largely determined by statutory requirements and mandatory professional standards as set out within the "Code of Practice on Financial Reporting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS), however adopts these in some cases to tailor their application to Local Government Finance.

6.5. The 2020/21 draft statement of accounts highlights the council performances and achievements during the year. The council GF reserve remained relatively the same. The Housing Revenue Account (HRA) balance was restored to circa £14m. There was no material transaction in the year that required separate disclosure in the accounts/group accounts.

6.6. The draft statement of accounts highlights, on page 15 - narrative report, the GF and HRA reserve positions at the end of March 2020/21.

6.7. The Public Inspection period commenced from Monday 2 August 2021. It will end on Friday 10 September 2021. During this period, any person may inspect the accounts of the London Borough of Haringey for the year ended 31 March 2021.

6.8. As the effect of pandemic continues, the resourcing within the local government audit sector is most likely going to present a challenge to this year's audit. Haringey officers and BDO, our external auditors, will be prioritising resources to ensure that the audit is commenced as soon as possible; and completed earlier than last year's completion date.

6.9. The provisional plan /update sets out the approach the auditors will take, the key issues, timescales, staffing and fee for the audit. Provisional plan/verbal update will be presented by David Eagles, the Audit Partner from BDO.

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

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

Legal

8.2. None.

Equalities

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

9. Use of Appendices

Appendix 1 – Draft Statement of Accounts

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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London Borough of Haringey

Draft Statement of Accounts 2020/21

1 August 2021

www.haringey.gov.uk

Haringey LONDON

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NARRATIVE REPORT

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

THE COUNCIL'S STATEMENT OF ACCOUNTS

The Statement of Accounts for the London Borough of Haringey provides a picture of the Council's financial position as at 31st March 2021. The format and content of the accounts is largely prescribed and is, in some parts, complex, although we try to balance the statutory reporting requirements with the desire to make them clear and understandable to all interested parties.

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

Coronavirus pandemic began in mid-March 2020 and had significant impact in the Council's finances/Medium Term Financial Strategy, as well as the lives of Haringey residents. The full impacts of the pandemic are therefore reflected within the 2020/21 Statement of Accounts.

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 266,357 with approximately a quarter (24%) of residents aged under 20 years.

Over 170 languages are spoken in the borough, and 62% of our population are of non-White British ethnicity (the proportion is slightly higher among younger residents). Our overall population is the ninth most ethnically diverse in the country.

The population is growing and is estimated to reach 276,128 by 2030, an increase of 4% from 2020.

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

However, as a Council we are resilient. We embrace change and transformation, are keen to engage in best practice and actively seek out opportunities to make Haringey a better place to live for our residents. There are several examples where 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 2020/21

Haringey, like all Councils, is dealing with the impact of coronavirus. This has had a massive impact on the borough. It has been a devastating health crisis that has taken loved ones and affected every area of our lives.

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

75% of pupils who attend a Haringey Early Years setting achieve a good level of development, ranking us 28th best in the country. Almost all our schools are rated outstanding or good, and we celebrated some of our best exam results this year, with the borough again ranking above the national average in both A-Level and GCSE results.

Mental and Physical Health and Wellbeing

Covid-19 has highlighted how important good physical and mental health are and shown the deep health inequalities across our borough. The immediate health challenge is huge, but Covid-19 has also impacted areas like income, employment, education, and family relationships, which all impact on health in the long term.

Responding to this public health challenge, the Council has delivered testing at scale, distributed PPE, provided essential support to those shielding or isolating. We have supported the local Covid-19 vaccination programme and increasing vaccination rates in our black communities and other minority ethnic communities. We have provided schools, care homes and other partners with expert public health advice and provided targeted support to people living with mental health conditions, including working with MIND's Haringey Wellbeing Network. We promoted a digital wellbeing hub with NHS partners and provided a range of digital mental health tools. We carried out over 24,000 rapid COVID tests between January and March 2021 and provided over 2,800 boxes of PPE to care settings. We set up 4 mass testing sites in Haringey, including in Alexandra Palace and Tottenham Green Leisure Centre. We contacted over

1000 carers, and 600 welfare checks carried out. Seventy-four (74) safeguarding enquires; 68 face-to-face “welfare checks” were carried out; and 22 emergency services call outs. Our Initial digital campaign to support vaccination take up led to 60,000 visits to NHS COVID vaccination site.

Economic Recovery

Haringey’s economy has been hit hard but our diverse, creative, and energetic local businesses are one of our greatest strengths. Our local recovery is guided by our vision of a ‘Good Economy’ for everyone. We published a Good Economy Recovery Plan which sets out how we will kick-start the local economy with our businesses. We supported over 1,500 businesses and dispensed government grants, including more than £91m through retail, hospitality and leisure and small business grants. We worked closely with partners to develop an Employment & Skills recovery plan which will roll out job training projects in Haringey to connect people with Good Work. We provided Haringey Works and Haringey Adult Learning Service support for residents online and established a new Haringey Works Youth Service to combat youth unemployment. We introduced a recovery plan for our High Streets to support recovery from the pandemic. We have taken a Community Wealth Building approach to use our procurement spend to strengthen the local economy and increase employment opportunities for residents, including by developing our apprenticeships pathway.

Strong Communities

During the pandemic, the huge value of working together with our residents and partners has been clear. We found new ways to work more closely with our residents and with Haringey’s fantastic voluntary community groups.

We launched “Haringey Here to Help”, to connect our residents to the urgent support they need. We provided discretionary accommodation for more than 1000 people at risk of rough sleeping working with our partners. We supported the creation of the Haringey Food Network. We delivered 20,500 food parcels to at least 3,300 individual Haringey households from March to July 2020. We established the Haringey Support Fund to provide an extra financial safety net for our residents and funded an expansion in eligibility for Free School Meals for 790 extra children per year. We have prioritised hardship payments for children from households with No Recourse to Public Funds. We provided emergency support to our Voluntary and Community Sector through our emergency fund and rent-relief.

The Council has worked hard to act on the vision it set out. In addition to introducing the Hardship Fund, we have provided digital devices to those in need, pressed forward with our ethical debt reduction policy ending the use of bailiffs for vulnerable residents and launched a new debt strategy to help residents from falling into problem debt.

In our belief that Haringey’s residents are the Council’s greatest asset, we continue in our desire to improve participation and put residents’ ideas and lived experience at the heart of everything we do. We have co-designed our new autism hub in Tottenham with autistic residents to better meet the needs of those who use it and we have expanded the accessibility of our adult social care services using a collaborative adult social care redesign group. We have also set up the Citizens Panel which any resident can join to have their say on issues that affect them.

Affordable Homes

Ensuring that our residents have safe, stable, and affordable homes remains one of our core priorities and biggest challenges. We have put in place one of the most ambitious council-house building programmes in the country and let our first homes. Notwithstanding the pandemic we completed 2 social rented blocks in the year. 401 units were under construction and 517 units had planning consent by March 2021. We are on track to deliver 3000 new council homes by 2031. We have also licensed more than 1000 houses of multiple occupancy raising safety standards and living conditions in the private rented sector.

Green Environment

We know that parks and outdoor space have played a vital part in people's lives during the pandemic. We want people to continue to enjoy and appreciate the borough's natural assets and that is why we have continued to invest over £21 million in our parks, leisure facilities and open space. In March 2021 we published the Haringey Climate Change Action Plan an ambitious road map outlining how the council will become zero carbon by 2041. We have launched a new cleaner Haringey strategy, published our draft walking and cycling action plan, introduced 12 traffic-free school streets, and planted hundreds of new trees all to help make Haringey one of the most pedestrian and cycle-friendly boroughs in London.

Finally, Haringey is open for business and we continue our commitment to building wealth in the community by steering more council spending into local suppliers. Despite the huge impact of the Covid-19 Pandemic, we have still increased the amount spent locally in 2020/21 to £125m and we have expanded the council's apprenticeship scheme, hiring young people from the borough, paid at least at London.

PERFORMANCE MONITORING

March 2021 marked the conclusion of the 2nd year of the 2019 – 2023 Borough Plan. The national lockdown following the pandemic had a profound effect on the progress of the Borough Plan. Due to the sudden change in circumstances the council had to immediately adjust to concentrate resources to respond to the pandemic. This had a considerable impact on the delivery of borough plan priorities, outcomes and meant some of the indicators lost some of their relevance or were no longer able to be met. For example, the Housing priority indicator of numbers of households in temporary accommodation was affected by the government's Everyone-In-programme, which required councils to find emergency accommodation for people seen rough sleeping.

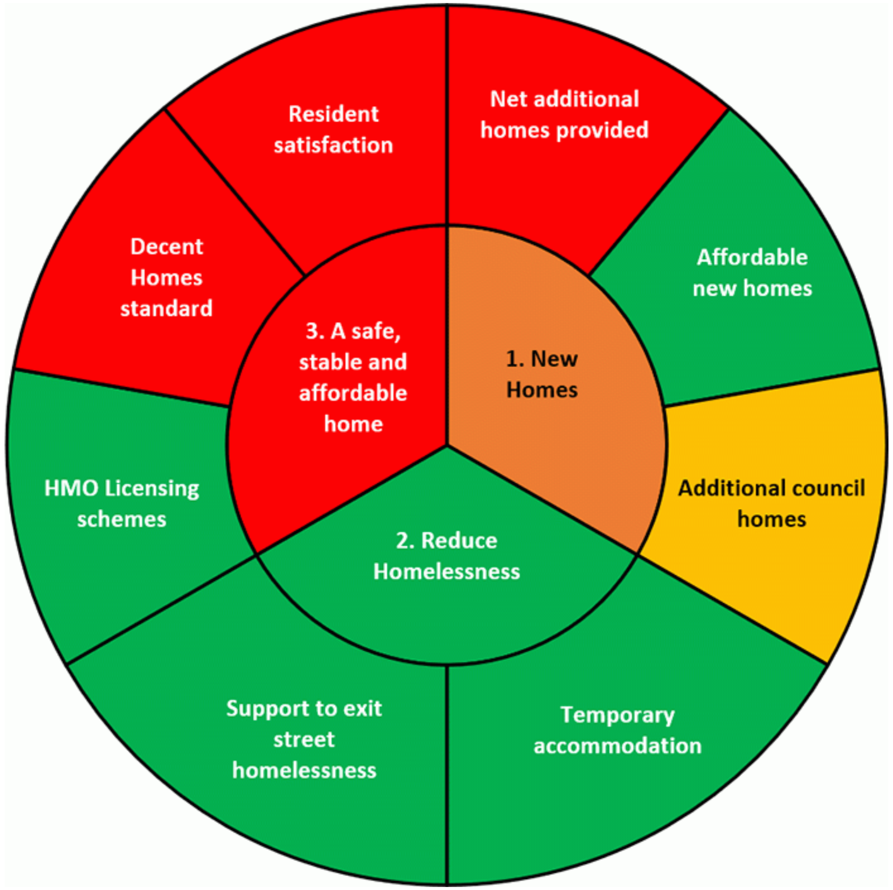
Our performance is measured against the five new borough plan priorities, including the financial reporting in the Council's Statement of Accounts. Our Borough Plan (2019-2023) sets out the kind of borough residents told us they wanted Haringey to be by 2023, and the priorities we have been focussing on to get us there. So irrespective of the impact of the pandemic, we were still focussed on the delivery of our borough plan. We still reported on the progress quarterly.

Detail can be found on the Council's website.

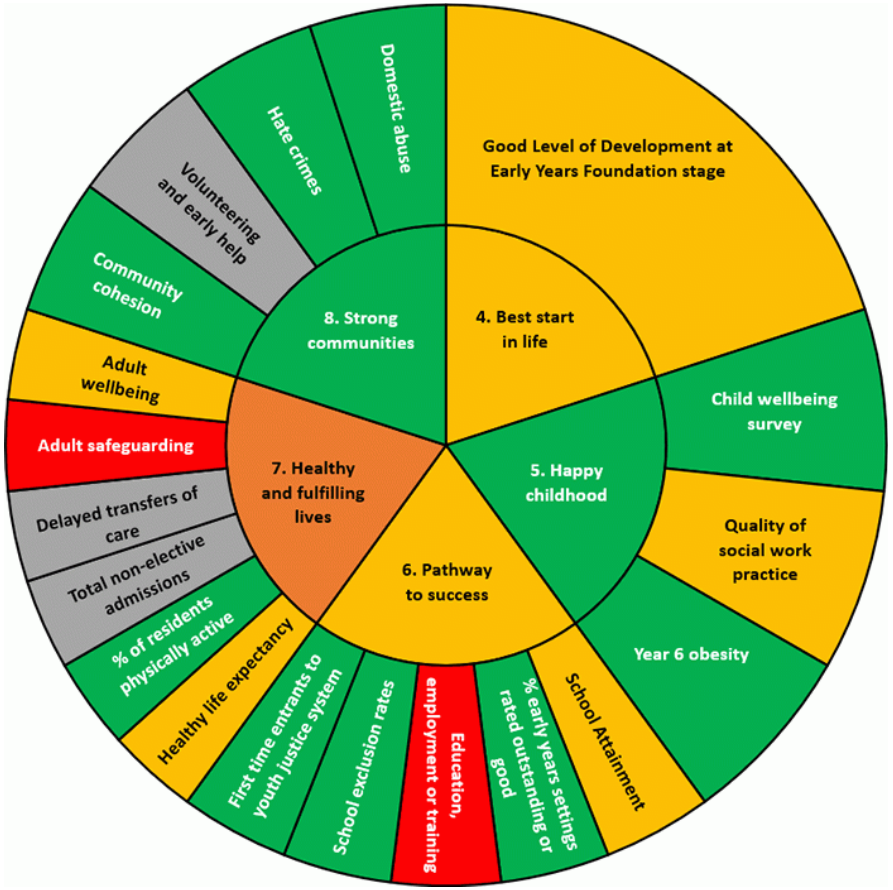
https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan

Our Plan is centred on five core priority areas, and each is under-pinned by a series of ambitious targets. The following section graphically presents our latest performance against these indicators; •Green: Current performance is equal or above target • Gold: Current performance is below target by less than 5% • Amber: Current performance is below target by more than 5% but less than 10% • Red: Current performance is more than 10% below target • Grey: Insufficient information available to assign a rating.

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



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



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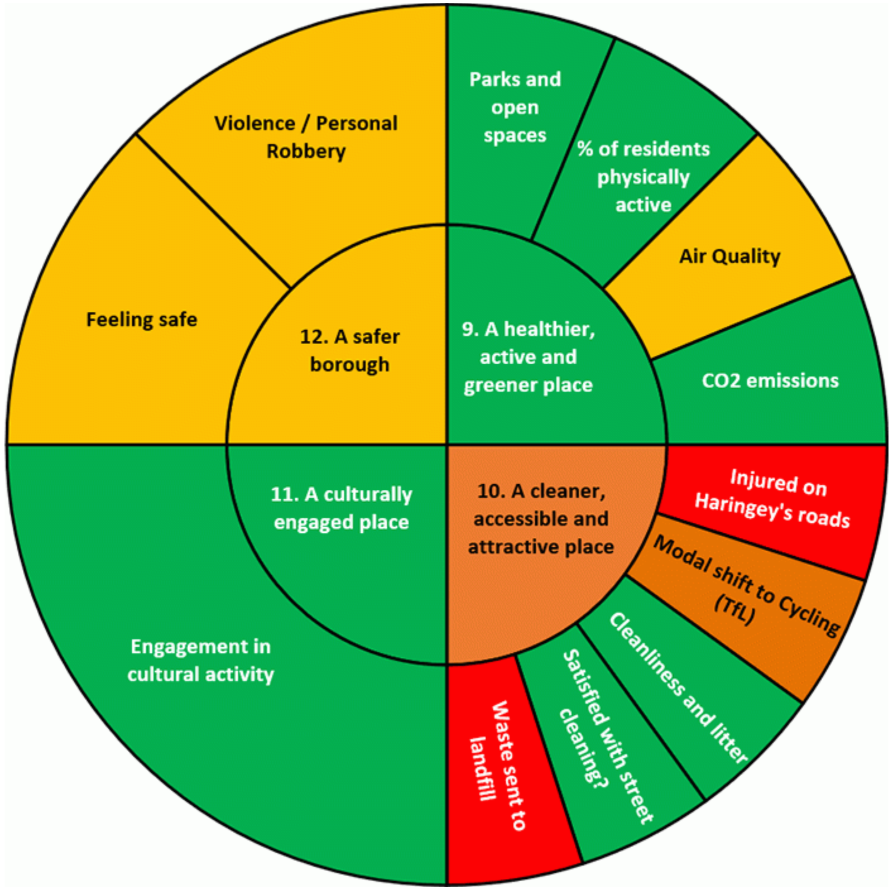
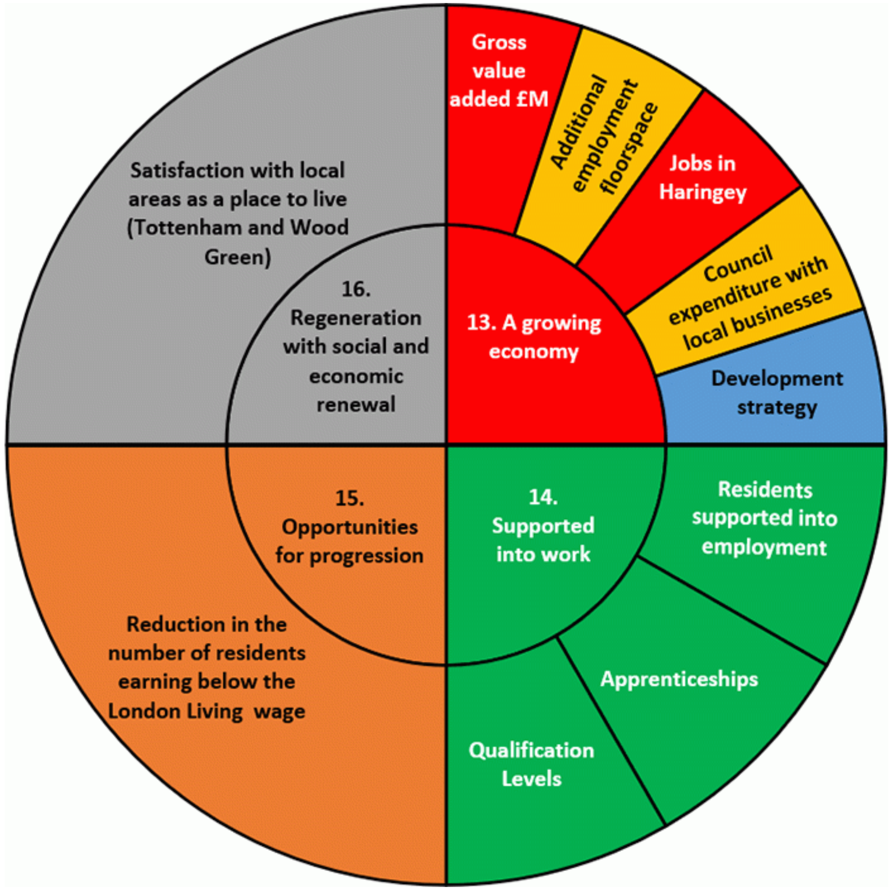
Priority 3 - Place – Our vision is for a place with strong, resilient, and connected communities where people can lead active and healthy lives in an environment that is safe, clean and green.



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



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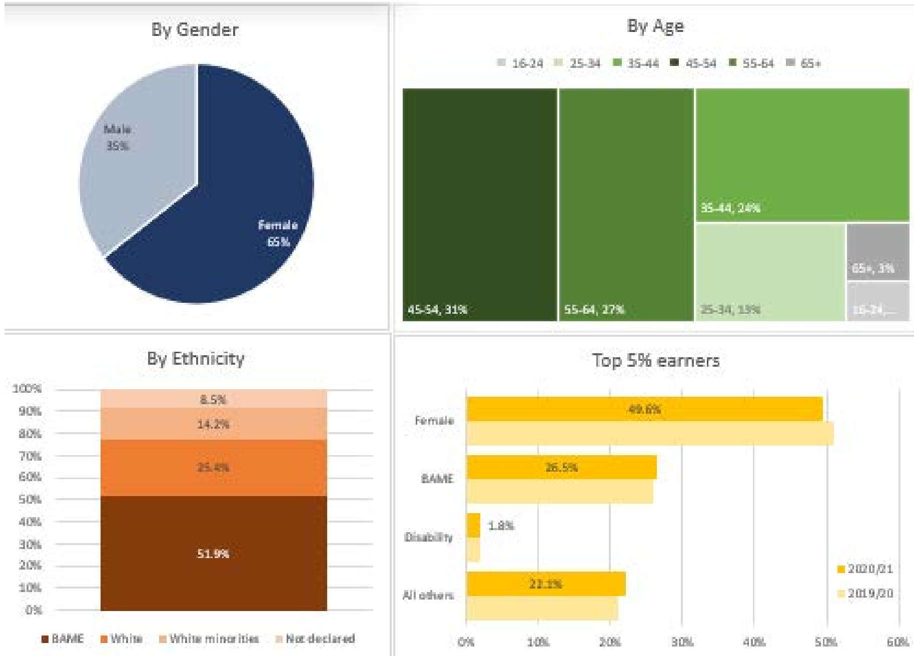
Priority 5 – Your Council – The way the council works.

HARINGEY WORKFORCE

The Council employs 2,395 people on full and part time contracts, equating to a full-time equivalent of 2,174 as at the end of 2020/21. This represents a 11% increase in the workforce compared with the staff headcount at the end of 2019/20. This increase is driven by few factors including insourcing of services.

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 2020/21 include:

- Gross revenue expenditure (spending on day-to-day services) of around £1bn;
- Income from fees, charges and grants of £750m;
- Billing of around £172m in council tax and business rates;
- Maintenance of fixed assets with a value of more than £2.6bn,

including capital investment of £185m in housing, schools, highways and regeneration projects;

- Management of the £1.6bn Haringey Pension Fund.

The Council aims 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 2021 was £562m.

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.

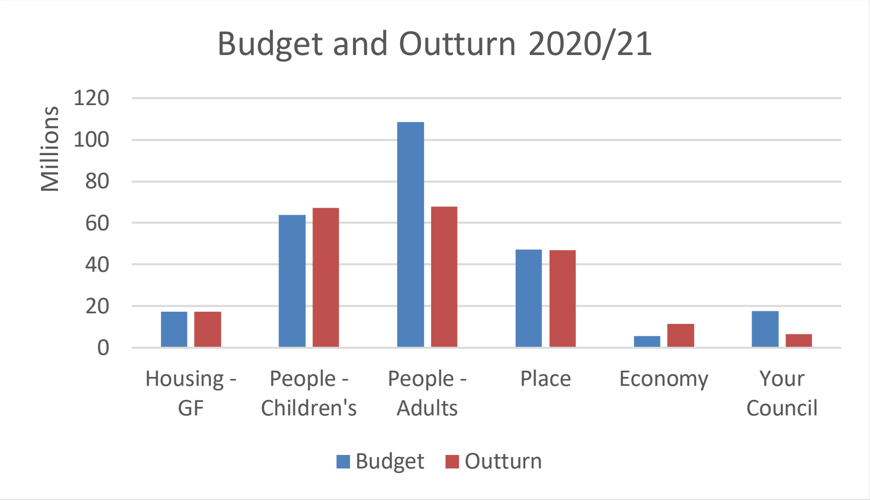
Against this backdrop, the Council has maintained sound financial stewardship whilst at the same time developed innovative and collaborative approaches to service delivery, transformation and regeneration to help ensure future financial sustainability.

Revenue spending in 2020/21

The Council's final general fund revenue outturn for 2020/21 showed a slight improvement in the Council unearmarked general fund balance of £17.1m.

The figures in the below chart shows the outturn on the Expenditure and Funding Analysis before accounting adjustments. These differ from those reported in the general fund outturn report due to adjustments required to bring the management accounts in line with proper accounting basis.

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



General fund balances (including schools) were £115.9m at 31 March 2021 (£99.4m as at 31 March 2020 restated). This increase is partly attributed to the creation of a Collection fund smoothing reserve to offset the expected drop in income from the Council's collection funds in future year, and partly attributable to the Strategic Budget Planning reserve. Excluding these items, the reserve balances between the years remains relatively constant. The unearmarked component is at £17.1m (£15.8m as at 31 March 2020).

Housing Revenue Account

- The Council owns approximately 15,300 homes which are managed by Homes for Haringey (wholly owned by Haringey Council)
- £103m was collected in rents and service charges in 2020/21 (£102m in 2019/20)
- Revenue spending on repairs, maintenance and management was £55m (£62m in 2019/20)
- Capital investment in the housing stock was £104m (£99m in 2019/20)

HRA usable reserves were £14.9m as at 31 March 2021 (usable reserves as at 31 March 2020 were £8.7m). This represents the restoration of HRA reserve to the normal level.

Capital Investment

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

In 2020/21 £185m was invested in schools, housing and regeneration. Capital planning is, by its nature complex and often dependent on negotiation and external approvals. This means that the precise timing of spend is often uncertain.

Haringey Council Balance Sheet Position for Single Entity 31 March 2021

The Council's balance sheet decreased by £147m in 2020/21, the high level movements being:

- Capital expenditure investment and property plant and equipment valuation increases, increasing the Council's long term assets by £163m
- Increases in Council borrowing, increasing long and short term liabilities by £22m
- Decreases in cash and cash equivalents, increasing short term assets by £73m
- Adverse movements in the actuarial assumptions used in the valuation of the council's pension liabilities, increasing liabilities overall by £191m
- Increase in other net liabilities (long and short term) by £24m

The following summarises the Council's single entity balance sheet as at 31 March 2021

Assets

£2,965m

(£2,840m)

Liabilities

£1,515m

(£1,243m)

Net Assets

£1,450m

(£1,597m)

Usable Reserves	*£ 230m*	*(£195m)*
Unusable Reserves	*£ 1,220m*	*(£1,402m)*
Total	*£ 1,450m*	*(£1,597m)*

Figures in brackets relate to position at 31 March 2020

Pension Liabilities

- The pension liability (£684m) in these accounts represents the difference between the estimated cost of pensions payable in the future (£2,000m), and the value of assets in the pension fund (£1,316m). This is calculated based on rules set by accounting standards and not on an actuarial basis which gives a more accurate estimate of the pension fund's financial position.
- The Pension Fund is revalued every three years to set future contribution rates. The latest valuation was at 31 March 2019;
- On an actuarial basis the funding level at 31 March 2019 for Haringey Council was assessed as 95% (overall the Haringey Pension Fund was 100% funded);
- The revenue cost of pensions was £33.7m for the year (£33.4m in 19/20)

Addressing future challenges in 2021/22 and beyond

Uncertainty for the local government sector at both national and a local level looks to continue over the short to medium term due to continued demand and a less reliable resource base. Coronavirus was the most single wide-reaching external influence on the Council's resources in the year under review and its impact will continue beyond 2020/21. The effects of Coronavirus have been felt to some extent in all Council services but with some impacted more significantly than others. The Council has adapted to new ways of working, such as remote working for most employees.

The next two years will be significantly challenging. Most of the financial impacts were felt in 2020/21, as a result the statutory deadlines to produce the draft accounts and audited accounts have been changed from 31 May to 1 August for the draft, and from 31 July to 30 September 2021 for the audited accounts. The Council will publish its draft accounts on 30 July 2021.

In respect of the burden on Council services, the Government has provided some funding to meet the financial impact. This has come in the form of COVID emergency response funding and specific funding such as compensation for lost income from sales, fees and charges, and various grants to support welfare or local outbreak management activities. The council has received circa £27m of COVID emergency funding to date and circa £115m in business support grants and reliefs which are passported to local businesses and administered on behalf of the government.

Over the coming year the Council will undertake a review of its priorities and the design and delivery of its services: this work will reshape our Borough Plan and MTFS.

The Country's exit from the European Union will continue to contribute to the volatile environment the Council operates within. The precise impact of Brexit remains difficult to predict but is likely to impact significantly in London and the Southeast.

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

The delivery of agreed savings set out in the February 2021 MTFS budget report will be critical to the Council meeting its Borough Plan objectives, notwithstanding the challenges posed to these by coronavirus. The Council continues to make strategic use of its reserves as it works to develop long-term solutions and invest in the transformative activity required to improve efficiency to make our money go further. Our reserves also provide capacity to manage a level of risk associated with the delivery of our savings programme, and the budget pressures that the Council faces.

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

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

KEY STRATEGIC RISKS FOR 2021/22

The Annual Governance Statement (AGS) that is incorporated into the Statement of Accounts includes the key Corporate Risks and governance issues that have been identified during 2020/21 along with key actions to mitigate these down and a defined senior officer to take responsibility for delivering these and report back to Corporate Board as required.

Progress against agreed actions will be regularly reviewed by the Corporate Board during 2021/22, as will the identification of any new emerging risks or issues.

INDEPENDENT EXTERNAL AUDITOR’S REPORT

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

INDEPENDENT EXTERNAL AUDITOR'S REPORT

INDEPENDENT EXTERNAL AUDITOR’S REPORT

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STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

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

The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification by Chief Financial Officer

I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year then ended.

Jon Warlow
Director of Finance (S151 Officer)

30 July 2021

EXPENDITURE AND FUNDING ANALYSIS

Single Entity	2020/21 Income and Expenditure chargeable to GF and HRA balances	2020/21 Adjustments between funding and accounting basis (Note 5)	2020/21 Net expenditure in the CIES	2019/20 Income and Expenditure chargeable to GF and HRA balances	2019/20 Adjustments between funding and accounting basis (Note 5)	2019/20 Net expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000
Housing - GF	17,213	639	17,852	17,051	12,536	29,587
People - Children's	67,248	12,771	80,019	70,052	9,243	79,295
People - Adults	68,035	4,105	72,140	70,633	5,181	75,814
Place	46,917	16,784	63,701	25,462	9,761	35,223
Economy	11,598	4,535	16,133	8,316	8,774	17,090
Your Council	6,689	10,712	17,401	6,837	15,607	22,444
Housing - HRA	(22,331)	14,158	(8,173)	(16,752)	15,575	(1,177)
Dedicated Schools Grant	6,832	0	6,832	7,956	0	7,956
Net Cost of Services	**202,202**	**63,704**	**265,906**	**189,555**	**76,677**	**266,232**
Other income and expenditure	(234,308)	17,394	**(216,914)**	(164,666)	(86,515)	**(251,181)**
(Surplus) or Deficit on Provision of Services	**(32,106)**	**81,098**	**48,991**	**24,889**	**(9,838)**	**15,051**
Opening General Fund and HRA Balance	(108,244)			(122,949)		
Less/Plus deficit/(surplus) on General Fund and HRA balance in year (see Movement in Reserves Statement)	(32,070)			24,889		
Reclassification of DSG Reserve	(6,832)			(10,184)		
Closing General Fund and HRA Balance	**(147,147)**			**(108,244)**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Single Entity	2020/21			2019/20		
	Gross Expenditure	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000	£'000	£'000	£'000
Housing - GF	70,747	(52,895)	17,852	74,443	(44,856)	29,587
People - Children's	126,619	(46,599)	80,019	118,233	(38,938)	79,295
People - Adults	150,138	(77,998)	72,140	135,912	(60,098)	75,814
Place	93,069	(29,368)	63,701	89,881	(54,658)	35,223
Economy	22,055	(5,922)	16,133	24,555	(7,465)	17,090
Your Council	258,456	(241,055)	17,401	267,381	(244,937)	22,444
Housing - HRA	94,899	(103,071)	(8,173)	100,596	(101,773)	(1,177)
Dedicated Schools Grant	199,587	(192,755)	6,832	195,088	(187,132)	7,956
Cost of Services	**1,015,569**	**(749,663)**	**265,906**	**1,006,089**	**(739,857)**	**266,232**
Other operating expenditure (Note 6)	11,246	(3,902)	7,344	11,126	(13,063)	(1,937)
Financing and investment income and expenditure (Note 7)	47,808	(14,607)	33,202	42,176	(30,462)	11,714
Taxation and Non-Specific Grant Income (Note 8)		(257,460)	(257,460)	0	(260,958)	(260,958)
(Surplus) or Deficit on Provision of Services	**1,074,623**	**(1,025,632)**	**48,991**	**1,059,391**	**(1,044,340)**	**15,051**
(Surplus) or deficit on revaluation of property, plant and equipment (Note 19)			(75,375)			(111,826)
Remeasurement of net defined benefit liability (Note 19,35)			173,226			(215,979)
Other Comprehensive Income and Expenditure			**97,851**			**(327,805)**
Total Comprehensive Income and Expenditure			**146,843**			**(312,754)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Group Accounts	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Housing - GF	70,747	(52,895)	17,852	74,443	(44,856)	29,587
People - Children's	126,619	(46,599)	80,019	118,233	(38,938)	79,295
People - Adults	150,138	(77,998)	72,140	135,912	(60,098)	75,814
Place	93,069	(29,368)	63,701	89,881	(54,658)	35,223
Economy	25,519	(12,993)	12,527	48,737	(24,303)	24,434
Your Council	258,456	(241,055)	17,401	267,381	(244,937)	22,444
Housing - HRA	93,143	(96,302)	(3,160)	97,983	(95,262)	2,721
Dedicated Schools Grant	199,587	(192,755)	6,832	195,088	(187,132)	7,956
Cost of Services	**1,017,278**	**(749,965)**	**267,312**	**1,027,658**	**(750,184)**	**277,474**
Other operating expenditure (Note 6)	11,246	(3,902)	7,344	11,126	(13,063)	(1,937)
Financing and investment income and expenditure	48,329	(13,525)	34,805	42,540	(30,353)	12,187
Taxation and Non-Specific Grant Income (Note 8)	0	(257,550)	(257,550)	180	(260,958)	(260,778)
(Surplus) or Deficit on Provision of Services	**1,076,853**	**(1,024,942)**	**51,911**	**1,081,504**	**(1,054,557)**	**26,946**
(Surplus) or deficit on revaluation of property, plant and equipment			(94,404)			(105,834)
Remeasurement of net defined benefit liability (Note 35)			194,132			(213,767)
Other Comprehensive Income and Expenditure			**99,728**			**(319,601)**
Total Comprehensive Income and Expenditure			**151,639**			**(292,655)**

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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
2020/21										
Balance as at 31/03/2020	(99,553)	(8,691)	(37,933)	(47,838)	(615)	(194,631)	(1,402,133)	(1,596,764)	(64,690)	(1,661,454)
Movement in reserves during 2020/21										
Total Comprehensive Income and Expenditure	58,463	(9,472)	0	0	0	48,991	97,851	146,842	4,933	151,775
Adjustments between accounting basis & funding basis under regulations (note 9)	(91,185)	3,293	(3,980)	7,703	(0)	(84,170)	84,170	0	0	0
(Increase) / Decrease in 2020/21	(32,722)	(6,179)	(3,980)	7,703	(0)	(35,179)	182,021	146,842	4,933	151,775
Balance as at 31/03/2021 carried forward	**(132,277)**	**(14,870)**	**(41,913)**	**(40,135)**	**(615)**	**(229,810)**	**(1,220,111)**	**(1,449,921)**	**(59,757)**	**(1,509,678)**
2019/20 Restated*										
Balance as at 31/03/2019	(90,199)	(32,750)	(38,818)	(29,691)	(191)	(191,649)	(1,092,361)	(1,284,010)	(84,789)	(1,368,799)
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	27,948	(12,897)	0	0	0	15,051	(327,805)	(312,754)	20,099	(292,655)
Adjustments between accounting basis & funding basis under regulations (note 9)	(37,302)	36,956	885	(18,147)	(424)	(18,032)	18,032	0	0	0
(Increase) / Decrease in 2019/20	(9,354)	24,059	885	(18,147)	(424)	(2,981)	(309,773)	(312,754)	20,099	(292,655)
Balance as at 31/03/2020 carried forward	**(99,553)**	**(8,691)**	**(37,933)**	**(47,838)**	**(615)**	**(194,631)**	**(1,402,133)**	**(1,596,764)**	**(64,690)**	**(1,661,454)**

*2019/20 General Fund balance has been restated to exclude the DSG deficit of £10.2m

BALANCE SHEET

	Notes	Single Entity 31 March 2021 £'000	Single Entity 31 March 2020 Restated £'000	Group Accounts 31 March 2021 £'000	Group Accounts 31 March 2020 Restated £'000
Property, Plant and Equipment	11	2,685,042	2,506,517	2,811,137	2,610,928
Heritage Assets		6,180	6,176	6,180	6,176
Investment Property	12	89,212	86,678	89,212	86,678
Intangible Assets		3,874	3,660	3,874	3,660
Long-term Debtors	15	6,313	25,063	6,313	4,085
Long Term Assets		**2,790,621**	**2,628,094**	**2,916,716**	**2,711,527**
Assets Held for Sale		1,000	4,574	1,000	4,574
Short-term Investments	13	5,046	15,012	5,046	15,012
Inventories		27	22	1,607	1,496
Short-term Debtors	15	152,072	102,418	142,461	100,178
Cash and Cash Equivalents	16	16,146	89,378	23,029	95,520
Current Assets		**174,292**	**211,404**	**173,143**	**216,780**
Short-term borrowing	13	(77,918)	(40,994)	(77,918)	(40,994)
Short-term Creditors	17	(194,662)	(147,389)	(206,442)	(151,014)
Grants Receipts in Advance		(6,623)	(5,636)	(6,623)	(5,636)
Provisions	18	(3,473)	(2,797)	(3,473)	(2,797)
Current Liabilities		**(282,676)**	**(196,816)**	**(294,456)**	**(200,441)**
Long-term Creditors	17	(2,079)	(2,171)	(8,077)	(2,181)
Provisions	18	(21,028)	(12,880)	(21,311)	(13,232)
Long-term Borrowing	13	(484,037)	(498,577)	(484,037)	(498,577)
Pension Liabilities	35	(684,424)	(493,540)	(731,553)	(513,672)
Other Long Term Liabilities - PFI and Finance Leases	13	(26,849)	(27,302)	(26,849)	(27,302)
Grants Receipts in Advance - Capital		(13,899)	(11,448)	(13,899)	(11,448)
Long-term Liabilities		**(1,232,316)**	**(1,045,918)**	**(1,285,726)**	**(1,066,412)**
Net Assets		**1,449,921**	**1,596,764**	**1,509,678**	**1,661,454**
Usable Reserves		(229,810)	(194,631)	(212,624)	(195,764)
Unusable Reserves	19	(1,220,111)	(1,402,133)	(1,297,054)	(1,465,690)
Total Reserves		**(1,449,921)**	**(1,596,764)**	**(1,509,678)**	**(1,661,454)**

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CASH FLOW STATEMENT

	Note	Single Entity 2020/21 £'000	Single Entity 2019/20 £'000	Group Accounts 2020/21 £'000	Group Accounts 2019/20 £'000
Net surplus or (deficit) on the provision of services		(48,991)	(15,051)	(51,911)	(26,946)
Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	20	78,333	101,270	81,128	113,359
Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	20	(48,777)	(60,754)	(48,777)	(60,754)
Net cash flows from Operating Activities		**(19,435)**	**25,465**	**(19,560)**	**25,659**
Investing Activities	21	(102,800)	(113,325)	(101,934)	(114,927)
Financing Activities	22	49,003	143,475	49,003	143,434
Net increase or (decrease) in cash and cash equivalents		**(73,232)**	**55,615**	**(72,491)**	**54,166**
Cash and cash equivalents at the beginning of the reporting period		89,378	33,763	95,520	41,354
Cash and cash equivalents at the end of the reporting period		**16,146**	**89,378**	**23,029**	**95,520**

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NOTES TO THE STATEMENTS

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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.

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

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

1.3 Cash and Cash Equivalents

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

1.4 Charges to Revenue for Non-Current Assets

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

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

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

1.5 Employee Benefits

Benefits Payable during Employment

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

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

Both schemes provide defined benefits to members (which include annual pensions and other benefits) earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

i. The Local Government Pension Scheme

All employees (other than teachers) subject to certain qualifying criteria are able to join the Local Government Pension scheme (LGPS). The Scheme is accounted for as a defined benefit scheme. The Scheme is known as the London Borough of Haringey Pension Fund and is administered by Haringey Council in accordance with the Local Government Pension Scheme Regulations 2013 (and other LGPS Regulations) on behalf of all participating employers.

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

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

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES
- Net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability 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 at the beginning of the period – taking into account any changes in the net defined benefit liability 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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

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

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

ii. Teachers' Pension Scheme

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

Discretionary Benefits

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

1.6 Events after the Balance Sheet Date

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

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

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

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

1.7 Fair Value Measurement

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

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

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

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

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

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

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

1.8 Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement.
Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a

transfer to or from the Financial Instruments Adjustment Account in the MiRS.

Financial Assets

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

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

1.9 Government Grants and Contributions

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

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

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

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

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

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

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

1.10 Interests in companies and other entities

The Council has reviewed its key financial relationships and assessed them against the Code of Practice and deemed the following to be within the Haringey group; Homes for Haringey Limited (HfH), Alexandra Park and Palace Charitable Trust (APPCT) and Alex House Wood Green Limited. Therefore, consolidated Group accounts have been created in which all intra-group transactions have been removed. Investments in subsidiaries are held at cost less impairment.

1.11 Investment Property

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

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

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

1.12 Leases

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

The Council as lessee

i. Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MiRS for the difference between the two.

ii. Operating Leases

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

The Council as lessor

Operating Leases

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

1.13 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

Depreciation

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

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

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

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

Componentisation of valuations

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

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

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

Disposals and non-current assets held for sale

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

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

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

Schools Assets

The council has schools in the following categories: community schools, foundation schools, voluntary aided schools, voluntary controlled schools and academies. Community and foundation schools are treated on Balance Sheet based on the risks and rewards the council is deemed to have, and voluntary aided schools and academies are excluded from the council's Balance Sheet. This means that the council recognises the Property, Plant and Equipment of the following categories of locally maintained schools in the financial statements:

- Community and community special schools
- Foundation and Foundation Trust schools (other than those owned by religious bodies)
- Voluntary controlled schools (where land & building are owned by the council)

The Property, Plant and Equipment of voluntary aided schools are not recognised in the council's financial statements. In most cases, the council has ownership of the playing fields for these categories of schools, which are recognised on the council's balance sheet.

This is under constant review and is updated in line with guidance from CIPFA.

Schools Income and Expenditure

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

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

1.14 Provisions and Contingent Liabilities

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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

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

1.15 Reserves

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

Reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.
A number of reserves exist to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies and notes.

1.16 Revenue expenditure funded from capital under statute (REFCUS)

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

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

1.17 Revenue recognition

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

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

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

1.18 Service Concession Arrangements

Private Finance Initiative (PFI) and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council has several schools subject to PFI contracts, albeit the current PFI scheme is suspended. The PFI buildings for maintained schools are shown on the Council's balance sheet. The buildings for the voluntary aided, controlled foundation and academy schools are derecognised as the control of the right to use the buildings has passed to the school trustees and foundation bodies. The PFI liabilities are in respect of all PFI schools, regardless of the school's status, and remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator. The Council continues to receive government support in the form of a grant which is used to meet current and future liabilities in respect of the PFI scheme.

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

The amounts payable to the PFI operator consist of

a) Fair value of the services received during the year-debited to the relevant service in the CIES.
b) Finance cost - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
c) Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

1.19 VAT

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

1.20 Accounting Standards Issued, But not yet Adopted.

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

The most relevant standards for local authorities are:

IFRS 16 Leases - this requires lessees to recognise most leases on their Balance Sheet as right of use assets with corresponding liabilities from 1st April 2022. Full impact of this standard has yet to be determined.

2. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The Council incorporates its subsidiaries, Homes for Haringey, Alexandra Palace Charitable Trust and Alexandra House Wood Green Ltd within these accounts to present group financial statements. They are consolidated on the basis of control over relevant activities. Please refer to Note 37 for further details.

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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are:

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

The aim is to arrive at the notional 'Highest and Best use value' for the asset either as a stand-alone asset or in combination with other assets within the principal market whilst ensuring that any alternative use is physically, legally and financially possible. This has been 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.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.

Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt, the valuation in 2020/21 is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

The net book value of non-current assets subject to potential revaluation is £2.5 billion.

A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's land and buildings were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £91m.

An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

A reduction in the estimate value of HRA dwellings would be a reduction in the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £154m.

An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

<u>Pension Fund Liability</u>

During 2020/21, the Council's actuaries advised that the net pension liability had increased by £191m as a result of estimates being revised and the updating of assumptions. The liability held on the balance sheet is subject to actuarial estimation; some of the detail behind the estimates used by the actuary is shown in note 35.

<u>Impairment allowance for doubtful debt</u>

As at 31 March 2021, the Council had an outstanding balance of short-term debtors totalling £275m. Against this debtors' balance, there is an impairment allowance of £123m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.

Provision for Business Rates Appeals

The value of National Non-Domestic Rates (NNDR) income included in the accounts is reduced by a provision for the estimated value of appeals against valuation decisions. These estimates have been calculated using information from the Valuation Office Agency on outstanding appeals and experience of successful appeal rates. The uncertainty in relation to the impact of the Covid-19 pandemic on valuation will have financial consequences if the actuals differ significantly from the assumptions used in the calculations.

4. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 July 2021. 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

	2020/21				2019/20			
	Adjustments for Capital Purposes (Note 1)	Net change for Pensions Adjustments (Note 2)	Other Differences (Note3)	Total Adjustment	Adjustments for Capital Purposes (Note 1)	Net change for Pensions Adjustments (Note 2)	Other Differences (Note3)	Total Adjustment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing - GF	514	112	13	**639**	12,316	220	(1)	**12,535**
People - Children's	7,836	4,262	674	**12,771**	(1,567)	9,864	946	**9,243**
People - Adults	3,024	929	152	**4,105**	3,285	1,901	(5)	**5,181**
Place	15,539	928	317	**16,784**	8,039	1,727	(5)	**9,761**
Economy	3,679	599	257	**4,535**	7,607	1,170	(3)	**8,774**
Your Council	10,351	(630)	990	**10,712**	14,451	1,157	(1)	**15,607**
Housing - HRA	14,095	52	11	**14,158**	15,437	138	0	**15,575**
Net Cost of Services	**55,039**	**6,251**	**2,414**	**63,704**	**59,568**	**16,177**	**931**	**76,676**
Other income and expenditure	(33,198)	11,407	39,185	**17,394**	(102,835)	16,472	(152)	**(86,515)**
Difference between General Fund surplus or deficit and the CIES surplus or deficit on the provision of services	**21,841**	**17,658**	**41,599**	**81,098**	**(43,267)**	**32,649**	**779**	**(9,839)**

Note 1 - Adjustments for capital purposes

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

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

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

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

Note 2 – Net Change for the Pension Adjustments

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

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

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

Note 3 – Other Differences

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

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

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

INCOME AND EXPENDITURE ANALYSED BY NATURE

b) Income by Nature

Income Category	2020/21 £000	2019/20 £000
Fees, charges & other service income	(196,838)	(228,091)
Grants & Contributions	(649,793)	(577,121)
Income from Council Tax & NNDR	(160,492)	(205,596)
Interest and investment income	(14,607)	(2,858)
Gain on disposal of assets	(3,902)	(13,063)
Movement in FV of Investment Properties	0	(17,611)
	(1,025,632)	**(1,044,340)**

c) Expenditure by Nature

Depreciation, amortisation, impairment	62,496	67,377
Employee Benefits expenses	318,765	301,301
Other Service Expenses	647,948	659,130
Levies	9,506	9,398
Payments to Housing Cap Receipts Pool	1,740	1,728
Interest payable & similar charges	19,206	18,502
Movement in FV of Investment Properties	5,658	0
ECL Impairment Allowances	9,304	1,955
	1,074,623	**1,059,391**

(Surplus) or Deficit on Provision of Service	**48,991**	**15,051**

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6. Other operating expenditure

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

	2020/21			2019/20		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Levies - North London Waste Authority (NLWA)	8,008	0	8,008	8,019	0	8,019
Levies - Others	1,498	0	1,498	1,379	0	1,379
Payments to Govt. Housing Capital Receipts Pool	1,740	0	1,740	1,728	0	1,728
Gains on disposal of non-current assets	0	(3,902)	(3,902)	0	(13,063)	(13,063)
	11,246	**(3,902)**	**7,344**	**11,126**	**(13,063)**	**(1,937)**

7. Financing and investment income and expenditure

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

	2020/21			2019/20		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Interest payable and similar charges	19,206	0	19,206	18,502	0	18,502
Net interest on the net defined benefit liability	11,407	0	11,407	16,472	0	16,472
Expected Credit Loss-Impairment Allowances *	9,304	0	9,304	1,955	0	1,955
Net Income & Expenditure and changes in the fair values of investment properties	6,801	(11,476)	(4,674)	4,458	(27,603)	(23,145)
Interest Income	0	(1,457)	(1,457)	0	(1,000)	(1,000)
Other investment income and expenditure	1,090	(1,674)	(584)	789	(1,859)	(1,070)
	47,808	**(14,607)**	**33,202**	**42,176**	**(30,462)**	**11,714**

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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:

	2020/21	2019/20
	£'000	£'000
Council tax income	(103,882)	(105,106)
Non domestic rates	(56,610)	(100,490)
Non-ringfenced government grants:		
Covid-19		
Covid-19 Business Rate Retail & Nursery Discount	(13,222)	0
Covid-19 75% Tax Income Guarantee Compensation	(3,014)	0
Council Tax Hardship Fund	(3,697)	0
Covid-19 LA Support Grant	(18,645)	(8,094)
Covid-19 Income Loss Compensation	(9,632)	0
Covid-19 Other Support	(972)	0
Other		
Revenue Support Grant	(21,993)	0
Section 31 BR relief	(5,707)	(8,239)
Other general grants/ contributions	(1,940)	(3,438)
Capital grants and contributions	(18,147)	(35,591)
	(257,461)	**(260,957)**

The non-domestic rates income under the Government's business rates retention arrangement consists -£1.802 million (£34.431 million in 2019/20) collected locally and a 'top-up' of £58.412 million (£66.059 million in 2019/20), re-distributed from a national pool.

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9. Adjustments between accounting basis and funding basis under regulation

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

General Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Capital Receipts Reserve (CRR)

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

Capital Grants Unapplied Account (CGUA)

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

Major Repairs Reserve (MRR)

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

Movement during 2020/21	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
- Pensions costs (transferred to / from the Pensions Reserve)	(17,538)	(120)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	228	0	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	(39,373)	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	(2,402)	(11)	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	(31,469)	(34,874)	0	(19,920)	0
Total Adjustments to Revenue Resources	**(90,554)**	**(35,006)**	**0**	**(19,920)**	**0**
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the CRR	420	11,557	(11,978)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(8)	(175)	184	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(1,740)	0	1,740	0	0
- Posting of HRA resources from revenue to the MRR	0	19,334	0	0	(19,334)
- Statutory provision for the repayment of debt (transfer from the CAA)	7,382	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	110	7,582	0	0	0
Total Adjustments between Revenue and Capital Resources	**6,163**	**38,298**	**(10,055)**	**0**	**(19,334)**
Adjustments to Capital Resources					
- Use of the CRR to finance capital expenditure	0	0	9,292	0	0
- Use of the MRR to finance capital expenditure	0	0	0	0	19,334
- Application of capital grants to finance capital expenditure	0	0	0	27,623	0
- Cash payments in relation to deferred capital receipts	0	0	(159)	0	0
Total Adjustments between Revenue and Capital Resources	0	0	9,133	27,623	19,334
Other Movements	(6,795)	0	(3,058)	0	0
Total Adjustments	**(91,185)**	**3,293**	**(3,980)**	**7,703**	**(0)**

Movement during 2019/20	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
- Pensions costs (transferred to / from the Pensions Reserve)	(32,547)	(102)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	226	0	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	32	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	(931)	0	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	(9,860)	(23,529)	0	(37,916)	0
Total Adjustments to Revenue Resources	**(43,080)**	**(23,631)**	**0**	**(37,916)**	**0**
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the CRR	13,171	9,626	(22,797)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(322)	(134)	456	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(1,728)	0	1,728	0	0
- Posting of HRA resources from revenue to the MRR	0	19,971	0	0	(19,971)
- Statutory provision for the repayment of debt (transfer from the CAA)	4,756	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	30	31,091	0	0	0
Total Adjustments between Revenue and Capital Resources	**15,907**	**60,554**	**(20,613)**	**0**	**(19,971)**
Adjustments to Capital Resources					
- Use of the CRR to finance capital expenditure	0	0	21,862	0	0
- Use of the MRR to finance capital expenditure	0	0	0	0	19,547
- Application of capital grants to finance capital expenditure	0	0	0	19,769	0
- Cash payments in relation to deferred capital receipts	0	0	(330)	0	0
Total Adjustments between Revenue and Capital Resources	0	0	21,532	19,769	19,547
Other Movements	55	33	(34)	0	0
Total Adjustments	**(27,118)**	**36,956**	**885**	**(18,147)**	**(424)**

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 2020/21.

	Note	Balance at 31/03/19	Transfer In 2019/20	Transfer Out 2019/20	Balance at 31/03/20	Transfer In 2020/21	Transfer Out 2020/21	Balance at 31/03/21
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserve	i	**(15,839)**	**0**	**12**	**(15,827)**	(1,268)	0	**(17,095)**
General Fund earmarked reserves:								
Schools reserve	ii	**(10,382)**	(1,868)	1,925	**(10,325)**	(5,436)	2,815	**(12,946)**
Transformation reserve	iii	**(9,095)**	(8,574)	4,023	**(13,646)**	(2,223)	2,167	**(13,702)**
Services reserve	iv	**(10,107)**	(1,941)	5,963	**(6,085)**	(20,711)	17,939	**(8,857)**
PFI lifecycle reserve	v	**(13,684)**	(1,396)	0	**(15,080)**	(1,392)	0	**(16,472)**
Debt repayment reserve	vi	**(5,046)**	0	0	**(5,046)**	0	0	**(5,046)**
Insurance reserve	vii	**(5,912)**	(329)	0	**(6,241)**	(4,000)	1,190	**(9,051)**
Unspent grants reserve	viii	**(7,339)**	(3,867)	2,229	**(8,977)**	(3,050)	2,844	**(9,183)**
Labour market growth resilience reserve	ix	**(705)**	(142)	334	**(513)**	0	67	**(446)**
Strategic Budget Planning Reserve	x	**(6,291)**	0	4,600	**(1,691)**	(8,800)	0	**(10,491)**
Resiliance reserve	xi	**(7,303)**	0	0	**(7,303)**	0	0	**(7,303)**
Covid 19 Grant	xii	**0**	(8,094)	0	**(8,094)**	0	8,094	**(0)**
Other reserves	xiii	**(725)**	(1)	0	**(726)**	0	0	**(726)**
Collection Fund Smoothing reserve	xiv	**0**	0	0	**0**	(22,278)	1,315	**(20,963)**
GF earmarked reserves:		**(76,589)**	**(26,212)**	**19,074**	**(83,727)**	**(67,890)**	**36,431**	**(115,186)**
Total General Fund Usable Reserves		**(92,428)**	**(26,212)**	**19,086**	**(99,554)**	**(69,158)**	**36,431**	**(132,281)**
Housing Revenue Account		**(31,326)**	**0**	**23,343**	**(7,983)**	**(6,179)**	**0**	**(14,162)**
Housing Revenue Account earmarked Reserves:								
HRA Smoothing reserve		**0**	0	0	**0**	0	0	**0**
Homes for Haringey		**(1,424)**	0	716	**(708)**	0	0	**(708)**
HRA earmarked reserves		**(1,424)**	**0**	**716**	**(708)**	**0**	**0**	**(708)**
Total HRA Usable Reserves		**(32,750)**	**0**	**24,059**	**(8,691)**	**(6,179)**	**0**	**(14,870)**

NOTES TO THE STATEMENTS

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 65 schools. The Secretary of State for Education allows Local Authorities to have within their Scheme for Financing Schools, a provision whereby surplus balances that are deemed excessive can be withdrawn from the school in question and applied elsewhere within the Dedicated Schools Budget.

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

iv. It is Council policy that services may request funds to be carried forward, this is subject to approval by the Cabinet in the year-end financial outturn report. This reserve earmarks those funds to either be carried forward to the following financial year or retained.

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

vi. The Debt Repayment (Treasury) reserve represents funds the Council has set aside for debt related costs including the potential repayment of debt and for funding of future capital expenditure, and management of risk inherent within the Council's treasury management activities.

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. The increase to the reserve level has been made possible by a reduced provision requirement. As the Council carries relatively high levels of excess and it is deemed prudent to use provide greater resilience against future claims.

viii. This reserve holds grant income which has been received and recognised in the year they have been allocated to the authority, but which will finance related expenditure in future years. These come with conditions setting out how the funding must be used.

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

x. The Strategic Budget Planning will be used to smooth the MTFS over the medium term.

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

xii. This grant reserve is to help mitigate the costs and loss of income that will arise from the Covid-19 Pandemic.

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

xiv. The Collection Fund reserve is to manage the impact of C19 on the Collection Fund in terms of losses (including potential losses from the London Pool), but also in terms of the profiling of when the impact of government support and arrears hit the Council's General Fund.

Note: The DSG Deficit Reserve which is used to hold the DSG deficits balance of £10.2m (as at 31st March 2020) has now been designated as unusable in the Statement of Accounts in line with MHCLG regulations.

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 2020	1,471,876	896,809	289,824	24,250	21,681	41,424	13,008	2,758,872	13,660
Additions	27,719	44,258	19,154	4,017	986	67,849	6,528	170,511	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	53,134	(17,519)	0	0	0	0	(809)	34,805	(108)
Revaluation increases / (decreases) recognised in SDPOS	(10,996)	(4,120)	0	0	0	0	(7)	(15,122)	260
Derecognition - disposals	(4,883)	(2,613)	0	0	0	0	(169)	(7,665)	0
Reclassifications and transfers	0	(4,369)	0	0	0	0	0	(4,369)	0
Other movements in cost or valuation	5,107	822	0	(577)	331	(6,043)	(1,243)	(1,602)	0
At 31 March 2021	**1,541,957**	**913,268**	**308,978**	**27,689**	**22,998**	**103,231**	**17,308**	**2,935,430**	**13,813**
Accumulated Depreciation and Impairment at 1 April 2020	(95,611)	(18,028)	(113,568)	(16,108)	(1,892)	(7,058)	(91)	(252,355)	(160)
Depreciation charge	(18,108)	(10,145)	(10,577)	(3,565)	0	0	0	(42,395)	(305)
Accumulated Depreciation written out	18,065	11,762	0	6,692	0	0	0	36,520	355
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	10,707	0	0	0	0	0	10,707	110
Impairment (losses)/reversals recognised in surplus/deficit on the provision of services	0	(1,875)	0	0	0	(1,047)	0	(2,922)	0
Derecognition - disposals	37	7	0	0	0	3	0	47	
Reclassifications and transfers	0	11	0	0	0	0	0	11	
Other movements in depreciation & impairment	6	(3)	0	0	(3)	0	0	(0)	
At 31 March 2021	(95,611)	(7,564)	(124,145)	(12,981)	(1,895)	(8,102)	(91)	(250,387)	0
Net Book Value at 31 March 2021	**1,446,346**	**905,705**	**184,833**	**14,709**	**21,103**	**95,129**	**17,218**	**2,685,042**	**13,813**

The above note includes the figures from Single Entity only. Group Entity Property, Plant and Equipment assets total £124.1m as of 31 March 2021 (£104.4mm as at 31 March 2020). Further details are in Note 37.

	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 April 2019	1,391,880	785,846	269,128	22,842	20,544	19,115	11,508	2,520,863	12,701
Additions	29,301	71,406	20,696	1,848	1,137	19,884	185	144,457	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	37,369	44,142	0	0	0	0	4,703	86,214	576
Revaluation increases / (decreases) recognised in SDPOS	18,660	(5,575)	0	0	0	0	2	13,087	383
Derecognition - disposals	(3,333)	0	0	(440)	0	0	(2,487)	(6,260)	0
Reclassifications and transfers	0	1,414	0	0	0	0	(901)	513	0
Other movements in cost or valuation	(2,001)	(424)	0	0	0	2,425	0	0	0
At 31 March 2020	**1,471,876**	**896,809**	**289,824**	**24,250**	**21,681**	**41,424**	**13,008**	**2,758,872**	**13,660**
Accumulated Depreciation and Impairment at 1 April 2019	(67,957)	(11,505)	(103,875)	(14,597)	(1,892)	(5,061)	0	(204,886)	(68)
Depreciation charge	(17,505)	(8,808)	(9,693)	(1,650)	0	0	0	(37,655)	(272)
Accumulated Depreciation written out	20,296	8,313	0	0	0	0	0	28,609	247
Impairment (losses)/reversals recognised in the Revaluation Reserve	15	(2,977)	0	0	0	0	0	(2,963)	(68)
Impairment (losses)/reversals recognised in surplus/deficit on the provision of services	(28,444)	(3,051)	0	0	0	(1,997)	(91)	(33,583)	0
Derecognition - disposals	22	0	0	139	0	0	0	160	0
Other movements in depreciation & impairment	(2,038)	0	0	0	0	0	0	(2,038)	0
At 31 March 2020	(95,611)	(18,028)	(113,568)	(16,108)	(1,892)	(7,058)	(91)	(252,355)	(161)
Net Book Value at 31 March 2020	**1,376,265**	**878,781**	**176,256**	**8,142**	**19,789**	**34,366**	**12,917**	**2,506,517**	**13,499**

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Capital commitments

At 31 March 2021, the Council has entered into several contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years, budgeted to cost £61 million (£140 million as at 31 March 2020). The major commitments at 31 March 2021 were:

- External/Communal Works - £35.4 million
- Fire Protection Works - £11.8 million

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at market value is revalued through full inspection at least every five years.

Since 2012/13, all valuations of dwellings, land and buildings and investment properties have been undertaken by external surveyors Wilks Head & Eve (an independent partnership of Chartered Surveyors and Town Planners) who are fully qualified with the Royal Institute of Chartered Surveyors (RICS).

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The surveyors carry out full valuations as at 31st January of each year and year-end market reviews as at 31 March on the whole of the Council's property portfolio to identify any significant changes. The full valuation for 2020/21 was performed as at 31 March 2021.

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 Ministry of Housing, Communities and Local Government (MHCLG).

The material uncertainties around valuations have increased as a result of Covid-19 (See Note 3).

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. Typical valuation inputs which have been used in arriving at our Fair Valuations include Market Rental and Sale Values, Yields Void, Letting Periods and condition of the assets.

The values at 31 March are analysed as follows.

	31/03/21	31/03/20
	£'000	£'000
Office units	4,567	4,805
Commercial units	63,903	61,825
Land	17,331	16,734
Other investment property	3,411	3,314
Total	**89,212**	**86,678**

There were no transfers between any of the three levels during 2020/21 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.

	2020/21	2019/20
	£'000	£'000
Rental income from investment property	(11,476)	(9,993)
Direct operating expenses arising from investment property	3,801	4,458
Net gain	**(7,675)**	**(5,535)**

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.

	2020/21	2019/20
	£'000	£'000
Balance at start of the year	86,678	70,497
Subsequent Expenditure	500	40
Disposals	(274)	(1,932)
Net gain / (losses) from FV adjustments	(5,658)	17,611
Transfers to/from AHFS & PPE	7,967	462
Balance at the end of the year	**89,212**	**86,678**

The fair value of the Council's investment property is measured annually at each reporting date.

13. Financial instruments

A financial instrument is a contract that gives rise to a financial asset and liability between two parties. This note discloses the Council's financial instruments. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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

Financial liabilities

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

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

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

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

	Long Term		Short Term	
	31/03/21	31/03/20	31/03/21	31/03/20
Financial liabilities at amortised cost:	£'000	£'000	£'000	£'000
Borrowing (including accrued interest)	(484,037)	(498,577)	(77,918)	(40,994)
PFI liabilities	(12,725)	(15,978)	(3,252)	(3,093)
Finance lease liabilities	(14,123)	(11,325)	(1,185)	(776)
Payables	(2,079)	(2,171)	(69,212)	(70,595)
Total Financial Liabilities	**(512,964)**	**(528,051)**	**(151,567)**	**(115,458)**

The short-term creditors line in the Balance Sheet includes £121 million (31 March 2020 £72.9million) of items that do not meet the definition of a financial liability and are therefore not included in the above table. See note 17 for further information.

Financial assets

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

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

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

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

	Long Term		Short Term	
	31/03/21	31/03/20	31/03/21	31/03/20
Financial assets at amortised cost:	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	0	0	16,146	89,379
Short Term Investments	0	0	5,046	15,012
Loans made for service purposes	6,245	24,978	0	0
Trade receivables	68	85	72,779	61,917
Total Financial Assets	**6,313**	**25,063**	**93,971**	**166,308**

The short-term debtors' line in the Balance Sheet includes £79.3 million (31 March 2020 £40.5 million) of items that do not meet the definition of a financial asset and are therefore not included in the above table.
The Council has a legally enforceable right to set off its bank accounts in credit against its bank overdraft balance. This is reflected on the Balance Sheet.

Income, expense, gains and losses

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

	Financial Liabilities measured at amortised cost	Financial Assets carried at amortised cost	Financial Liabilities measured at amortised cost	Financial Assets carried at amortised cost
	2020/21	**2020/21**	**2019/20**	**2019/20**
	£'000	£'000	£'000	£'000
Interest expense	19,206	0	18,502	0
Impairment losses (Non-HRA)	9,304	0	1,955	0
Total expense in SDPOS	28,510	0	20,457	0
Interest and investment income	0	(1,497)	0	(1,000)
Total income in SDPOS	0	(1,497)	0	(1,000)
Net (gain) / loss for the year	**28,510**	**(1,497)**	**20,457**	**(1,000)**

Financial instruments – fair values

Financial assets and liabilities are carried in the Balance Sheet at amortised cost. The fair values for all financial assets are the same as the carrying values, reported earlier in this note to the accounts. Fair values for financial liabilities are estimated by calculating the present values of remaining contractual cash flows as at 31 March 2021, 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	
		31/03/21	31/03/20	31/03/21	31/03/20
		£'000	£'000	£'000	£'000
PWLB loans	2	(424,876)	(431,772)	(372,821)	(384,361)
LOBO loans	2	(234,897)	(240,357)	(130,120)	(130,189)
Lease payables	2	(20,819)	(15,582)	(15,308)	(12,101)
PFI liability	2	(18,013)	(20,742)	(15,977)	(19,071)
Total		**(698,605)**	**(708,453)**	**(534,227)**	**(545,722)**
Liabilities for which fair value is not disclosed*				(130,305)	(97,786)
Total financial liabilities				**(664,532)**	**(643,508)**
Recorded on balance sheet as:					
- short term creditors				(73,649)	(74,464)
- short term borrowing				(77,918)	(40,994)
- long term creditors				(2,079)	(2,171)
- long term borrowing				(484,037)	(498,577)
- other long term liabilities				(26,849)	(27,302)
Total financial liabilities				**(664,532)**	**(643,508)**

*This includes £59m short-term borrowing to other local authorities (£25m for 2019/20).

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	
		31/03/21	31/03/20	31/03/21	31/03/20
		£'000	£'000	£'000	£'000
Cash and Cash Equivalents	2	12,045	77,300	12,045	77,300
Short Term Investments	2	5,046	15,012	5,046	15,012
Total		**17,091**	**92,312**	**17,091**	**92,312**
Assets for which fair value is not disclosed				83,193	99,059
Total financial assets				**100,284**	**191,371**
Recorded on balance sheet as:					
- short term debtors				72,779	61,917
- short term investments				5,046	15,012
- long term debtors				6,313	25,063
- cash and cash equivalents				16,146	89,379
Total financial assets				**100,284**	**191,371**

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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 2020/21 Treasury Management Strategy can be found on the Council's website www.haringey.gov.uk.

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

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

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

Credit Risk: Investments

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies (nil value at 31 March 2021) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. There is a risk that the Council will not be able to recover its deposits, but there was no evidence at the 31 March 2021 that this was likely to happen, hence no loss allowance is made.

The nominal value of the Council's investment portfolio at 31 March 2021 was £17.0 million with nil deposit with UK commercial banks (£92.3 million and nil respectively at 31 March 2020). All investments were made in line with the Council's approved credit rating criteria.

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

Liquidity Risk

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

The maturity analysis of the nominal value of the Council's debt at 31 March 2021 was as follows:

Maturing within (years)	31/03/2021	31/03/2020
	£'000	£'000
Public Works Loans Board	634,398	652,906
Market debt	354,680	360,569
Local government	59,091	25,145
Total	**1,048,169**	**1,038,620**
Less than 1 year	94,088	57,730
Between 1 and 2 years	23,173	30,517
Between 2 and 5 years	76,855	80,892
Between 5 and 10 years	93,389	93,402
Between 10 and 20 years	218,756	218,064
Between 20 and 30 years	154,356	160,890
Between 30 and 40 years	220,204	225,289
Between 40 and 50 years	167,348	171,835
More than 50 years		
	1,048,169	**1,038,620**

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

Market Risk

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

- borrowings at variable rates – the interest expense will rise

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

The Treasury Management Strategy aims to mitigate these risks by setting an upper limits on the percentages of external debt that can be subject to variable interest rates. At 31 March 2021, 100% of the debt portfolio was held in fixed rate instruments and 0% in variable rate instruments.

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

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

	31/03/2021
	£'000
Increase in interest receivable on variable rate investments	1,015
Increase in interest payable on variable rate borrowings	0
Impact on Surplus or Deficit on Provision of Services	1,015
Decrease in fair value of fixed rate borrowing liabilities	111,601

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 2021 as all investments were denoted in Sterling.

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

15. Debtors

The following tables provide an analysis of money owed to the Council by other bodies as at 31 March 2021 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.

Short Term Debtors	Gross Debtor	31st March 2021 Expected Credit Loss/ Incurred Credit Loss	Net Debtor	Gross Debtor	31st March 2020 Expected Credit Loss/ Incurred Credit Loss	Net Debtor
	£000	£000	£000	£000	£000	£000
Central Government	40,705	0	40,705	15,417	0	15,417
Commercial Waste	65	(65)	0	1,695	(106)	1,589
Health Authorities	28,829	0	28,829	16,694	0	16,694
Housing Benefit Overpayments	30,436	(27,385)	3,051	35,915	(30,654)	5,261
Housing/ HRA Rent Payers	39,468	(26,842)	12,627	34,775	(21,318)	13,457
Local Taxation	33,326	(27,755)	5,571	27,817	(18,882)	8,935
Other Local Authorities	20,678	0	20,678	13,630	0	13,630
Other Receivables	41,493	(10,680)	30,813	22,982	(4,052)	18,930
Parking	30,838	(29,267)	1,571	28,786	(26,666)	2,120
Payment in Advance	1,287	0	1,287	2,559	0	2,559
Trade Receivables	8,317	(1,377)	6,940	4,382	(556)	3,826
Total Short Term Debtors	**275,442**	**(123,371)**	**152,071**	**204,652**	**(102,234)**	**102,418**

Long Term Debtors	31st March 2021 Net Debtor	31st March 2020 Net Debtor
	£'000	£'000
Advances & Deposits	68	85
Service Loans	6,245	24,978
Total Long Term Debtors	**6,313**	**25,063**

Short Term Debtors	Group Amounts Gross Debtor	31st March 2021 Expected Credit Loss/ Incurred Credit Loss	Net Debtor	Group Amounts Gross Debtor	31st March 2020 Expected Credit Loss/ Incurred Credit Loss	Net Debtor
	£000	£000	£000	£000	£000	£000
Central Government	40,705	0	40,705	15,417	0	15,417
Commercial Waste	65	(65)	0	1,695	(106)	1,589
Health Authorities	28,829	0	28,829	16,694	0	16,694
Housing Benefit Overpayments	30,436	(27,385)	3,051	35,915	(30,654)	5,261
Housing/ HRA Rent Payers	39,468	(26,842)	12,627	34,775	(21,318)	13,457
Local Taxation	33,326	(27,755)	5,571	27,817	(18,882)	8,935
Other Local Authorities	20,678	0	20,678	13,630	0	13,630
Other Receivables	31,882	(10,680)	21,202	19,420	(4,069)	15,351
Parking	30,838	(29,267)	1,571	28,786	(26,666)	2,120
Payment in Advance	1,287	0	1,287	3,003	0	3,003
Trade Receivables	8,317	(1,377)	6,940	5,277	(556)	4,721
Total Short Term Debtors	**265,831**	**(123,371)**	**142,460**	**202,429**	**(102,251)**	**100,178**

Long Term Debtors	31st March 2021 Net Debtor	31st March 2020 Net Debtor
	£000	£000
Advances & Deposits	68	85
Service Loans	6,245	4,000
Total Long Term Debtors	**6,313**	**4,085**

Expected credit loss is based on the expectation that the future cash flows might not take place because the borrower could default on their obligations. This applies to all of the council's contractual Financial Instrument Assets apart from statutory and tax based debts.

2020/21 Expected Credit Loss/ Incurred Credit Loss Movement	Opening balance 01/04/2020	Additional Provisions made During the Year	Amount Used During the Year	Closing Balance 31/03/2021
	£000	£000	£000	£000
Expected Credit Loss:				
Housing Rent	(9,939)	(1,924)	261	(11,602)
Other (Sundry/ Commercial)	(2,170)	(7,379)	103	(9,447)
	(12,109)	(9,303)	364	(21,048)
Incurred Credit Loss:				
Housing Other	(11,438)	(4,163)	408	(15,192)
Housing Benefit Overpayment	(30,654)	0	3,268	(27,385)
Local Taxation	(18,881)	(9,682)	809	(27,754)
Parking	(26,666)	(2,601)	0	(29,267)
Other	(2,486)	(260)	22	(2,724)
	(90,125)	(16,706)	4,507	(102,322)
	(102,234)	**(26,009)**	**4,870**	**(123,371)**

2019/20 Expected Credit Loss/ Incurred Credit Loss Movement	Opening balance 01/04/2019	Additional Provisions made During the Year	Amount Used During the Year	Closing Balance 31/03/2020
	£000	£000	£000	£000
Expected Credit Loss:				
Housing Rent	(9,218)	(1,506)	785	(9,939)
Other (Sundry/ Commercial)	(1,844)	(326)	0	(2,170)
	(11,062)	(1,832)	785	(12,109)
Incurred Credit Loss:				
Housing Other	(11,124)	(815)	501	(11,438)
Housing Benefit Overpayment	(30,654)	0	0	(30,654)
Local Taxation	(18,133)	(2,365)	1,616	(18,881)
Parking	(17,320)	(9,346)	0	(26,666)
Other	(2,206)	(310)	30	(2,486)
	(79,437)	(12,837)	2,146	(90,125)
	(90,498)	**(14,669)**	**2,931**	**(102,234)**

15a Debtors for Local Taxation

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

Council Tax	31/03/21	31/03/20
	£'000	£'000
One year or less than one year	3,320	2,146
More than one year	1,710	4,264
	5,030	**6,410**

Non-Domestic Rates	31/03/21	31/03/20
	£'000	£'000
One year or less than one year	336	650
More than one year	205	1,875
	541	**2,525**

16. Cash and cash equivalents

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

	Single Entity		Group Amounts	
	31/03/21 £'000	31/03/20 £'000	31/03/21 £'000	31/03/20 £'000
Cash in hand and at bank	4,101	12,078	10,984	18,220
Short-term deposits	12,045	77,300	12,045	77,300
Total	**16,146**	**89,378**	**23,029**	**95,520**

17. Creditors

The following tables provide an analysis of money owed by the Council as at 31 March 2021.

	Long Term		Short Term	
	31/03/21	31/03/20	31/03/21	31/03/20
	£'000	£'000	£'000	£'000
Central Govt bodies	0	0	(75,838)	(15,957)
Other local authorities	0	0	(3,089)	(13,109)
NHS bodies	0	0	(9,446)	(2,847)
Receipt in Advance	0	0	(21,506)	(24,330)
Commercial Waste	0	0	0	(1,036)
Trade Payables	(2,079)	(2,171)	(14,872)	(24,149)
Other Payables	0	0	(48,586)	(44,660)
PFI	0	0	(4,294)	(4,135)
Council Tax, NNDR & Housing Benefit Overpayments	0	0	(17,031)	(17,166)
Total	**(2,079)**	**(1,512)**	**(194,662)**	**(147,390)**

	Single Entity		Group Amounts	
	31/03/21	31/03/20	31/03/21	31/03/20
	£'000	£'000	£'000	£'000
Central Govt bodies	(75,838)	(15,957)	(75,838)	(15,957)
Other local authorities	(3,089)	(13,109)	(3,089)	(13,109)
NHS bodies	(9,446)	(2,847)	(9,446)	(2,847)
Receipt in Advance	(21,506)	(24,330)	(21,506)	(24,330)
Commercial Waste	0	(1,036)	0	(1,036)
Trade Payables	(16,951)	(26,320)	(16,951)	(26,320)
Other Payables	(48,586)	(44,660)	(66,364)	(48,295)
PFI	(4,294)	(4,135)	(4,294)	(4,135)
Council Tax, NNDR & Housing Benefit Overpayments	(17,031)	(17,166)	(17,031)	(17,166)
Total	**(196,741)**	**(149,560)**	**(214,519)**	**(153,195)**

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	Thames Water	Other	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	**(5,144)**	**(5,116)**	**(5,323)**	**(94)**	**(15,677)**
Provisions made in 2020/21	(2,841)	(7,430)	0	(954)	**(11,225)**
Amounts used in 2020/21	1,302	1,099	0	0	**2,401**
Balance at 31 March 2021	**(6,683)**	**(11,447)**	**(5,323)**	**(1,048)**	**(24,501)**
Of which:					
Long Term	(5,393)	(10,120)	(5,323)	**(192)**	(21,029)
Short Term	(1,290)	(1,327)	0	**(856)**	(3,472)

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

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

The **Thames Water provision** represents management's judgement of reasonable estimate required should tenants reclaim excess water charges.

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19. Unusable reserves

	31/03/21	31/03/20 Restated
	£'000	£'000
Financial Instruments Adjustment	3,869	4,097
Collection Fund Adjustment	31,291	(8,082)
Accumulated Absences	9,561	7,147
Revaluation Reserve	(852,482)	(788,321)
Capital Adjustment Account	(1,113,739)	(1,120,631)
Pensions Reserve	684,424	493,540
Deferred Capital Receipts	(51)	(68)
Dedicated School Grant Adjustment	17,016	10,184
Total	**(1,220,111)**	**(1,402,133)**

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 £76.9m as at 31 March 2021 (£63.6m at 31 March 2020).

	2020/21	2019/20
	£'000	£'000
Balance as at 1 April	**(788,321)**	**(685,107)**
(Surplus) or deficit on revaluation of property, plant and equipment	(75,375)	(111,826)
Difference between fair value depreciation and historical cost depreciation	8,315	7,456
Revaluation balances on disposed assets	2,899	1,156
Balance as at 31 March	**(852,482)**	**(788,321)**

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

	2020/21	2019/20
	£'000	£'000
Balance as at 1 April	(1,120,631)	(1,086,587)
Reversal of items relating to capital expenditure debited or credited to CIES		
- charges for depreciation and impairment of NCA	45,317	73,279
- revaluation gains and reversals of losses on PPE	15,122	(13,087)
- amortisation of intangible assets	1,521	1,181
- Impairment of investment and long term debtors	3,022	6,251
- REFCUS	10,221	12,017
- amounts of NCA written off on disposal or sale as part of the gains/loss on disposal to CIES	7,892	9,277
	83,095	**88,918**
Adjusting amounts written out of Revaluation Reserve	(11,213)	(8,612)
Net written out amount of the cost of NCA consumed in the year	**71,882**	**80,306**
Capital financing applied in the year		
- Capital Receipts	(9,292)	(21,862)
- Major Repairs Reserve	(19,334)	(19,547)
- Capital Grants	(27,624)	(19,769)
- Revenue Contributions	(7,692)	(31,121)
- Minimum revenue provision	(7,382)	(4,756)
	(71,324)	**(97,055)**
Movements in the market value of Investment Properties debited or credited to CIES	5,658	(17,611)
Other adjustments	675	316
Balance as at 31 March	**(1,113,739)**	**(1,120,631)**

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.

	2020/21	2019/20
	£'000	£'000
Balance as at 1 April	**493,540**	**676,870**
Remeasurements recognised in Other Comprehensive Income and Expenditure	173,226	(215,979)
Reversal of items relating to retirement benefits debited or credited to SDPOS	17,658	32,649
Balance as at 31 March	**684,424**	**493,540**

Dedicated Schools Grant (DSG)

New provisions have been put into the School and Early Years Finance (England) Regulations 2020 so that for the financial years beginning on 1 April 2020, 2021 and 2022. This creates, on a statutory basis, a new requirement that a deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the local authority not to do this. The Council must therefore carry forward its overall DSG deficit in an account established, charged and used solely for the purpose of recognising deficits in respect of its school's budget. This means that the Council can no longer hold a negative earmarked DSG reserve as in previous years and the deficit balance is now held in an unusable reserve. 2019/20 Unusable Reserves has been restated to include the DSG deficit of £10.2m.

	2020/21	2019/20
	£'000	£'000
Balance as at 1 April	**10,184**	**2,229**
Deficit for the year	6,832	7,955
Balance as at 31 March	**17,016**	**10,184**

20. Cash Flow Statement - Operating Activities

	Single Entity 2020/21	Group 2020/21	Single Entity 2019/20	Group 2019/20
	£000	£000	£000	£000
Interest received	1,422	1,422	1,000	1,000
Interest paid	(19,544)	(19,544)	(18,554)	(18,554)

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

	Single Entity 2020/21	Group 2020/21	Single Entity 2019/20	Group 2019/20
	£000	£000	£000	£000
Depreciation	42,398	44,416	39,696	41,386
Impairment and downward valuations	18,628	18,628	26,747	32,941
Amortisation	1,521	1,521	1,181	1,181
Increase/(decrease) in creditors	27,667	26,089	16,266	17,566
Increase/(decrease) in provisions	0	(69)	4,614	4,690
(Increase)/decrease in debtors	(51,861)	(52,662)	(11,841)	(16,353)
(Increase)/decrease in inventories	(6)	(112)	333	(321)
Movement in pension liability	17,658	23,092	32,649	36,532
Carrying amount of non-current assets disposal	7,892	7,892	9,277	9,277
Movement in fair value of investment properties			(17,611)	(17,611)
Other non-cash items charged to the net surplus or deficit on the provision of services	14,436	12,333	(41)	4,071
	78,333	**81,128**	**101,270**	**113,359**

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

	Single Entity 2020/21	Group 2020/21	Single Entity 2019/20	Group 2019/20
	£000	£000	£000	£000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(16,879)	(16,879)	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,978)	(11,978)	(22,838)	(22,838)
Capital Grants credited to SDPOS	(19,920)	(19,920)	(37,916)	(37,916)
	(48,777)	**(48,777)**	**(60,754)**	**(60,754)**

21. Cash Flow Statement - Investing Activities

	Single Entity 2020/21	Group 2020/21	Single Entity 2019/20	Group 2019/20
	£000	£000	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	(170,292)	(170,856)	(146,094)	(164,575)
Purchase of short-term and long-term investments	0	0	(21,128)	(21,128)
Capital Loans to Subsidiaries	0	1,430	(16,879)	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,995	11,995	22,797	22,797
Proceeds from short-term and long-term investments	26,879	26,879	10,000	10,000
Capital Grants and Other Investments received	28,618	28,618	37,979	37,979
Net cash flows from investing activities	**(102,800)**	**(101,934)**	**(113,325)**	**(114,927)**

22. Cash Flow Statement - Financing Activities

	Single Entity 2020/21	Group 2020/21	Single Entity 2019/20	Group 2019/20
	£000	£000	£000	£000
Cash receipts of short- and long-term borrowing	59,000	59,000	174,500	174,500
Other receipts from financing activities	11,136	11,136	0	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(3,868)	(3,868)	(3,570)	(3,570)
Repayments of short- and long-term borrowing	(36,278)	(36,278)	(31,569)	(31,610)
Other payments for financing activities	19,013	19,013	4,114	4,114
Net cash flows from financing activities	**49,003**	**49,003**	**143,475**	**143,434**

22a Reconciliation of Financial Liabilities from financing activities

	Opening Balance as at 01/04/2020	Financing Cash Flows	Non Cash Changes	Closing Balance as at 31/03/2021
	£'000	£'000	£'000	£'000
Long Term Borrowings	498,577	(14,500)	(40)	484,037
Short Term Borrowings	40,994	37,222	(298)	77,918
Lease Liabilities	12,101	3,207	0	15,308
On Balance sheet PFI liabilities	19,071	(3,094)	0	15,977
Total	**570,743**	**22,835**	**(338)**	**593,240**

23. Members allowances

The total of Members' allowances paid in 2020/21 was £1.133 million compared to £1.125 million in 2019/20. These figures are included in the 'Your Council' line of the CIES.

24. External audit costs

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

	2020/21	2019/20
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	189	159
Additional Audit Fess	0	30
Fees to BDO for HB subsidy claims audit	46	46
Fees payable to BDO in respect of grant claims and other services provided during the year	7	7
Total	**242**	**242**

25. Pooled budgets

In 2020/21, Haringey Council (the Council) entered into 2 pooled budget arrangements with Haringey Clinical Commissioning Group (the CCG) established under Section 75 (s75) of the NHS Act 2006:

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

b) Commissioning and provision of integrated learning disabilities service

2020/21 Section 75 Pooled Budget

	Gross Expenditure 2020/21	CCGS Contribution 2020/21	Haringey Contribution 2020/21	TOTAL Contribution 2020/21
	£'000	£'000	£'000	£'000
Adult Learning Disabilities Support	30,106	(13,084)	(29,729)	(42,813)
Adults Mental Health	76,610	(46,881)	(17,021)	(63,903)
Better Care Fund (BCF)	19,893	(19,893)	0	(19,893)
Disabled Facilities Grant (DFG) & Winter Pressures	2,780	(101)	(2,679)	(2,780)
Improved Better Care fund (iBCF)	9,518	0	(9,518)	(9,518)
Child and adolescent mental health services (CAMHS)	5,607	(4,743)	(864)	(5,607)
Violence Against Women and Girls (VAWG)	45	(45)	0	(45)
Children & Young Persons (CYP)	6,964	(310)	(6,655)	(6,964)
TOTAL	151,523	(85,057)	(66,466)	(151,523)

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2019-20 Section 75 Pooled Budget

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

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

In 2020/21, the Council and the CCG continued the expanded and unified partnership agreement, under Section 75 of the NHS Act 2006, to support the implementation of strategic plans for more integrated commissioning and provide for:

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

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

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

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

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

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

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

The gross expenditure of the Better Care Fund (not including Improved Better Care Fund) was £22.7m in 2020/21 to which the Council's contribution was £2.7m and £20.0m was the contribution of Haringey CCG. In relation to the improved Better Care Fund the Council utilised the entire amount of £9.5m.

26. Officers remuneration

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

Post Holder Details	Salary, Fees and Allowances		Employer Pension Contribution		Total Remuneration	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£	£	£	£	£	£
Chief Executive - Z Etheridge	190,194	197,197	49,260	52,060	239,454	249,257
CEO (Gladesmore Community School & Crowland Primary School) - AM Hartney	153,965	174,253	0	0	153,965	174,253
Director of Finance - JR Warlow	163,654	157,560	42,387	41,596	206,041	199,156

NOTES TO THE STATEMENTS

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

Post Holder Details	Salary, Fees and Allowances		Compensation for Loss of Office		Employer Pension Contribution		Total Remuneration	
	2020/21 £	2019/20 £	2020/21 £	2019/20 £	2020/21 £	2019/20 £	2020/21 £	2019/20 £
Director of Housing, Regeneration & Planning - Left 30/06/19		42,761	-	373,803	-	8,954	-	425,518
Director of Housing & Regeneration Planning - Left 19/04/20*	6,654	126,226	-	-	1,723	33,304	8,377	159,530
Director of Housing & Regeneration Planning - Appointed to post on 07/07/20	106,940	-	-	-	27,697	-	134,637	-
Director of Adults & Health	137,737	133,965	-	-	35,674	35,367	173,411	169,332
Director of Childrens Services	134,205	130,560	-	-	34,759	34,468	168,964	165,028
Director of Customers, Transformation & Resources	136,584	132,741	-	-	35,375	35,044	171,959	167,785
Director of Environment & Neighbourhoods	131,322	127,500	-	-	34,013	33,660	165,335	161,160
Assistant Director of Corporate Governance - Left 30/11/20	76,194	105,900	125,285	-	18,788	27,958	220,267	133,858

* Director of Housing & Regeneration Planning - left on 19/04/20 and position filled on 07/07/20.

27. Termination benefits

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

2020/21	No of compulsory redundancies	No of other agreed departures	Total number	Total cost £
£0 - £20,000	74	8	82	571,976
£20,001 - £40,000	24	8	32	874,697
£40,001 - £60,000	6	1	7	350,807
£60,001 - £80,000	1	2	3	190,139
£80,001 - £100,000	2	0	2	177,316
£100,001 - £150,000	1	1	2	256,981
£150,001 - £200,000	2	0	2	365,786
£200,001 - £250,000	1	0	1	244,252
Total	**111**	**20**	**131**	**3,031,954**

2019/20	No of compulsory redundancies	No of other agreed departures	Total number	Total cost £
£0 - £20,000	4	23	27	293,086
£20,001 - £40,000	6	11	18	443,557
£40,001 - £60,000	5	5	9	481,351
£60,001 - £80,000	0	2	2	132,974
£150,001 - £200,000	1	0	1	151,572
£300,001 - £400,000	1	0	1	373,803
Total	**17**	**41**	**58**	**1,876,343**

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

	2020/21	**2019/20**
	No. of employees	No. of employees
£50,000 - £54,999	278	262
£55,000 - £59,999	245	194
£60,000 - £64,999	116	86
£65,000 - £69,999	62	54
£70,000 - £74,999	37	28
£75,000 - £79,999	23	34
£80,000 - £84,999	25	20
£85,000 - £89,999	18	16
£90,000 - £94,999	10	15
£95,000 - £99,999	17	9
£100,000 - £104,999	8	6
£105,000 - £109,999	8	4
£110,000 - £114,999	4	3
£115,000 - £119,999	5	3
£120,000 - £124,999	2	1
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	1
£140,000 - £144,999	0	1
> £145,000	1	0
Total	**859**	**737**

28. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2020/21 are as follows.

	Central Expenditure	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2020/21 before Academy recoupment			**264,791**
Academy figure recouped for 2020/21			**72,036**
Total DSG after academy recoupment for 2020/21			**192,755**
Brought forward from 2019/20			**(10,185)**
Less Carry forward to 2021/22 agreed in advance			**112**
Agreed initial budget distribution in 2020/21	52,404	130,166	182,570
In Year Adjustment	(1)	1	**0**
Final budgeted distribution for 2020/21	**52,403**	**130,167**	**182,570**
Less actual central expenditure	69,420		69,420
Less actual ISB deployed to schools		130,167	130,167
Carry forward to 2021/22	**(17,016)**	**0**	**(17,016)**

29. Grant income

The Council credited the following grants, contributions and donations to the CIES in 2019/20.

	2020/21	2019/20
Credited to Services	£'000	£'000
Benefit Subsidy	(205,742)	(218,770)
Dedicated Schools Grant	(192,755)	(187,132)
Local Taxation Admin Grants	(1,955)	(1,947)
Pupil Premium	(8,848)	(9,364)
Public Health	(20,353)	(19,675)
PFI Revenue	(5,669)	(5,669)
Flexible Housing Grant	(6,726)	(6,726)
Universal Infant Free School Meals	(2,888)	(2,748)
Better Care Fund (Dept of Health via CCG)	(8,370)	(8,370)
Discretionary Housing Payments	(2,066)	(1,564)
Adult Social care New Burdens	(5,144)	(5,614)
Adult Learning & 6th Form Grant	(8,107)	(3,110)
Tackling Troubled Families	(1,133)	(1,725)
MHCLG Grants	(6,540)	(3,710)
Department for Education grants	(9,976)	(5,421)
Home Office miscellaneous grants	(3,158)	(2,552)
TFL Grants	(399)	(8,202)
Other miscellaneous revenue grants	(4,754)	(5,047)
Capital Grants treated as revenue	(1,777)	(2,361)
Contributions- NHS Bodies	(27,263)	(17,802)
Other contributions and reimbursements	(2,782)	(4,251)
Covid 19 Grants Spent in 2020-21		
Additional Restrictions Grant	(4,838)	0
Local Authority Discretionary Grant	(3,153)	0
Contain Outbreak Grant	(6,486)	0
Schools Covid Grant Fund	(2,046)	0
Other Covid Grants under £2m	(9,896)	0
Total	**(552,824)**	**(521,760)**

	2019/20	2018/19
	£'000	£'000
Credited to Taxation and Non-Specific Income		
Business Rates - top-up	(58,412)	(66,059)
Revenue Support Grant	(21,993)	0
New Homes Bonus Grant	(1,782)	(3,040)
Section 31 grant	(5,707)	(8,094)
Covid 19 Grants		
Discount	(13,222)	(5,511)
Section 31 grant	(18,645)	(2,727)
Other Covid Support	(972)	0
Income Loss Compensation	(9,632)	0
Council Tax Hardship Fund	(3,697)	0
Compensation	(3,014)	0
Other general grants	(158)	(398)
Capital Grants	(18,147)	(35,591)
Total	**(155,380)**	**(121,420)**

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 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.

<u>Pension Fund</u>

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 £0.551m as at 31 March 2021 and the Council charged the fund £0.679m for administration in 2020/21 (£0.477m and £0.649m respectively in 2019/20).

<u>Homes for Haringey Limited, Alexandra Park and Palace Charitable Trust Limited</u>

All three are wholly owned subsidiaries of Haringey Council and have been consolidated into the Council's Group Accounts. The net value of payments and receipts in 2020/21 were £71.1 million and £7.1 million respectively (£69.0 million and £6.7 million in 2019/20). There are historic debt balances owed by the Trust that have not been legally discharged, totalling £48.6m. Of this £5.5m relates to loans for refurbishment of the Ice Rink facility, West Yard Storage and lighting, which are being repaid by the Trust in line with the agreed loan agreements. A further £43.1m is legally outstanding but does not currently have repayments being made, this debt dates back to previous decades when the Council expended funds on behalf of the Trust. Although this £43.1m debt has not been legally discharged, the Council has agreed that it will only seek to recover this when the Trust is in a position to repay amounts due.

<u>Alexandra House Wood Green Limited</u>

This is a wholly owned subsidiary of Haringey Council which owns one of the Council's office buildings. There were no material transactions between the two entities during the year.

<u>North London Waste Authority (NLWA)</u>

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.

<u>Members and Senior Officers</u>

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 2020/21 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 2020/21 Haringey has provided financial support to, or purchased services from 16 charitable or voluntary organisations (15 in 2019/20) in which 23 members have declared an interest (26 in 2019/20). 15 of these instances were as a representative of the Council and 8 in a personal capacity (18 and 9 respectively in 2019/20). In 2020/21 the total value of payments made was £3.919 million (£3.002 million in 2019/20) and the total value of receipts was £0.778 million (£0.817 million in 2019/20).

The balance due to Haringey at the end of the year in respect of a loan made to Bernie Grant Centre is £0.340 million. The Centre is a registered charity and performing arts centre in Tottenham set up in memory of MP Bernie Grant. There are other amounts due to or from related parties at the year-end totalling £0.174 million.

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. One ex-senior officer did not submit a declaration form.

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.

	2020/21	2019/20
	£'000	£'000
Capital Financing Requirement at 1 April	**723,662**	**639,672**
Capital investment		
i) Property, Plant and Equipment	170,511	144,457
ii) Long term investments	0	6,128
iii) Long term loans	1,730	16,999
- Investment Properties	500	40
- Intangible Assets	1,734	1,404
- REFCUS	10,221	12,017
	184,696	**181,045**
Sources of finance		
- Capital receipts	(9,292)	(21,862)
- Government grants and other contributions	(27,624)	(19,769)
- Major Repairs Allowance	(19,334)	(19,547)
- Direct revenue contributions	(7,692)	(31,121)
- Minimum Revenue Provision	(7,382)	(4,756)
	(71,324)	**(97,055)**
Closing CFR	**837,034**	**723,662**
Explanation of movements in year		
Provision to reduce underlying need to borrow (MRP)	(7,382)	(4,756)
Increase in underlying need for supported borrowing	120,755	88,746
Increase in CFR	**113,373**	**83,990**

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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.

	31/03/21	31/03/20
	£'000	£'000
Other Land and Buildings	10,869	10,362
Vehicles, Plant, Furniture and Equipment	5,975	3,126
Total	**16,844**	**13,488**

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.

	31/03/21	31/03/20
	£'000	£'000
Finance lease liabilities (NPV of minimum lease payments)		
- current	1,185	776
- non-current	14,123	11,325
Finance costs payable in future years	21,274	20,835
Total	**36,582**	**32,936**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2020/21 £'000	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**
Less than one year	1,881	1,289	1,185	776
Between one and five years	5,986	3,989	3,836	2,323
Later than five years	28,715	27,658	10,286	9,002
Total	**36,582**	**32,936**	**15,307**	**12,101**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21 £673k contingent rents were payable by the authority (2019/20 £655k).

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:

	31/03/21	31/03/20
	£'000	£'000
Not later than one year	566	1,397
Later than one year and not later than five years	1,976	2,828
Later than five years	676	4,900
Total	**3,218**	**9,125**

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 charged to the CIES during the year; predominantly to Children's and Education Services and Adult Social Care.

Authority as Lessor - Operating leases

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

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

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

	31/03/21	31/03/20
	£'000	£'000
Not later than one year	5,466	5,477
Later than one year and not later than five years	14,777	13,691
Later than five years	79,510	83,001
Total	**99,753**	**102,169**

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 2008, the agreement was suspended and all of the assets were brought back onto the Council's balance sheet.

The remaining contract that the Council has with the contractor is for the repayment of the outstanding liability of debt incurred when the original PFI works were first undertaken. This debt has also been recognised within the Council's Balance Sheet. Payments to the contractor were £4.277 million in 2020/21 (£4.273 million in 2019/20). The PFI arrangement ends in September 2025.

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

Future payments to be made

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

	Payment for Services	Reimbursement of Capital Exp	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 1 year	153	3,252	819	**4,224**
Payable within 2 to 5 years	537	12,726	1,522	**14,785**
Payable within 6 to 10 years	0	0	0	**0**
Total	**690**	**15,978**	**2,341**	**19,009**

Movement in PFI liability	£'000
Opening Balance as at 1/4/2020	19,070
Interest Charge	978
Payment during 2020/21	(4,071)
Closing balance as at 31/3/2021	**15,978**

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 2020/21 the Council paid £16.074 million (£13.675 million in 2019/20) to Teachers' Pensions in respect of teachers' pension costs which represented 23.68% of teachers' pensionable pay from April 2020 to March 2021. Expected contributions for 2021/22 are £16.400 million. The Council is responsible for additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 35.

35. Defined benefit pension schemes

Participation in the Local Government Pension Scheme (LGPS)

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits.

Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

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

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement (added years) are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. Included within the present value of unfunded liabilities detailed in the following notes is £17.208 million (£16.216 million in 2019/20) in respect of Teachers unfunded pensions. At 31st March 2021 the Scheme had 1,043 members in respect of LGPS and 376 members in respect of Teachers unfunded pensions (1,043 and 382 respectively as at 31st March 2020).

Transactions relating to post-employment benefits

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

The following transactions have been made in the CIES:

	LGPS		Unfunded	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Cost of Services				
- current service cost	38,816	49,294	0	0
- past service cost	1,115	251	0	0
Total	**39,931**	**49,545**	**0**	**0**
Net Interest Expense	10,448	15,315	959	1,157
Total Charged to SDPOS	**50,379**	**64,860**	**959**	**1,157**
Other Comprehensive Income and Expenditure				
- return on plan assets	(214,922)	57,693	0	0
- actuarial gains/losses (changes in financial assumptions)	376,045	(128,597)	4,600	(1,884)
- actuarial gains/losses (changes in demographic assumptions	22,389	(34,809)	609	(1,637)
- other	(14,999)	(106,354)	(496)	(391)
Total	**168,513**	**(212,067)**	**4,713**	**(3,912)**

	Group	
	2020/21	2019/20
	£'000	£'000
Cost of Services		
- current service cost	47,188	58,095
- past service cost	1,221	(778)
Total	**48,409**	**57,317**
Net Interest	**11,923**	**16,835**
Total debited to SDPOS	**60,332**	**74,152**
Other Comprehensive Income and Expenditure		
- return on plan assets	(249,376)	71,278
- actuarial gains/losses (changes in financial assumptions)	435,587	(147,999)
- actuarial gains/losses (changes in demographic assumptions)	25,790	(41,562)
- other	(17,869)	(95,484)
Total	**194,132**	**(213,767)**

	2020/21	2019/20
	£'000	£'000
Reversal of net IAS 19 charges	(51,338)	(66,017)
Actual amount charged for pensions in the year	33,680	33,368

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Pension assets and liabilities recognised in the Balance Sheet

	LGPS		Unfunded	
	2020/21	**2019/20**	**2020/21**	**2019/20**
	£'000	£'000	£'000	£'000
Present value of obligation	(1,954,555)	(1,532,785)	(45,587)	(49,906)
Fair value of plan assets	1,315,718	1,082,742	0	0
Net liability	**(638,837)**	**(450,043)**	**(45,587)**	**(43,497)**

	Single Entity		Group Amounts	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(2,000,142)	(1,576,282)	(2,259,300)	(1,768,892)
Fair value of plan assets	1,315,718	1,082,742	1,527,883	1,255,220
Net liability	**(684,424)**	**(493,540)**	**(731,417)**	**(513,672)**

Reconciliation of Movement in Fair Value of Scheme Assets

Scheme Assets	LGPS		Unfunded	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Opening fair value	1,082,742	1,128,342	0	0
Interest income	24,838	26,959	0	0
Remeasurement gain / (loss)				
- the return on plan assets	217,454	(57,693)	0	0
Employer contributions	30,098	29,714	3,582	3,654
Contributions from employees into the scheme	7,875	7,862	0	0
Benefits paid	(47,289)	(52,442)	(3,582)	(3,654)
Closing fair value	**1,315,718**	**1,082,742**	**0**	**0**

	Single Entity		Group Accounts	
	2020/21	**2019/20**	**2019/20**	**2020/21**
	£'000	**£'000**	**£'000**	**£'000**
Opening fair value of scheme assets	1,082,742	1,128,342	1,255,220	1,308,744
Interest income	24,838	26,959	28,821	31,313
Remeasurement gain / (loss)				
- the return on plan assets	217,454	(57,693)	251,908	(71,278)
Employer contributions	33,680	33,368	36,719	37,256
Contributions from employees into the scheme	7,875	7,862	9,527	9,243
Benefits paid	(50,871)	(56,096)	(54,703)	(60,058)
Closing fair value	**1,315,718**	**1,128,342**	**1,527,492**	**1,255,220**

Reconciliation of Present Value of Defined Benefit Obligation

Scheme Liabilities	LGPS		Unfunded	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,532,785)	(1,755,306)	(43,497)	(49,906)
Current service cost	(38,816)	(49,294)		0
Past service cost	(1,115)	(251)		0
Interest cost	(35,286)	(42,274)	(959)	(1,157)
Contributions from scheme participants	(7,875)	(7,862)	0	0
Remeasurement gain / (loss):				
- financial assumptions	(376,045)	128,597	(4,600)	1,884
- demographic assumptions	(22,389)	34,809	(609)	1,637
- other experience changes	14,682	106,354	496	391
Benefits paid	51,579	52,442	3,582	3,654
Balance as at 31st March	**(1,948,050)**	**(1,532,785)**	**(45,587)**	**(43,497)**

	Single Entity		Group Accounts	
	2020/21	**2019/20**	**2020/21**	**2019/20**
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,576,282)	(1,805,212)	(1,768,892)	(1,998,258)
Current service cost	(38,816)	(49,294)	(47,188)	(58,095)
Past service cost	(1,115)	(251)	(1,221)	(251)
Interest cost	(36,245)	(43,431)	(40,744)	(48,148)
Contributions from scheme participants	(7,875)	(7,862)	(9,527)	(9,243)
Remeasurement gain / (loss):				
- financial assumptions	(380,645)	130,481	(435,587)	147,999
- demographic assumptions	(22,998)	36,446	(25,790)	41,562
- other experience changes	12,963	106,745	14,946	95,484
Benefits paid	50,871	56,096	54,703	60,058
Balance as at 31st March	**(2,000,142)**	**(1,576,282)**	**(2,259,300)**	**(1,768,892)**

Analysis of Scheme Assets: Single Entity

2020/21	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	14,423	0	**14,423**	1
Private equity	0	103,804	**103,804**	8
Debt securities	130,650	0	**130,650**	10
Real estate: UK property	0	137,129	**137,129**	10
Investment funds and unit trusts				
- equities	759,850	0	**759,850**	58
- bonds	131,243	0	**131,243**	10
- infrastructure	0	38,619	**38,619**	3
Sub-total	891,093	38,619	**929,712**	71
Total assets	**1,036,166**	**279,552**	**1,315,718**	**100**

2019/20	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	7,661	0	**7,661**	1
Private equity	0	75,763	**75,763**	7
Debt securities	85,332	0	**85,332**	8
Real estate: UK property	0	108,506	**108,506**	10
Investment funds and unit trusts				
- equities	626,771	0	**626,771**	58
- bonds	145,256	0	**145,256**	13
- infrastructure	0	33,453	**33,453**	3
Sub-total	772,027	33,453	**805,480**	74
Total assets	**865,020**	**217,722**	**1,082,742**	**100**

Group Accounts

2020/21	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	16,545	0	**16,545**	1
Private equity	0	103,804	**103,804**	7
Debt securities	130,650	0	**130,650**	9
Real estate: UK property	0	158,346	**158,346**	10
Investment funds and un	0			
- equities	904,122	0	**904,122**	59
- bonds	175,798	0	**175,798**	11
- infrastructure	0	38,619	**38,619**	3
Sub-total	1,079,920	38,619	**1,118,539**	73
Total assets	**1,227,115**	**300,769**	**1,527,883**	**100**

2019/20	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	9,386	0	**9,386**	1
Private equity	0	75,763	**75,763**	6
Debt securities	85,332		**85,332**	7
Real estate: UK property	0	132,653	**132,653**	11
Investment funds and un	0			
- equities	721,634	0	**721,634**	56
- bonds	196,999	0	**196,999**	16
- infrastructure	0	33,453	**33,453**	3
Sub-total	918,633	33,453	**952,086**	75
Total assets	**1,013,351**	**241,869**	**1,255,220**	**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 2.0% (2.3% in 2019/20).

The Council's Pension Scheme liabilities as at 31st March 2021 have been assessed by Hymans Robertson, an independent firm of actuaries, and are projections based on data pertaining to the latest full valuation of the scheme as at 31st March 2019. 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.

	2020/21	2019/20
Mortality assumptions		
- Longevity at 65 for male current pensioners	21.7 years	21.5 years
- Longevity at 65 for female current pensioners	24.2 years	23.7 years
- Longevity at 65 for male future pensioners	23.1 years	22.7 years
- Longevity at 65 for female future pensioners	26.0 years	25.3 years
Rate of increase in salaries	3.9%	2.9%
Rate of increase in pensions	2.9%	1.9%
Rate for discounting scheme liabilities	2.0%	2.3%

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	183,540
0.5% increase in salary increase rate	1	11,059
0.5% increase in pension increase	8	169,101

Investment Strategy

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

Impact on the Council's Cash Flows

The objectives of the scheme are to achieve and maintain full funding on an ongoing basis and to seek stability of employers' contributions. At its last triennial valuation, the Council and the Fund's actuary agreed a strategy designed to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on a quarterly basis. The next triennial valuation is due to be completed as at 31st March 2022, during 2022/23.

To mitigate the existing funding deficit, the Council anticipates paying contributions of £28.7m for the period to 31st March 2022.

The scheme actuary has estimated that the weighted average duration of the defined benefit obligation for scheme members is 19 years.

36. Contingent liabilities

There were no material contingent liabilities as at 31st March 2021.

37. Adjustments between group and single entity accounts

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

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

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

- Homes for Haringey Ltd
- Alexandra Park and Palace Charitable Trust (APPCT)
- Alexandra House Wood Green Ltd

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

- The Charity SORP 2015, as amended, in the case of Alexandra Park and Palace Charitable Trust
- FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland, in the case of Homes for Haringey and Alexandra House Wood Green Ltd.

With the exception of the Alexandra Park & Palace and Alexandra House Wood Green Ltd valuations, there are no other material areas where these accounting standards conflict with the Council's accounting policies. The accounting policies applied to the Group financial statements are consistent with those set in Note 1 to the single entity statements. The subsidiaries have been consolidated on a full line by line basis with the financial transactions and balances of the Council.

APPCT carry its main asset, the Park and Palace, at £29m on its Balance Sheet (all of which are leaseholder improvements) as allowed under the Charity SORP. Upon consolidation however, the Council is required to value this as an operational asset and depreciate it in accordance with its accounting policy. The Group Balance Sheet therefore includes £114.028 million (£92.488 million as at 31 March 2020) in Property Plant and Equipment in respect of this asset. The basis of valuation is mainly Depreciated Replacement Cost with some elements using the Existing Use Value method.

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

Homes for Haringey Ltd (Registered Company No. 05749092)

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

In April 2015, Move 51 Degrees North was established as a wholly owned subsidiary of Homes for Haringey Limited to deliver a private lettings and property management agency. Move 51 Degrees North ceased trading in March 2017.

The financial performance of HfH Limited is summarised below:

	2020/21	2019/20
	£000	£000
Turnover	(68,050)	(66,269)
Deficit for the year	5,534	4,262
Accumulated deficit	47,085	20,535

The accumulated deficit was mainly as a result of losses on Pension Scheme of £21.016 million (£2.245 million deficit in 2019/20).

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

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

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

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

The financial performance of the Trust is summarised below:

	2020/21	2019/20
	£000	£000
Turnover	(9,464)	(19,319)
(Surplus) / Deficit for the year	(1,109)	(1,759)
Reserves:		
Unrestricted Reserves	(25,852)	(26,566)
Restricted Reserves	(549)	(944)
	(26,401)	(27,510)

APPCT Property, Plant and equipment consolidated in Group Accounts:

	Palace & Park	Asset Under Construct	Vehicles, plant and equipm't	Total
	£000	£000	£000	£000
Cost at 1 April 2020	94,912	0	3,228	98,140
Additions	229	30	305	564
Revaluations	18,887	101	0	18,988
Disposals	0	0	(459)	(459)
Transfers	0	(131)	131	0
At 31 March 2021	**114,028**	**0**	**3,205**	**117,233**
Depreciation				
At 1 April 2020	2,424	0	1,369	3,793
Transfer	(2)	0	170	168
Charge for the year	1,535	0	81	1,616
Disposals	0	0	(353)	(353)
Accumulated Dep written out	(3,957)	0	0	(3,957)
At 31 March 2021	**0**	**0**	**1267**	**1267**
NBV as 31 March 2021	**114,028**	**0**	**1,938**	**115,966**
NBV as 31 March 2020	92488	0	1859	94347

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

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

The Council has a 100% shareholding in this subsidiary, Alexandra House Wood Green Ltd (AHWG), which owns Alexandra House building. This allows the Council to continue to use this building for Council office accommodation in Wood Green.

Alexandra House Wood Green Ltd, Land & Building consolidated in Group Accounts:

	Total
	£000
Cost at 1 April 2020	10,070
Additions	
Revaluations	41
At 31 March 2021	**10,111**
Depreciation	
At 1 April 2020	6
Charge for the year	142
Accumulated Dep written out	(148)
At 31 March 2021	
NBV as 31 March 2021	**10,111**
NBV as 31 March 2020	10,064

A full copy of the company's accounts can be obtained from The Company Secretary, Alexandra House Wood Green Ltd, 225 High Road, Wood Green, London N22 8HQ.

HOUSING REVENUE ACCOUNT

HRA Income & Expenditure Statement	2020/21	2019/20
	£'000	£'000
Expenditure		
Repairs and maintenance	21,321	22,478
Supervision and management	33,590	39,449
Rents, rates, taxes and other charges	1,890	1,839
Depreciation, impairment and revaluation losses of non-current assets	19,334	19,971
Revaluation losses	14,030	15,437
Debt Management Costs	14	51
Increase in impairment of debtors	4,162	815
Total Expenditure	**94,341**	**100,040**
Income		
Dwelling rents	(83,088)	(81,649)
Non-dwelling rents	(805)	(916)
Charges for services and facilities	(18,681)	(18,947)
Contributions towards expenditure	(497)	(261)
Total Income	**(103,071)**	**(101,773)**
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	**(8,730)**	**(1,733)**
HRA service share of Corporate and Democratic Core	557	557
Net expenditure or (income) for HRA Services	**(8,173)**	**(1,176)**
HRA share of operating income and expenditure included in the Comprehensive I&E Statement		
Gain on sale of HRA non-current assets	(6,536)	(6,181)
Interest payable and similar charges	10,746	10,734
Interest and investment income	(2,176)	(1,154)
Net interest on the net defined benefit liability	68	102
Capital grants and contributions	(3,401)	(15,222)
	(1,299)	(11,721)
Surplus for the year on HRA services	**(9,472)**	**(12,897)**

HOUSING REVENUE ACCOUNT

Movement on the HRA Statement	2020/21	2019/20
	£'000	£'000
Balance on the HRA at the end of the previous year	**(7,983)**	**(31,326)**
(Surplus) or deficit for the year on HRA Income and Expenditure Statement	(9,472)	(12,897)
Adjustments between accounting basis and funding basis under the legislative framework		
- Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	0	0
- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(10,705)	(247)
- Gain on sale of HRA non-current assets	6,536	6,214
- HRA share of contributions to or from the Pensions Reserve	(120)	(102)
- Capital expenditure funded by the HRA	7,582	31,091
- Transfer to/(from) Major Repairs Reserve	19,334	19,971
- Transfer to/(from) Capital Adjustment Account	(19,334)	(19,971)
Net (increase)/decrease before transfers to or from reserves	**(6,179)**	**24,059**
Transfers to or (from) reserves		
- Homes for Haringey Reserve	0	(716)
(Increase) / decrease in year on the HRA	**(6,179)**	**23,343**
Balance on the HRA at the end of the year	**(14,162)**	**(7,983)**

1. Vacant possession

As at 31st March 2021, the vacant possession value of dwellings within the HRA was £5,765 million (£5,502 million as at 31st March 2020). The difference between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to government of providing council housing at less than open market rents, net of the impairment to the value of the housing Stock.

2. Number and types of dwellings in the housing stock

	31 March 2021	31 March 2020
Hostels	127	127
Houses and bungalows	4,995	5,014
Flats and maisonettes	10,132	9,964
Shared ownership	15	10
Affordable rented housing	18	18
Total	**15,287**	**15,133**

3. Value of assets held on the balance sheet

	31 March 2021	Restated 31 March 2020
Type of assets	£'000	£'000
Dwellings	1,446,345	1,376,264
Other land and buildings	109,662	83,981
Assets under construction	84,019	31,336
Investment properties	5,756	4,950
Total	**1,645,782**	**1,496,531**

4. Capital expenditure

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

	2020/21	2019/20
	£'000	£'000
Capital investments		
Existing dwellings	30,801	39,048
New homes and acquisitions	73,443	59,861
	104,244	**98,909**
Funded by		
Borrowing	58,082	24,455
Useable capital receipts	4,339	14,812
Revenue contributions	7,582	31,091
Grants and contributions	14,907	9,004
Major repairs reserve	19,334	19,547
	104,244	**98,909**

5. Capital receipts

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

	2020/21	2019/20
	£'000	£'000
Dwellings	(11,374)	(8,962)
Land and other property	(184)	(664)
	(11,558)	**(9,626)**

6. Depreciation

	2020/21	2019/20
	£'000	£'000
Operational assets:		
Dwellings	18,108	19,545
Other land and buildings	1,226	426
	19,334	**19,971**

7. Major repairs reserve

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

	2020/21	2019/20
	£'000	£'000
Balance at 1st April	**(615)**	**(191)**
Amount transferred to Major Repairs Reserve	(19,334)	(19,971)
Capital expenditure on dwellings	19,334	19,547
Balance at 31st March	**(615)**	**(615)**

8. Rent Arrears

The rent arrears at the end of the financial year are set out below.

	31 March 2021	31 March 2020
	£'000	£'000
Type of tenancy		
Permanent (including licences)	14,530	11,777
Temporary	737	784
Total arrears	**15,267**	**12,561**
Less Provision for bad and doubtful debts	(12,235)	(9,847)
Net Arrears	**3,032**	**2,714**

The average rent for permanent tenants was £105.02 per week in 2020/21, an increase of £2.65 per week (2.6%) over the 2019/20 average rent of £102.37 per week.

The total provision in the Balance Sheet in respect of all HRA uncollectable debts including leaseholders as at 31 March 2021 is £15.28 million (£11.44 million as at 31st March 2020)

COLLECTION FUND

	2020/21				2019/20			
	BRS	NNDR	Council Tax	Total	BRS	NNDR	Council Tax	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Income								
Council Tax Receivable	0	0	(137,970)	(137,970)	0	0	(132,718)	(132,718)
Business Rates Receivable	0	(33,309)	0	(33,309)	0	(74,985)	0	(74,985)
Business Rates Supplement	(690)	0	0	(690)	(1,729)	0	0	(1,729)
Transitional Proctection Payments	0	(138)	0	(138)	0	(1,052)	0	(1,052)
	(690)	**(33,447)**	**(137,970)**	**(172,107)**	**(1,729)**	**(76,037)**	**(132,718)**	**(210,484)**
Expenditure								
Precepts, Demands and Shares								
Central Government	0	24,747	0	24,747	0	18,121	0	18,121
Greater London Authoriry	0	27,747	26,082	53,829	0	19,571	24,764	44,335
Billing Authority	0	22,497	107,805	130,302	0	34,793	101,981	136,775
	0	**74,991**	**133,887**	**208,878**	**0**	**72,486**	**126,746**	**199,231**
Apportionment of PY Surplus / (Deficit)								
Central Government	0	501	0	501	0	(284)	0	(284)
Greater London Authoriry	0	2,246	1,738	3,984	0	(1,079)	996	(83)
Billing Authority	0	3,992	7,158	11,150	0	(1,611)	4,341	2,730
	0	6,739	8,896	15,635	0	(2,974)	5,337	2,363
BRS - Payment to Levying Authorities	**474**	**0**	**0**	**474**	**1,625**	**0**	**0**	**1,625**
Charges to Collection Fund								
Increase / (Decrease) in Impairment	210	11,656	9,024	20,890	99	1,758	2,087	3,944
Increase / (Decrease) in Provision for Appeals	0	27,496	0	27,496	0	2,247	0	2,247
Cost of Collection	6	301	0	307	6	302	0	308
	216	**39,453**	**9,024**	**48,693**	**105**	**4,307**	**2,087**	**6,499**
(Surplus) / Deficit arising during the year	**0**	**87,736**	**13,837**	**101,573**	**0**	**(2,218)**	**1,452**	**(766)**
(Surplus) / Deficit arising at start of year	**0**	**(3,979)**	**(6,731)**	**(10,710)**	**0**	**(1,761)**	**(8,183)**	**(9,944)**
(Surplus) / Deficit arising at end of year	**0**	**83,757**	**7,106**	**90,863**	**0**	**(3,979)**	**(6,731)**	**(10,710)**

COLLECTION FUND

1. Income from Business Rates

Under the Business Rates Retention Scheme the business rates collected by the Council are distributed so that the Council receives 30%, MHCLG receives 33% and the GLA receives 37% (2019/20 – London Pool 48%, MHCLG 25% and GLA 27%)

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

(i) The small business multiplier was 49.9 pence (49.1 pence in 2019/20); and
(ii) The standard multiplier was 51.2 pence (50.4 pence in 2019/20).

The total business rateable value for the Council at 31 March 2021 was £197.728 million (£200.549 million in 2019/20) of which £53.400 million (£53.381 million in 2019/20) related to small businesses.

2. Council Tax

In 2020/21 the tax base for Haringey was 78,543 properties (77,265 in 2019/20) which was used to calculate the Band D Council Tax of £1,704.63 (£1,640.40 in 2019/20), sufficient to generate the income required to cover the net expenditure of the two authorities which precept on the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties after allowing for non-collection (the tax base).

Band	Ranges from	to	Number of chargeable dwellings		Proportion	Band D Equivalent No.	
	£	£	2020/21	2019/20		2020/21	2019/20
A	up to	40,000	4,464	4,307	0.67	2,976	2,872
B	40,001	52,000	12,014	11,824	0.78	9,345	9,196
C	52,001	68,000	24,739	24,624	0.89	21,991	21,888
D	68,001	88,000	20,332	19,448	1.00	20,332	19,448
E	88,001	120,000	9,043	8,999	1.22	11,053	10,998
F	120,001	160,000	4,763	4,756	1.44	6,880	6,870
G	160,001	320,000	4,456	4,450	1.67	7,427	7,418
H	320,001	and above	695	689	2.00	1,390	1,378
			80,506	79,097		81,392	80,068
Collection rate after allowance for non-collection						96.5%	96.5%
Council Tax base used to calculate Band D						**78,543**	**77,265**

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

PENSION FUND

2020/21	Pension Fund Account	Note	2019/20
£000			£000
	Dealings with members, employers and others directly involved in the fund		
47,954	Contributions	7	46,945
5,731	Transfers in from other pension funds	8	4,788
53,685			51,733
(51,291)	Benefits	9	(51,457)
(8,366)	Payments to and on account of leavers	10	(4,555)
(59,657)			(56,012)
(5,972)	**Net withdrawals from dealings with members**		**(4,279)**
(5,812)	Management expenses	11	(7,670)
(11,784)	**Net withdrawals including fund management expenses**		**(11,949)**
	Returns on Investments:		
12,687	Investment Income	12	12,083
(30)	Taxes on income	13	(7)
299,556	Profit and losses on disposal of investments and changes in market value of investments	14a	(56,311)
312,213	**Net return on investments**		**(44,235)**
300,429	**Net increase/decrease in the net assets available for benefits during the year**		**(56,184)**
1,326,583	**Opening net assets of the scheme**		**1,382,767**
1,627,012	**Closing net assets of the scheme**		**1,326,583**

2020/21	Net Asset Statement	Note	2019/20
£000			£000
	Long Term Investments		
150	London CIV		150
150			150
	Current Investments		
1,604,851	Investment assets	14	1,311,199
22,209	Cash deposits	14	17,314
1,627,060			1,328,513
1,957	Current assets	20	1,283
(2,155)	Current liabilities	21	(3,363)
1,627,012	**Net assets of the fund available to fund benefits at the period end**		**1,326,583**

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 19.

Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2021

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

Introduction

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

The financial statements have been prepared in accordance with the Public Service Pensions Act 2013 (as amended) and Local Government Pension Scheme Regulations and with the guidelines set out in the *Code of Practice on Local Authority Accounting in the UK 2019/20*, 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 (except liabilities to pay retirement benefits) for the Fund as at 31st March 2021.

Investments and Statement of Investment Principles

The Pension Fund's investment strategy is formulated within the parameters of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

The strategy is set out in detail in the Investment Strategy Statement (ISS), which is published in the Pension Fund Annual Report. The ISS is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with the Myners principles of investment. All investments are externally managed, with the exception of a small allocation of cash required for the payment of benefits, which is managed internally. The Fund made no significant changes to its Investment Strategy in 2020/21.

Fund administration and membership

At 31st March 2021, there were 6,298 (2020: 6,091) active fund memberships with employees contributing to the Fund and 6,959 (2020: 7,905) pensioner and dependent memberships with individuals receiving benefits. There were also 8,864 (2020: 9,027) 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:

- ABM
- Absolutely Catering
- Ategi Ltd
- Braybourne
- Birkin Cleaning Services
- Cooperscroft Care Home
- Fusion Lifestyle
- Haringey Education Partnership
- Hertfordshire Catering Ltd (four school contracts)
- ISS Mediclean
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Lunchtime UK Limited (four school contracts)
- NVIRO Ltd
- Olive Dining (five school contracts)
- Pabulum (seven school contracts)
- Schools Office Services
- Veolia Environmental Services (UK) PLC

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- AET Noel Park
- AET Trinity Primary
- Alexandra Park Academy
- Brook House Primary
- Dukes Aldridge Academy
- Eden Free School
- Fortismere School
- Greig City Academy
- Haringey 6th Form Centre
- Harris Academy Coleraine
- Harris Academy Philip Lane
- Harris Academy Tottenham
- Holy Trinity CE Academy
- Heartlands High School
- Homes for Haringey
- LDBS Central
- Millbrook Primary School
- St Ann CE Academy
- St Michael's Academy
- St Paul's & All Hallows Infant Academy
- St Paul's & All Hallows Junior Academy
- St Thomas More RC Academy
- The Grove School
- The Octagon
- Woodside Academy

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

Description of the Fund

The Fund is a defined benefit scheme and was established on 1st April 1965 to provide retirement pensions and lump sum allowances, survivor dependants' and death benefits to all eligible employees of Haringey Council. Certain other organisations also participate in the Fund and details of these are set out above. The Fund receives its income in the form of contributions from employees, contributions from employing organisations and income from investments.

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The Committee and Board consists of six elected Councillors and four employer and employee representatives, (one of which was vacant in 2020/21). 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 2020/21 year was:

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

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2020/21 financial year and its position at year-end as at 31st March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.
The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. Significant accounting policies

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

<u>Contributions</u>

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

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

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. Up front charges paid to HMRC in respect of scheme members breaching the Pensions Lifetime allowance are disclosed under administrative expenses.

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

Financial assets and liabilities

Financial assets and liabilities are included in the net assets statement and carried at fair value or amortised cost on the reporting date. A financial asset or liability is recognised in the net assets statement on the date the fund became party to the contractual acquisition of the asset or party to the liability. From this date any gains or losses from changes in the fair value of the asset or liability are recognised by the Fund. Investment assets are included at fair value in accordance with IFRS 13. See note 15 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 drawdowns paid and distributions received in the period from the date of the private equity financial statements to 31st March 2021. 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 a three-month period or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value. These are used in the day-to-day cash management of the Fund.

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 19 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 22 to the financial statements.

4. Critical judgements in applying accounting policies

The pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in note 18. These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

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

Items	Uncertainties	Effect if actual results differ from assumptions
Private Equity	The fair value of private equity investments is based on forward-looking estimates and judgments involving many factors. The Fund's private equity investments are usually valued in the accounts based on the 31 December valuations, with adjustments for cashflows and foreign exchange movements that have taken place between December and March. The ongoing impact of the COVID-19 pandemic continues to create uncertainty around the valuations of illiquid assets.	The total private equity investments in the financial statements are £89m. There is a risk that this may be over or understated. Further detail is shown in note 15 regarding the sensitivity of this valuation.
Infrastructure	The fair value of infrastructure investments is based on forward-looking estimates and judgments involving many factors. Several of the underlying assets are traded in private markets only and therefore judgement need to be made about their value, using factors such as the enterprise value and net debt.	The total private equity investments in the financial statements are £44m. There is a risk that this may be over or understated. Further detail is shown in note 15 regarding the sensitivity of this valuation.

Items	Uncertainties	Effect if actual results differ from assumptions
Pooled Property Funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data. Due to the impact of COVID-19, most of the holdings in this Fund include material valuation uncertainty clauses that have been used as the basis for valuing the affected holdings.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e., an increase or decrease of £16.7m, on carrying values of £167m
Actuarial Present Value of promised retirement benefits	Estimation of the liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, Pension increase and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: - 0.5% decrease in the discount rate would result in an increase in the pension liability of £225m (10%) - 0.5% increase in assumed salary earnings would increase the value

Items	Uncertainties	Effect if actual results differ from assumptions
	with expert advice about assumptions to be applied.	of the liabilities by approximately £15m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £206m (9%)

6. Events after the reporting date

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

7. Contributions receivable

2020/21		2019/20
£000	**By category**	£000
10,807	Employee contributions	10,122
	Employer contributions	
28,344	- Normal contributions	25,526
7,857	- Deficit recovery contributions	10,503
946	- Augmentation contributions	794
37,147	Total employers' contributions	36,823
47,954	**Total**	**46,945**

2020/21		2019/20
£000	**By authority**	£000
37,603	- Administering authority	36,678
9,325	- Scheduled bodies	9,351
877	- Admitted bodies	916
47,805	**Total**	**46,945**

8. Transfers in from other pension funds

There were transfers into the Pension Fund during 2020/21 of £5,731 million (£4.788 million in 2019/20) and these all related to individuals.

9. Benefits payable

2020/21		2019/20
£000	**By category**	£000
43,198	- Pensions	42,122
7,110	- Commutation and lump sum retirement benefits	7,372
983	- Lump sum death benefits	1,963
51,291	**Total**	**51,457**

2020/21		2019/20
£000	**By authority**	£000
51,291	- Administering authority	46,842
0	- Scheduled bodies	3,331
0	- Admitted bodies	1,284
51,291	**Total**	**51,457**

10. Payments to and on account of leavers

2020/21		2019/20
£000		£000
115	Refunds to members leaving service	175
8,251	Individual transfers	4,380
8,366	**Total**	**4,555**

11. Management expenses

2020/21		2019/20
£000		£000
468	Administrative costs	794
4,919	Investment management expenses	6,509
425	Oversight and governance costs	367
5,812	**Total**	**7,670**

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 £24k for external audit fees in 2020/21(£24k in 2019/20).

11a. Investment Management Expenses

2020/21		2019/20
£000		£000
3,925	Management Fees	6,036
262	Performance Related Fees	0
57	Custody fees	42
675	Transaction Fees	431
4,919	**Total**	**6,509**

12. Investment income

2020/21		2019/20
£000		£000
12,679	Pooled investments - unit trusts and other managed funds	12,044
8	Interest on cash deposits	39
12,687	**Total**	**12,083**

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 of 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.

2020/21	Value at 31st March 2020	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2021
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,311,150	91,148	(97,181)	300,146	1,605,263
Cash deposits	17,314	76,308	(70,833)	(580)	22,209
Other investment assets/ liabilities*	49	39	(490)	(10)	(413)
Total	**1,328,513**	**167,495**	**(168,504)**	**299,556**	**1,627,060**

2019/20	Value at 31st March 2019	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2020
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,360,742	87,663	(80,908)	(56,348)	1,311,150
Cash deposits	18,384	59,023	(60,129)	36	17,314
Other investment assets/ liabilities*	5,043	15	(5,010)	1	49
Total	**1,384,168**	**146,702**	**(146,048)**	**(56,311)**	**1,328,513**

14b. Analysis of investments

31/03/2021	By category	31/03/2020
£000		£000
	Equities UK)	
150	***Unquoted***	**150**
	Pooled Investment Vehicles (UK)	
	Quoted	
166,964	Unit Trust - Property	140,867
136,132	Unit Trust - Fixed Income	217,520
45,525	Debt Infrastructure	42,261
348,621		**400,648**
	Pooled Investment Vehicles (Overseas)	
	Quoted	
127,845	Absolute Return Fund	132,914
840,566	Unit Trust - Equity	568,610
155,411	Multi Asset Credit	96,013
1,123,822		**797,537**
	Pooled Investment Vehicles (Overseas)	
	Unquoted	
132,408	Private Equity	113,014
132,408		**113,014**
	Cash Deposits	
12,748	Sterling	13,344
9,461	Foreign Currency	3,969
22,209		**17,314**
1,627,210	**Total Investments**	**1,328,663**

14c. Analysis by Fund Managers

31/03/2021		By fund manager	31/03/2020	
£000	%		£000	%
976,698	60.0	Legal & General	786,127	59.2
155,411	9.6	CQS	96,013	7.2
127,845	7.9	Ruffer	132,914	10.0
93,907	5.8	CBRE Global Investors	97,260	7.3
89,037	5.5	Pantheon	71,031	5.3
73,058	4.5	Aviva	47,865	3.6
45,525	2.8	Allianz Global Investors	42,260	3.2
26,718	1.6	BlackRock	26,743	2.0
16,652	1.0	CIP	15,952	1.2
22,209	1.4	In house cash deposits	12,348	0.9
1,627,060	**100.0**	**Total**	**1,328,513**	**100.0**

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

31/03/2021		Name of holding	31/03/2020	
£000	%		£000	%
355,008	21.8	Legal & General Low Carbon Index	245,870	18.5
362,429	22.3	RAFI Multi Factor Global	235,740	17.7
155,411	9.6	CQS Multi Asset Credit Fund	96,013	7.2
136,132	8.4	Legal & General Index Linked Gilts	217,520	16.4
127,845	7.9	London CIV Absolute Return Fund	132,914	10.0
123,128	7.6	Legal & General World Emerging Equity Index	86,999	6.5

15. 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, exchange traded 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.

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), which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled equity and index (unitised insurance policies)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset credit fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset absolute return fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Infrastructure Debt (other managed funds)	Level 2	Most recent valuation	NAV published, cashflow transactions i.e., distributions or capital calls	Not Required
Pooled UK property unit trusts	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period. Valuation techniques are used to determine the carrying amount of the pooled property fund.	NAV published, cashflow transactions, i.e., distributions or capital calls. Valuations are generally based on observable data but where this is not possible management uses the best available data.	Valuations could be affected by material events between the reporting date of the fund’s financial statements, and by differences between audited and unaudited accounts.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
				Valuations of underlying property assets.
Private Equity	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period. The Market approach may be used in some circumstances for the valuation of underlying assets by the fund manager.	Cashflow transactions, i.e., distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets, which may include market approach valuations: taking into account actual observed transactions for the underlying assets or similar assets to help value	Valuations could be affected by material events between the reporting date of the fund's financial statements, and by differences between audited and unaudited accounts.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
			the assets of each partnership.	

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 2021.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2021	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	166,964	170,303	163,625
Private Equity	5%	132,408	139,028	125,788
		299,372	**309,332**	**289,412**

The following tables provide 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 31/03/2021	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss	(413)	1,305,892	299,372	1,604,851
Total	**(413)**	**1,305,892**	**299,372**	**1,604,851**

Values as at 31/03/2020	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss	49	1,057,268	253,881	1,311,198
Total	**49**	**1,057,268**	**253,881**	**1,311,198**

15b. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

15c. Reconciliation of fair value measurements within level 3

2020/21	Value at 1st April 2020	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2021
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	140,868	30,381	(1,912)	(2,502)	129	166,964
Private Equity	113,012	21,856	(15,764)	5,393	7,911	132,408
Total	**253,880**	**52,237**	**(17,676)**	**2,891**	**8,040**	**299,372**

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16. Financial Instruments

16a. Classification of financial instruments

Most 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 "financial assets at amortised cost". The only financial assets in this class held by the Fund are cash deposits and debtors. Creditors to the Fund are classified as financial liabilities at amortised cost because they are not held for trading.

31/03/2021 Carrying Value	Name of holding	31/03/2020 Carrying Value
£000		£000
	Long Term Investments	
150	- London CIV	150
150		**150**
	Financial assets or liabilities at fair value through profit or loss	
1,605,265	- Pooled investment vehicles	1,311,150
(413)	- Other investment balances	49
1,604,852		**1,311,199**
	Financial assets at amortised cost	
22,209	- Cash deposits	17,314
1,957	- Debtors	1,283
24,166		**18,597**
	Financial liabilities at amortised cost	
(2,155)	- Creditors	(3,174)
0	- Cash overdrawn	(189)
(2,156)		**(3,363)**
1,627,012	**Net Assets**	**1,326,583**

The carrying values shown on the previous page are the same as the fair value for each line.

16b. Net gains and losses on financial instruments

2020/21		2019/20
£000		£000
	Financial Assets	
300,146	Fair value through profit or loss	(56,348)
(590)	Financial assets and liabilities at amortised cost	37
299,556		**(56,311)**

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

17. 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 assets – equities, bonds, property, private equity and cash. This is done in line with the Local Government Pension Scheme Management and Investment of Funds Regulations 2016, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk. The latest version is attached to the Pension Fund Annual Report and Accounts.

The majority of the Pension Fund's assets are managed by external fund managers, and they are required to provide an audited internal controls report regularly to the Council which sets out how they ensure the Fund's assets are safeguarded against loss and misstatement.

The listed equity and index linked portfolios held within pooled investment vehicles, representing 52% of the fund's investment strategy which in line with the Fund's Strategic Asset Allocation, 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. Most 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 31/03/2021	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	840,566	26.4	1,062,056	619,076
UK bonds	136,132	12.2	152,705	119,559
Cash	22,209	0.0	22,209	22,209
Property	166,964	4.1	173,852	160,076
Alternatives	461,189	10.3	508,878	413,500
Total Assets	**1,627,060**		**1,919,700**	**1,334,420**

As at 31/03/2020	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	568,610	8.5	617,102	520,115
UK bonds	217,520	5.2	228,789	206,251
Cash	17,314	0.0	17,314	17,314
Property	140,867	7.0	150,702	131,033
Alternatives	384,202	3.5	397,747	370,656
Total Assets	**1,328,513**		**1,411,656**	**1,245,369**

A number of controls have been put in place to minimise this risk. A key method to reduce risk is to diversify the Pension Fund's investments. This is achieved through the setting of a benchmark, which incorporates a wide range of asset classes and geographical areas. Nine investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. Funds had been invested with nine of these fund managers as at 31st March 2021.

In addition to diversification, parameters have been set for the investment managers to work within to ensure that the risk of volatility and deviation from the benchmark are within controlled levels.

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

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 70% of the Fund value on 31st March 2021, equivalent to £1,141 milion (2018/19: £782 million). These arise from passive pooled equities, private equity, property and cash. Foreign currency exposures are hedged in the equity asset class only, via the purchase of units in hedged versions of index tracking funds.
The main non-sterling currency exposures at 31st March 2021 was the US dollar. Other major exposures were the Euro, other European, Asian and emerging market country currencies.

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The Fund acknowledges that adverse foreign currency movements relative to Sterling can reduce the value of the fund's investment portfolio. The table below demonstrates the potential value of the fund's investments based on positive or adverse currency movements by 10%.

As at 31/03/2021	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	840,566	10.0	924,623	756,509
Multi-sector credit	155,411	10.0	170,952	139,870
Private equity	132,408	10.0	145,649	119,167
Cash	12,748	10.0	14,023	11,473
Total Assets	**1,141,133**	**10.0**	**1,255,247**	**1,027,020**

As at 31/03/2020	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	568,610	10.0	625,471	511,749
Multi-sector credit	96,013	10.0	105,614	86,412
Private equity	113,014	10.0	124,315	101,713
Cash	3,970	10.0	4,367	3,573
Total Assets	**781,607**	**10.0**	**859,768**	**703,446**

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.

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	Interest earned 2020/21	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	8	26	(10)
Total	**8**	**26**	**(10)**

	Interest earned 2019/20	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	39	96	(17)
Total	**39**	**96**	**(17)**

e) Credit risk and counterparty risk

Credit risk is the risk a counterparty fails to fulfil a transaction it has committed to entering into. This risk is particularly relevant to the Council's non-sovereign bonds (including those held in pooled funds) and cash investments.

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table on the following page shows the split of the bond investments by credit rating at 31st March 2021 and 31st March 2020. A significant amount of bonds held by the Fund (2021: £136m, 2019 £218m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA credit rating.

	Market value 31/03/2021	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	291,543	47	4	4	45
Total / Weighted Average	**291,543**	**47**	**4**	**4**	**45**

	Market value 31/03/2020	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	313,533	69	3	2	26
Total / Weighted Average	**313,533**	**69**	**3**	**2**	**26**

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 following table details the credit ratings of the institutions the cash was held with.

31/03/2021 Exposure	Credit rating		31/03/2020 Exposure	Credit rating
£000			£000	
18,287	AA-	Northern Trust	10,707	AA-
7	A	Barclays Bank Plc	2	A
3,915	AAAm	Money Market Funds	6,605	AAAm
22,209			**17,315**	

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 2021 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.

18. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2019. Based on the current regulations, the next valuation will take place as at 31st March 2022, (this valuation will be finalised prior to 31st March 2023).

The key elements of the funding policy are:

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

The market value of the Fund at the time of the last triennial valuation as at 31st March 2019 was £1,384 million. Against this sum liabilities were identified of £1,378 million equivalent to a small funding surplus of £6 million (2016 valuation: deficit £277m). The movement in the actuarial deficit between 2016 and the last valuation in 2019 is analysed below:

Reason for change	£m
Employee/employer contributions	132
Benefits paid/other expenses	(6)
Membership changes	(284)
Membership Experience versus expectations	18
Investment returns higher than expected	395
Change in inflation assumptions	(38)
Change in actuarial assumptions	65
Total	**282**

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

At the 2019 actuarial valuation, the fund was assessed as 100% funded (79% at the 31st March 2016 valuation). This corresponds to a surplus of £6m (2016 valuation: deficit of £277m) at that time.

Contribution increases or decreases may be phased in over the three-year period ending 31 March 2023 for scheme employers, or changes may take immediate effect from 1 April 2020. The actuary agreed that the Council's contribution rate could decrease by 1.5% over a three year period from April 2020, from 26.4% of pensionable salaries to 24.9%. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit.
Individual employer's rates will vary depending on the demographic and actuarial factors particular to each employer in the Fund. Full details of contribution rates payable can be found in the 2019 actuarial valuation report.

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

Future assumed rates	31-Mar-16	31-Mar-19
	%	%
Discount rate (annual nominal return rate)	4.0	4.2
Pay increase (annual change)*	2.8	3.3
Pay increase - Pension (annual change)	2.1	2.3
Retail Price Index (RPI)	3.2	3.3

*An allowance is also made for promotional pay increases.

19. 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.

31/03/2021		31/03/2020
£000		£000
(2,346,000)	Present Value of promised retirement benefits	(1,815,000)
1,627,012	Fair Value of scheme assets	1,326,583
(718,989)	**Net Liability**	**(488,417)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Please see Annex 1 to these accounts for more information.

20. Current assets

31/03/2021		31/03/2020
£000		£000
	Debtors	
121	- Contributions due - employees	157
1,698	- Contributions due - employers	1,008
138	- Sundry debtors	118
1,957	**Total**	**1,283**

An analysis of the debtors is shown in the table below.

31/03/2021		31/03/2020
£000		£000
73	Central government bodies	49
74	Public corporations and trading funds	72
1,810	Other entities and individuals	1,162
1,957	**Total**	**1,283**

21. Current liabilities

31/03/2021		31/03/2020
£000		£000
	Creditors	
1,718	Sundry creditors	2,757
437	Benefits payable	606
2,155	**Total**	**3,363**

An analysis of the creditors is shown in the table below.

31/03/2021		31/03/2020
£000		£000
767	Other local authorities	15
538	Public corporations and trading funds	675
850	Other entities and individuals	2,673
2,155	**Total**	**3,363**

22. 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:

31/03/2021	Utmost Life and Pensions/Equitable Life Assurance Society	31/03/2020
£000		£000
201	Value as at 6 April	204
0	Contributions received	0
(19)	Retirement benefits and changes	(11)
33	Changes in market value	8
215	**Value as at 5 April**	**201**
0	Equitable with profits	0
0	Equitable with deposit account fund	0
215	Equitable unit linked	201
215	**Total**	**201**
1	Number of active members	1
23	Number of members with preserved benefits	25

31/03/2021	Prudential Assurance	31/03/2020
£000		£000
1,020	Value as at 1 April	1,020
196	Contributions received	196
(166)	Retirement benefits and changes	(166)
73	Changes in market value	73
1,123	**Value as at 31 March**	**1,123**
574	Prudential with profits cash accumulation	574
264	Prudential deposit fund	264
285	Prudential unit linked	285
1,123	**Total**	**1,123**
72	Number of active members	77
19	Number of members with preserved benefits	19

31/03/2021	Clerical and Medical	31/03/2020
£000		£000
31	Value as at 1 April	28
2	Contributions received	2
(5)	Changes in market value	1
28	**Value as at 31 March**	**31**
6	Clerical Medical with profits	6
22	Clerical Medical unit linked	25
28	**Total**	**31**
2	Number of active members	2
2	Number of members with preserved benefits	2

23. Related party transactions

Haringey Council

In 2020/21 the Pension Fund paid £0.679m to the Council for administration and legal services (£0.649m in 2019/20). As at 31st March 2021 an amount of £0.551m was due from the Council to the Fund (£0.477million in 2019/20).

Governance

During 2020/21 no Council members who served on the Pensions Committee and Board were also members of Haringey Pension Fund. Two of the employer and employee representatives for the Committee and Board were fund members. Committee and Board members are required to declare their interests at the beginning of each Committee meeting and as necessary during the discussion of individual items of business at Committee meetings if it becomes clear that a conflict of interest has arisen.

Key Management Personnel

The key management personnel for the fund is the Section 151 Officer for Haringey Council. The Council recharges the pension fund for a portion of this officer's costs. The Section 151 Officer was a permanent member of staff who was a member of the fund.

31/03/2021	Key Management Personnel	31/03/2020
£000		£000
25	Short - term benefits	24
6	Post-employment benefits	6
31		30

24. Contingent liabilities and contractual commitments

31/03/2021		31/03/2020
£000		£000
71,298	Pantheon	69,200
21,762	Copenhagen Infrastructure Partners	21,700
3,678	Blackrock	9,000
0	Aviva Lime	25,000
96,738	**Total**	**124,900**

The Fund has outstanding commitments to invest £96.7m in the private equity and renewable energy infrastructure portfolios. The £25m commitment relating to property was fully funded on 31 December 2021.

25. Contingent assets

Twelve admitted body employers in the Haringey Pension Fund hold insurance bonds in the value of £1.7m to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Annex 1 to the Financial Statements

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 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

Year ended	31 March 2021	31 March 2020
	(£m)	(£m)
Active members (£m)	901	601
Deferred members (£m)	674	505
Pensioners (£m)	771	709
Total (£m)	**2,346**	**1,815**

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. 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 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 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £448m. I estimate that the impact of the

change in demographic and longevity assumptions is to increase the actuarial present value by £27m.

Year ended	31 March 2021	31 March 2020
Pension Increase Rate	2.85%	1.90%
Salary Increase Rate	3.85%	2.90%
Discount Rate	2.00%	2.30%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.1 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:

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	206
0.5% p.a. increase in the Salary Increase Rate	1%	15
0.5% p.a. decrease in the Real Discount Rate	10%	225

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 2021 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions. Prepared by:-

Natalie Alexander AFA

16 April 2021

For and on behalf of Hymans Robertson LLP

Annual Governance Statement 2020-21

1. Scope of responsibility

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

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

1.3 We have approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Haringey's local code of corporate governance is published on the Council's website and a copy can be obtained from the Council's Monitoring Officer. This statement explains our commitments as part of the Local Code of Corporate Governance, together with how we obtain assurance that these commitments are in place and effective; it also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to the publication of an Annual Governance Statement.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which we direct and control the activities of the Council. The framework also comprises the activities through which we are accountable to, engages with and leads the community. Through the framework, we monitor the achievement of our strategic objectives and consider whether those objectives have led to the delivery of appropriate and cost-effective services.

2.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, but it can provide a reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of our approved policies, aims and objectives. The system of controls also allows for the evaluation of the likelihood of risks being realised and the impact should they be realised, ensuring that we are able to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place for the year ended 31st March 2021 and up to the date of the approval of the annual report and accounts.

2.4 Like all local authorities across the country, we rapidly changed our focus in March 2020 to respond to the global COVID-19 pandemic. This involved enacting emergency planning and business continuity arrangements, protecting and supporting the most vulnerable, supporting public health measures to reduce the spread of the virus and maintaining and adapting council services to continue to serve residents and businesses in the borough. This was not just a Haringey response, we have and continue to work with partners, local and regional authorities across London and government through London emergency planning arrangements.

2.5 The majority of our council staff moved to working from home. A deployment and staff volunteering hub was established with approximately 1,200 staff who could be temporarily redeployed to areas of most need, along with a further 200 staff volunteers. The connected communities' helpline was set up as the 'shop front' for advice, support and information with over 6,000 people having made contact by the end of May. Alongside this, we worked with the NHS to support the c9,100 extremely vulnerable residents identified as part of the 'shielded group'. A food hub was established to help vulnerable people access food that delivered nearly 350 food parcels including hot meals daily. We also made changes to parks to ensure their continued safe use, supported schools to open for children of key workers, facilitated payments of business grants of over £54m to 2,500 businesses and much more.

2.6 As with any emergency, our Gold arrangements were enacted to be the primary focus for the council's emergency response, with regular Gold meetings. Alongside this, existing strategic boards were amended, and new meetings set up to ensure we had a coordinated response to managing demand, costs and new working practices. This included:

- LB Haringey COVID-19 Gold meetings – three times weekly in the beginning, moving to twice weekly;
- Series of Gold workstreams including health and adult social care, community response and workforce;
- Partners GOLD meeting – originally weekly, moving to fortnightly;
- Statutory Functions Board – move to fortnightly meetings to ensure focus on statutory duties;
- North Central London Adult Social Care Group - weekly meeting;
- Director Adults Social Service virtual catch up (weekly);
- Adult Social Care Covid-19 Response and Resilience Group; and
- Finance meetings to develop tracking of costs and budget (bi-weekly).

2.7 We successfully enacted our business continuity plans in response to Covid-19 and were able to sustain most service by using technology to enable staff to work from home. Many services adapted their business model rapidly to move services online, or to provide support to residents remotely. Accordingly, the pressure for staff to return to the office is limited, and we continue to take a measured, phased approach to this. The facilities management team modified our office space by introducing social distancing measures across the Council's operational estate, so that when government guidelines support this, we will be able to allow more staff to work from our offices. Particular attention has been paid to services that may need to resume a face-to-face offer, to ensure this is done safely. We produced and published a covid-19 risk assessments, which was presented at the Corporate Committee on 3 December 2020. In addition, we have carried out individual risk assessments to identify any Council staff with higher levels of vulnerability, so that we ensure that we protect the health and wellbeing of all our staff through what continues to be a period of elevated concern.

2.8 The following section highlights each of the seven governance principles set out in the CIPFA / SOLACE framework "Delivering Good Governance in Local Government" and the arrangements in place demonstrating how we meet the governance principles. Any gaps identified as part of the annual review will form an action plan agreed and monitored by the Statutory Officers with all actions to be completed by March 2021.

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
<u>Behaving with Integrity</u> a) The Council's Member Code of Conduct (Nov 2019) requires members to declare interests; applies to Members and co-opted voting members on election or appointment. Published on the internet: http://www.haringey.gov.uk/sites/haringeygovuk/files/lbh_constitution_part_5_section_a_-_part_1__0.pdf b) The offer of Induction is provided for all new Members when they are elected on expected standards of behaviour. c) The Officer Code of Conduct was reviewed in 2019 and a new version was published to staff in June 2019 following approval by Members. A copy of the Code is provided to all new officers on appointment and annual reminders are made of the need for employees to make a declaration of a conflict of interest or to declare any offers of gifts or hospitality which are received. d) Haringey Values updated in 2015 (Human, Ambitious, Accountable, and Professional). The Council's Human Resources (HR) team is running seminars for Senior Managers to attend on HR policies including Haringey values. The values are published on the internal website and internet:	

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Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
https://www.haringey.gov.uk/jobs-and-training/working-haringey/haringey-values e) Decision-making practices for member decisions follow legal and transparency requirements. Officer decisions are also recorded and published on Modern.gov: http://www.haringey.gov.uk/local-democracy/our-standards https://www.haringey.gov.uk/local-democracy/how-decisions-are-made f) Register of interests and gifts and hospitality for members/co-optees checked on election/appointment. Minutes show declarations of interest sought, and appropriate declarations made for each meeting. http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests g) Requirement for all new staff to complete Register of Interests declaration. Senior managers are required to complete a declaration every two years; staff should complete a new form as/when circumstances change. Gifts and hospitality for members are recorded with their declarations of interests and are published on the website, see link in f above. For officers, declaration forms are retained in Human Resources. h) Standard report format requires report authors to state how their proposal meets the corporate objectives and priorities. Report authors must also provide reasoning and evidence for proposals, so that the basis for decisions is clear and include statutory officer's advice, including legal and finance advice. Training for report authors on writing clear, logical and objective reports was provided for officers in 2016/17 and standard templates are held on the internal website.	Monitoring Officer presented to the Council's Corporate Management Group and training needs assessment will be completed in 2021/22.

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
i) Anti-fraud and corruption strategy is in place, including the Whistle blowing policy (Dec 2020). The Head of Audit and Risk Management reports on actions, effectiveness and outcomes (and use of the whistle blowing policy) to Corporate Committee and provides awareness presentations to Corporate Management Group. Copies of the policies are on the internet: https://www.haringey.gov.uk/local-democracy/performance-and-finance/fraud-and-corruption j) Corporate and service specific complaints policies are in place and published on the website. Level of complaints upheld at Stage 1 and 2 is monitored and reported regularly to the Council's Corporate Management Group using Grip Indicators. More information is being published and made easily accessible to customers. Training sessions have been developed looking at examples of best practice in responses and getting it right first time. http://www.haringey.gov.uk/contact/council-feedback/complaints-about-council k) Local Code of Corporate Governance was refreshed in 2018/19 and was approved at Corporate Committee July 2019 it will also be presented at Full Council in 2021: https://www.minutes.haringey.gov.uk/documents/s110621/App%20B%20Code%20of%20corporate%20Governance%20for%20legal%20VB%20MJ%2014.11.18%20final.pdf __Demonstrating strong commitment to ethical values__ l) The Standards Committee, along with the Council's Monitoring Officer, establishes monitors and maintains the organisation's ethical standards and performance, reporting to full Council as necessary. The committee deals with allegations of	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
breaches of the Member Code and issue (or require Groups to issue) reminders/advice notes to Members where issues of conduct cause concern. http://www.haringey.gov.uk/local-democracy/our-standards/standards-committee	
m) The Council incorporated the Social Value Act requirements into all procurement and contracts; including a standard clause referring to 'PREVENT' in all contracts, as well as safeguarding and health and safety.	
n) A major review of all the Human Resources policies & procedures began in 2019/20 and is ongoing. The policies for revision undergo extensive discussion with relevant groups within the council and with trade unions before the final version is presented to Members for their approval, only when approved are policies published and details communicated to officers.	Progress on updated policies to be tracked into 2021/22.
o) The Council encourages external providers of services to act with integrity and in compliance with high ethical standards expected by the organisation in information sharing: http://www.haringey.gov.uk/community/community-safety-and-engagement/crime-and-disorder-information-sharing-protocol In procurement: http://www.haringey.gov.uk/business/selling-council/council-contracts	
Respecting the rule of law	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
p) The Chief Executive is appointed by full Council. Any disciplinary action or dismissal of the statutory officers is dealt with in line with legal requirements that take into account the need for them to fulfil their responsibilities in accordance with legislative and regulatory requirements. A Statutory Functions Board was convened in 2019/20 with planned weekly and more recently fortnightly meetings. The Board focuses on ensuring statutory compliance and is both forward and backward looking and support the organisation and Statutory Officers in fulfilling their roles. q) The Council optimises the powers available for the benefit of citizens, communities and other stakeholders. Decisions are taken, in accordance with relevant statutory requirements and the Council Constitution, by full Council, Cabinet, individual Cabinet members and officers under delegated powers. The Council Constitution is reviewed updated and published on the internet: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution r) Breaches of law/financial regulations can be the subject of a report to full Council by the relevant statutory officer. No statutory officer reports have been required in 2020/21. s) Statutory officers are available at meetings of the Council/Cabinet to advise and ensure law and regulations are not breached.	
B. Ensuring openness and comprehensive stakeholder engagement	
<u>Openness/ Implementing good practice in transparency</u>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
a) The Council Publication Scheme sets out information available to view or download including under the requirements of the Transparency Code 2015. http://www.haringey.gov.uk/local-democracy/publications/publication-scheme b) Member decisions are rarely taken in the private (Part 2) section of meetings. Member delegated decisions are also taken at meetings advertised and open to the public. The constitution allows for deputations and petitions and a call-in procedure for cabinet key decisions is in place. The local and statutory requirements are set out in the Council Constitution: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution c) The Council carries out consultation on a regular basis with stakeholders. It has a consultation co-ordinator and a consultation charter and toolkit on its internal website. All consultations require a consultation plan, which is posted on the consultation e-plan on the internet. http://www.haringey.gov.uk/local-democracy/have-your-say-haringey. http://www.haringey.gov.uk/local-democracy/have-your-say-haringey/our-commitments-you https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan-2019-2023-consultation The Council publishes 'Performance Wheels' on Borough Plan priorities and outcomes on the website; feedback on our performance is encouraged through this route: https://www.haringey.gov.uk/local-democracy/policies-and-strategies/building-stronger-haringey-together **Engaging comprehensively with institutional stakeholders**	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
d) A partnership with the community sector was approved in December 2015 designed to forge stronger relationships with the local voluntary sector, working with the Moracle Foundation to improve the strength of the voluntary sector, enabling it to attract more funding and investment to support local communities. A voluntary and community sector pledge is included in the Borough Plan. e) Formal and informal partnerships allow for resources to be used more efficiently and outcomes achieved more effectively; the Borough Plan incorporates key partnership working across all its priorities, including the Local Safeguarding Children's Board (LSCB), Safeguarding Adults Board (SAB), Multi-Agency Risk Assessment Conference (MARAC) and the Community Safety Partnership (CSP). Agendas and minutes for the CSP are published on the website: http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=444&Year=0 Examples where the Council participates in partnership include the Joint Health & Wellbeing Partnership with Islington; delivering the STEM commission recommendations; working with our schools to improve outcomes for children. f) Resident engagement also occurs in formal consultation and engagement processes. More information on the Community Engagement Framework is available on our website. https://www.haringey.gov.uk/local-democracy/have-your-say-haringey/haringeys-community-engagement-framework g) The Council also uses social and print media to engage with residents and stakeholders, including the Council website, My Account, Twitter, Facebook, Haringey People and the weekly Haringey People online. The Council also has specific partnerships and stakeholder newsletters including Team Noel Park; and Northumberland Park to engage with residents.	
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits; and **D. Determining the actions necessary to optimise the achievement of the intended outcomes**	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
Defining actions/outcomes and sustainable economic, social and environmental benefits a) The Borough Plan sets out how the Council might work with partners and with communities to improve the borough and make Haringey a more successful place, while delivering **around £44 million savings** by 2025. The plan has five core priority areas, each under-pinned by a series of ambitious targets. It considers and balances the economic, social and environmental impact of policies, plans and decisions. The Plan includes a challenging set of performance measures. Programme planning and management require focus on outcomes and benefits identification and tracking as part of project implementation. There is a clear and consistent approach to the reporting of outcomes, benefits, risks and issues across Priority Boards. The Plan is published on the website: https://www.haringey.gov.uk/local-democracy/policies-and-strategies/borough-plan b) The Council publishes updates on its website to show how the Council and partners are achieving against specific targets every three months. The outcome targets specify the intended impact on service users, residents and other stakeholders. c) The Council has an agreed Medium-Term Financial Strategy (MTFS) and Workforce Plan. These set out how the Council will deliver the corporate plan taking into account the full cost of operations and within available resources, balancing service priorities, and ensure its workforce has the right skills to enable it to achieve the agreed outcomes. Regular reports are provided to the Cabinet: https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=9468&Ver=4 d) Robust planning and control cycles cover strategic and operational plans, priorities and targets. An internal governance process has been implemented to provide regular monitoring and scrutiny of the achievement of the corporate plan and resources applied. For each priority, Priority Boards have been introduced. Performance against objectives is published on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
e) A five-year capital programme was approved by Full Council on 9 February 2021, which sets out the Council's longer-term investment requirements linked to policy objectives, updates are provided to Cabinet annually at the February meeting: https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=9468&Ver=4 **Determining actions and optimising achievement of intended outcomes** f) The Council includes requirements to enhance social value in contracts. For example, construction projects over £1m in value must include an apprenticeship scheme, and where possible, employers are encouraged to pay the London Living Wage. High value procurements include a significant weighting in the 'social value' section and, where applicable, requirements as to the use of community assets.	
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Developing the entity's capacity a) The Council's Workforce Development Strategy 2019 – 2023 aims to create a better place to work and to ensure the Council has the right people in the right places with the appropriate skills to deliver the Council's priorities. The plan is published on the website: https://www.haringey.gov.uk/search/haringey_cse/workforce%20development%20strategy b) Workforce expectations also form a clear part of contracting and commissioning processes, as our workforce is not limited to employed staff, including complying with minimum and London Living Wage requirements.	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
<u>Developing the capability of the entity's leadership and other individuals</u> c) The Council Constitution specifies the types of decisions that is delegated and those reserved for the collective decision making of the full Council or Cabinet. http://www.haringey.gov.uk/local-democracy/about-council/council-constitution d) The Council's Constitution sets out the leader and chief executive roles to ensure the respective responsibilities are defined in accordance with decision-making accountabilities. These comply with relevant statutory requirements. It also includes the general scheme of delegation. Each service area also has a service area scheme of authorisation for officers, currently published on the intranet. e) Members who sit on Committees are provided with training specific to their responsibilities for these committees. Training sessions are planned for 2021/22 for member for planning, licensing, audit, finance, pensions and treasury. f) The Council provides a programme of training for all members, and members have access to the Council's corporate training and development programme, which is published on the internal website. g) During 2016/17 the Council rolled out 'My Conversation', a new performance management process, to all staff, which focuses on personal and organisational development and performance; the Staffing and Remuneration Committee receives regular reports on people management issues in line with the Workforce Plan objectives. Guidance and templates for all staff are published on the internal website. h) The Council's Workforce Development Strategy 2019 – 2023 aims to create a better place to work. Work on creating a Healthy Workforce Strategy is on-going and will	

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Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
be approved by members in 2021/22. The Council's corporate Health, Safety and Wellbeing Board monitors all key aspects of statutory and local requirements and has an action plan in place to address any identified gaps in compliance. Health and Wellbeing Fairs have been run to promote employee health. i) The Council has protocols in place which govern how the operational and working relationships between officers and members are managed and forms part of the Constitution: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution j) The Council reviews operations, performance and use of assets on a regular basis to ensure their continuing effectiveness; the Corporate Plan highlights key performance objectives, targets and outcomes, which are monitored and reported via the Council website. The performance reporting also compares current performance with statistical neighbours, London and England averages in most cases: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance	
F. Managing risks and performance through robust internal control and strong public financial management; and G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
<u>Managing risk</u>	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
a) Haringey has a corporate Risk Management Policy and Strategy in place it was reviewed in Sept 2021 and approved by Members in Dec 2020. A project to strengthen risk management and embed the Strategy has commenced and will continue into 2021/22. Risk Management is embedded through a variety of processes and procedures, management teams, groups and boards across the organisation and is central to activities, including business planning and project management processes. https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=730&MId=9449&Ver=4 b) The Council's key risks are managed via corporate risk and directorate risk registers; each is regularly reviewed via strategic and operational board meetings. Responsibility for individual risks and issues identified is clearly set out in risk registers. Internal audit reviews of key risks are undertaken as part of the annual audit programme. Performance objectives and outcomes are reported on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance c) Haringey's business continuity planning is based on risk assessment and business impact analysis. Each service area produces a business continuity plan which is updated twice a year. Service continuity plans are incorporated into the Council-wide Business Continuity Plan. As noted previously the Council's Business Continuity Plans were implemented in response to Covid -19. More information on business continuity and emergency planning is available at: https://www.haringey.gov.uk/environment-and-waste/major-emergencies/emergency-planning **Managing performance** d) The Council monitors service delivery effectively including planning, specification, execution and independent post implementation review which is set out in the Borough Plan and outcome priorities:	The Business Continuity arrangements are being refreshed in 2021/22.

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
https://www.haringey.gov.uk/local-democracy/policies-and-strategies/building-stronger-haringey-together e) Overview and Scrutiny takes a detailed look at the Council's decisions and policies and works to promote open decision making and democratic accountability in Haringey by holding the Cabinet to account; developing and reviewing policy in an inclusive cross-party manner that involves local communities and other interested parties, reviewing the performance of the Council and scrutinising local services not provided by the Council, such as health services. Overview and Scrutiny Committee also reviews the Performance Wheels on a quarterly basis and individual Scrutiny Panels consider performance with reference to their reviews. The reports and recommendations are discussed and responded to by the Cabinet and published on the Council's website: http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=128&Year=0 **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 **identifies a total of £43.9m of savings required, to deliver a balanced budget position each year between 2020 and 2025. Over half of this target (£28.4m) has been subject to consultation with residents, before being approved by Full Council in February 2021**; the reminder has yet to be identified and will form part of the financial planning process during 2021/22. Each Priority Board considers finance and budgets at every meeting, looking at both the budget and savings positions and tracking progress on both. Transformation and delivery of outcomes are aligned to achieving savings and remaining within budget limits; the performance outcomes are reported on the website. g) The Council's financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. Managers submit monthly budget forecasts and the Cabinet receives quarterly budget management information.	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
h) The Council operates a 'zero tolerance' approach to fraud and corruption. The anti-fraud and corruption policy includes a fraud response plan, anti-bribery and money laundering policies and a whistle-blowing policy. The anti-fraud policy is published on the Council website and regular articles on how to report fraud are published in staff newsletters and Haringey People. In 2020/21, the Council investigated and recovered 21 illegally sublet properties; and prevented 69 potentially fraudulent Right to Buy applications in line with the anti-fraud policy. Referrals made using the whistle blowing policy were all reviewed, investigated and reported to the Corporate Committee, copies of the reports are on the website: https://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=730&Year=0 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. 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 2020/21.	
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. In line with the Public Sector Internal Audit Standards, a peer review has been commissioned and will be completed in 2021/22. **<u>Managing data</u>**	In the recent past, there have been instances of data breaches that have been reported to the Information Commissioner's Office.

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
l) The Council has policies dealing with various aspects of data management including security and data protection; Freedom of Information Act; information asset registers; and general records management. These and supporting guidance are all published on the intranet. Data quality policy is published on the website: https://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance?_sm_au_=iHVH14V03WHLnWHq **<u>Implementing good practices in reporting</u>** m) The Council produces an annual report to accompany its statement of accounts; for 2019/20, this received an unqualified opinion from the external auditor in 2020/21, who confirmed that the accounts provided a true and fair view of the Council's financial position; and the arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. Under the Local Accountability Act, the Council is responsible for appointing its external auditors from 2019/20; approval for the preferred appointment process was obtained from Corporate Committee in November 2016 and Full Council in February 2017. The Council chose to participate in a sector led procurement exercise using Public Sector Audit Appointments (PSAA) as the Appointing Person. http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=143&MId=7868&Ver=4 n) The Council's Annual Governance Statement (AGS) is produced in accordance with required guidance and included in the statement of accounts; the AGS is reviewed by the Corporate Board and the Corporate Committee to ensure that any gaps in assurance or compliance issues are identified and addressed. Significant issues reported in 2019/20 are being addressed. o) As part of the Corporate Plan delivery arrangements, five Priority Boards are responsible for delivering the Corporate Plan with a responsible manager allocated as owner for each corporate priority. Outcomes and performance against all the priorities' objectives are	

Documentation demonstrating compliance with the governance principles	Identified gaps in compliance, or further action required
published on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance **Assurance and effective accountability** p) Internal and external audit provide assurance on the Council's system of internal control to support the section 151 officer requirements, including reporting compliance with financial and contract procedure rules across the Council. The outcomes of internal audits are reported to the Corporate Committee on a quarterly basis. All outstanding recommendations are reported to Corporate Committee; a focus is maintained on ensuring all high priority recommendations are implemented. None remained outstanding in 2020/21. q) The Head of Audit and Risk Management and the internal audit service fully complied with the requirements of the mandatory UK Public Sector Internal Audit Standards, as evidenced by peer review and self-assessment. Access to officers, members and information is provided by the Constitution.	

4. Significant governance issues

4.1 Following our review of governance in 2019/20, we identified some key areas where work would be undertaken in 2019/20 to ensure governance arrangements were in place and effective. An action plan was drawn up and progress as at 31 March 2020 on this is set out below.

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
Covid -19 Impact on Financial Planning & MTFS refresh	In light of the emergency situation, local authorities are relying on the statement from Robert Jenrick (Secretary of State for Housing, Communities and Local Government) of 16 March 2020 which said "the government stands ready to do whatever is necessary to support councils in their response to coronavirus" for approval to incur the essential expenditures required to fulfil their role. Notwithstanding this, Covid-19 must be expected to have a significant net financial impact on the Council in the short, medium and long term and the Council must recognise and start to address this. The financial planning timetable is being refreshed in the light of this and the assumptions in the currently agreed MTFS are being reviewed and challenged. The current Borough Plan	**On-Going** - There has continued to be regular reporting of the financial position of the council to both Senior Officers and Members. The budget for 2021/22 was approved in February. The s151 officer confirmed via the follow up work in February 2021 that plans were in place to address the forecasted overspend for 2020/21, that existed at that time. In light of the Covid-19 pandemic the council's MTFS has been reviewed and appropriate financial risks recognised. The MTFS will continue to be monitored in 2021/22 and beyond as financial uncertainty will continue to impact on the Council's financial management arrangements.

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Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
	outcomes are also being revisited to assess the impact of C-19 and if any amendments need to be made. The outcome of these reviews will drive the revised parameters for developing a balanced 2021/22, supported by budget and new 2021-2026 MTFS. **Cabinet & Corporate Board – Led by Director of Finance - March 2021**	
Clienting of Homes for Haringey	The Council has an Arm's Length Management Organisation (ALMO), Homes for Haringey (HfH) to manage around 15,353 tenanted and 4,943 leasehold properties. A governance review is being undertaken to make sure the Council has the right processes and governance in place to fully and properly discharge its landlord responsibilities, including the Regulator of Social Housing's Home Standard, and with particular concern over the safety of the Council's tenants and leaseholders in their home. The review will consider whether the Council and HfH have appropriate resources in place, with the right level and type of capacity. Alongside the right governance arrangements and procedures to ensure effective oversight and delivery. **Director of Housing, Regeneration & Planning** **March 2021**	**Completed** - The ALMO Client Management function has been established within the Council's Housing, Regeneration and Planning Directorate. A team has been created under the Assistant Director for Housing. Since the team's inception in December 2020, the key achievements have been as follows:- - Ongoing monitoring of the key performance indicators within the ALMO Client Managers' specific directorate/service area and addressing areas of under-performance with the appropriate Director/Head of Service. - The completion of a review of the performance management framework for 2021-22, to make sure there is a targeted and prioritised focus on key performance

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Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
		indicators, in the main areas of HfH's business. - Highlighting key areas of HfH's business where an additional focus and resources are required. Examples of this include building and fire safety, voids and visits to/the support of vulnerable tenants. - Increased focus on issues of efficiency and value for money. Further steps to be taken in 2021-22 to embed the work of the ALMO Client Management team and improve the overall performance of HfH.
During 2019/20 there have been issues raised with regards the robustness of decision making relating to acquisitions and disposals of property, this has required investigation to provide assurance that effective governance is in place and to ensure that decisions have been made and recorded in line with the constitution.	During 2019/20 as a result of learning from investigations, the structure of reporting and membership of officer boards such as Capital Delivery and Corporate Property Board have been considered and changes implemented to mitigate risk and generally strengthen governance. A Property Governance Review will be completed in 2020 to ensure that new arrangements are sound and fully embedded. **Director of Customers, Transformation and Resources September 2020**	**On-Going** - New governance arrangements are in place for decisions about acquisitions and disposals with clear process for clearance and recommendations to Members (and onward to Cabinet for decision where appropriate) for potential acquisitions or disposals. The Asset Management Plan update was published February 2021 and includes criteria which need to be met for acquisitions and disposals. The process for acquisitions and

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
		disposals mapped out for clarity and will be audited as part of the 2021/22 internal audit plan.
In February 2020 the Council made a report to the Information Commissioners Office (ICO) with regards a data breach. A report was also made direct to the ICO by a third party.	An internal project to mitigate the risks associated with this data breach and impact on affected parties. Reports were made to the ICO and a response was received, with some suggested actions. An internal investigation was completed, picking up the ICOs suggestions and also raised a number of recommendations for control improvements. These recommendations will be tracked to completion. This is a high inherent risk area for the council, the arrangements in place are reviewed periodically as part of the risk management framework and the Council has an appointed Senior Information Risk Owner (SIRO). The events of 2019/20 have been considered as part of our risk analysis work and resulting decision making. **Director of Customers, Transformation and Resources September 2020**	**Completed –** A risk assessment was completed by the Council's Senior Information Risk Officer (SIRO) and is being used to develop actions to enhance data management within the organisation.
Safety of two social housing buildings at Broadwater Farm.	As at 19/05/20 eight leaseholders still own homes in Tangmere (with a further 108 properties vacant). 13 leaseholders own homes in Northolt and 15 tenants are yet to move (with a further 74 homes vacant). Rehousing work will continue to ensure that vacant possession is achieved, and blocks can be demolished. Proposals to accelerate the acquisition of leasehold flats are due to be considered by Cabinet soon and officers will further recommend CPO proceedings by the Autumn if negotiations are not positive. Risks in each block are being mitigated by the provision of 24-	**On–Going** - As at 06/06/20 five leaseholders still own homes in Tangmere (with a further 111 vacant). 12 leaseholders own homes in Northolt although eight of these have agreed to sell and are at various stages of the conveyancing and sales process. There is one remaining tenant and a further 89 vacant properties. Covid has had an impact on our

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Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
	hour security, the decommissioning of empty flats and the securing of front doors to prevent unauthorised access. Updates on the progress of the rehousing work will continue to be reported to members and senior officers through agreed Governance arrangements. **Director of Housing, Regeneration & Planning** **March 2021**	negotiations, with a number of leaseholders and tenants either being unwilling to engage during the pandemic or unable to make onward purchases (or indeed search for onward purchases) during the various lockdowns. Due to ongoing difficulties in agreeing mutual sales prices for the remaining leaseholders, the council has commenced CPO proceedings and is anticipating a public inquiry in the Autumn of this year. Cabinet formerly approved the submission of a CPO in November 2020. It is assumed that should the council be successful at the inquiry, vacant possession will be secured no later than May/June 2022. Risks in each block are being mitigated by the removal of gas supplies (completed in 2019), provision of 24-hour security, the decommissioning of empty flats and the securing of front doors to prevent unauthorised access.
In October 2018, Ofsted carried out an inspection of Children's Social Care Services and published its final report on 14 December 2018. More recent inspections have recognised a positive direction of travel.	Improvement Board and at regular one-to-one meetings with the Cabinet member for Children, Families and Education and the Director of Children's Services. Ofsted are expected to visit again in 2020, we will also review progress on the action plan at the Annual Engagement meeting with the Director of Children's Services. The Cabinet, Children's Scrutiny and Corporate Parenting	**On-Going** – There are regular one-to-one meetings with the Cabinet member for Children, Families and Education and the Director of Children's Services continue, supported by a Safeguarding Assurance quarterly meeting with the Leader, CE and the Independent Chair of the Haringey Children's Safeguarding

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
	Advisory Committee all receive an annual update on the progress of the action plan. **Director of Children's Services** **March 2021**	Partnership, (HSCP). Ofsted conducted a Focus visit in March 2021. The recommendation from this inspection visit reinforced the work with partners to further develop and embed system for Children and young people who may go missing from home and care.
Schools performance, audit assurance outcomes and financial balances. In 2018/19 and 2019/20, there has been an improvement in the assurances assigned by internal audit as part of the schools' audit programme. The improvement is recognised, however there were still 6 schools from the 18 audited in 2019/20 where assurance provided was below expectations.	Covid-19 has given us some time to reflect on the schools audit approach. For 2020/21 the programme will be reviewed to ensure it is focused on highest risk areas, including any that have increased due to the response to COVID-19. A new approach to follow up has been designed to be more proactive. The team is also looking to work more closely with other council teams who work with schools, again to ensure efficient use of audit resources and added value from the work for stakeholders. Investment in training for governors and schools will continue. Annual reports are taken to the schools forum and Corporate Committee. **Director of Children's Services** **March 2021**	**Completed** - There has been a marked improvement in the number of schools assigned low levels of assurance. Internal audit carried out audits at 17 schools during the financial year. 15 were assigned satisfactory levels of assurance and two were assigned unsatisfactory assurance. These schools will continue to be monitored in 2021/22 but are not a significant governance issue on the statement.
Covid-19 – Safe Service Provision and Financial Control	There is a risk that expenditure is incurred outside the agreed budgetary framework and without the required governance approvals and that decisions are made inconsistently around	**Completed** - Covid-19 posed a range of financial and not financial risks during 2020/21 that have largely been

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)
	treatment of debt recovery. The Leaders signing report of 6 April 2020 provided a first new financial decision-making framework for the Council's response to the Covid-19 crisis. This will get updated as we move through the year, to respond to further developments, service and financial pressures and when there is greater certainty about the funding from Government. There is an enhanced risk of fraud in this situation. Decisions are being made under pressure, there is urgency in acquiring resources and responding to vulnerable people. To mitigate this, current processes have been reviewed and amended / enhanced as required; new processes written and communicated to cover any new ways of operating. Initial focus on high risk areas such as cash handling, purchase cards, emergency payments and paying out grants to businesses. Compliance checks enhanced and agreed audit plan re-visited to re-prioritise where necessary. Covid-19 necessitated adapting working arrangement and condition to protect our staff and partners, our residents and people who use Council services. Our initial response was to set up practices to facilitate safe delivery of our services, with haste and with minimal impact on people who rely upon us. We are now considering the future of our governance arrangements in our services to build on good practices established during Covid-19 and consider the longer-term impact of the virus. **Director of Finance** **Corporate Board – all Budget Holders** **Directors of Children's and Adults Services** **March 2021**	addressed.

Issue	Agreed Action/ Deadline (as at July 2020)	Progress update (as at June 2021)

4.2 We have identified the following significant governance issues during 2020/21. It is proposed over the coming year to take steps to address the governance issues in these areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

Issue	Action	Responsibility	Due date
Covid -19 Impact on Financial Planning & MTFS refresh	There has continued to be regular reporting of the financial position of the council to both Senior Officers and Members. The budget for 2021/22 was approved in February. The s151 officer confirmed via the follow up work in February 2021 that plans were in place to address the forecasted overspend for 2020/21, that existed at that time. In light of the Covid-19 pandemic the council's MTFS has been reviewed and appropriate financial risks recognised. The MTFS will continue to be monitored in 2021/22 and beyond as financial uncertainty will continue to impact on the Council's financial management arrangements.	Cabinet & Corporate Board – Led by Director of Finance	March 2022
During 2020/21, there have been issues raised with regards the robustness of decision making relating to acquisitions and disposals of property, this has required investigation to provide assurance that effective governance is in place and to ensure that decisions have been made and recorded in line with the constitution.	New governance arrangements have been put in place for decisions about acquisitions and disposals with clear process for clearance and recommendations to Members (and onward to Cabinet for decision where appropriate) about potential acquisitions or disposals. The Asset Management Plan update was published February 2021 and includes criteria which need to be met for acquisitions and disposals. The process for acquisitions and disposals mapped out for clarity and will be audited as part of the 2021/22 internal audit plan.	Director of Housing, Regeneration & Planning	March 2022
Safety of two social housing buildings at Broadwater Farm.	As at 06/06/20 five leaseholders still own homes in Tangmere (with a further 111 vacant). 12 leaseholders own homes in Northolt although eight of these have agreed to sell and are at various stages of the conveyancing and sales process. There is one remaining tenant and a	Director of Housing, Regeneration & Planning	March 2022

Issue	Action	Responsibility	Due date
	further 89 vacant properties. Due to ongoing difficulties in agreeing mutual sales prices for the remaining leaseholders, the council has commenced CPO proceedings and is anticipating a public inquiry in the Autumn of this year. It is assumed that should the council be successful at the inquiry, vacant possession will be secured no later than May/June 2022. Risks in each block are being mitigated by the removal of gas supplies (completed in 2019), provision of 24-hour security, the decommissioning of empty flats and the securing of front doors to prevent unauthorised access.		
In October 2018, Ofsted carried out an inspection of Children's Social Care Services and published its final report on 14 December 2018. More recent inspections have recognised a positive direction of travel.	There are regular one-to-one meetings with the Cabinet member for Children, Families and Education and the Director of Children's Services continue, supported by a Safeguarding Assurance quarterly meeting with the Leader, Chief Executive and the Independent Chair of the Haringey Children's Safeguarding Partnership, (HSCP). Ofsted conducted a Focus visit in March 2021. The recommendation from this inspection visit reinforced the work with partners to further develop and embed system for Children and young people who may go missing from home and care.	Director of Children's Services	March 2022
Review the authority's information governance framework.	The Council is the accountable body for complying with the Data Protection Act 2018 and the UK GDPR. We plan to use the Information Commissioner's Accountability Framework to self-assess against its ten categories and to help identify and mitigate any gaps in our governance arrangements to demonstrate compliance with the Act and the Regulation.	Director of Customers, Transformation and Resources	March 2022

5. Review of effectiveness

5.1 We take responsibility for conducting an annual review of the effectiveness of our governance framework, including the system of internal control. The review of effectiveness is informed by the statements of assurance and annual governance self-assessments by each director and assistant director, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Risk Management's annual report, and also by comments made by the Council's external auditors and other review agencies and inspectorates.

5.2 The Director of Finance holds the Council's statutory section 151 Officer role; the Assistant Director of Corporate Governance (the Council's Monitoring Officer) and the Head of Audit and Risk Management have also reviewed the work done by the Council relating to governance issues in 2020/21. Their comments on the key governance issues are as follows:

- Director of Finance: The Council's 2020/21 budget had major variations as a result of the C19 pandemic, and the Council's response to this. Throughout the year there was continuous reporting to Cabinet and to the government on the impact of the pandemic on the Council's finances, and strong levels of financial governance and control have been maintained throughout the pandemic period. In broad terms, government financial support has been sufficient to cover the financial impact on the Council's general fund budgets in 2020/21, however the position looks challenging in future years given the assumed long lasting impacts of the pandemic on demand for services, and income streams. A great amount of uncertainty surrounds the future of the Council's finances, given these legacy impacts of C19 and uncertainty surrounding future government funding policy. The Council's MTFS forecasts a significant medium term funding gap in excess of £20m, and the Council will need to develop plans to reduce its net cost base while best ensuring that it fulfils its responsibilities and priorities.

- Head of Legal & Governance (Monitoring Officer): The Monitoring Officers for 2020/21 are not aware of any significant governance issues in relation to member code of conduct complaints. The work in strengthening the governance concerning acquisitions and disposals will be reviewed during 2021/22.

- Head of Audit and Risk Management: The work of the internal audit team has been impacted upon significantly over the last financial year in many ways. The audit programme initially presented to the March 2020 Corporate Committee was refreshed in recognition of the Covid 19 risks and presented to the July 2020 Corporate Committee. The Corporate Management Group were also advised of how to maintain good internal controls and appropriate checks and balances. The delivery of the audit programme was slower than originally anticipated as the organisation responded to a range of Covid related priorities. For the audit work completed, most areas were assigned a satisfactory levels of assurances although weaknesses in internal controls were identified in some areas. Internal audit highlighted the following areas where management attention was required; acquisition and disposal of assets, procurement, IT related risks, brokerage services, and health and safety. In all cases, management have accepted audit recommendations to improve the internal control environment in these areas. Audits performed at Homes for Haringey have highlighted internal control weaknesses in a number of areas audited including housing repairs, stores and the concierge service. The proportion of schools assigned a satisfactory level of assurance has improved for 2020/21.

5.3 The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2020/21. The report concluded that in most areas across the Council, with the exception of those areas receiving 'limited' or 'Nil' assurance, there are sound internal financial control systems and corporate governance arrangements in place, and that risk management arrangements are satisfactory. The following audit areas were assigned 'Limited' assurance; Declaration of Interests, Arrangements for Letting Contracts, Contract Management, Purchase Cards, Management of Cyber Risks, Contract Waivers, Brokerage, IT Disaster Recovery, Health and Safety, Quality of Practice, Safeguarding (Management and Triage), Lea Valley and Stroud Green Primary Schools. No audit was assigned "Nil" assurance.

5.4 Directorate Management Teams have discussed a statement of assurance covering 2020/21 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 2020/21, the Council can confirm that both the CFO and HoA fulfilled all the requirements set out within the CIPFA statements, and assurance on this was obtained via internal and external audit reviews. No gaps in compliance were identified for either role.

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

5.7 The evidence provided concerning the production of the Annual Governance Statement has been considered by the Chief Executive and the other members of the Corporate Board; and will be considered by the Council's Corporate Committee in July 2021. The Statutory Officers concluded that the Council has satisfactory governance systems in place and satisfactory plans to address the identified issues to ensure improvement; these arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The Chief Executive along with the other members of the Corporate Board are committed to implementing the action plan, strengthening and improving controls and keeping the effectiveness of the Council's corporate governance arrangements under review during the year.

Signed by:

ANNUAL GOVERNANCE STATEMENT

Councillor Peray Ahmet
Leader of the Council

Date: 28/07/2021

Zina Etheridge
Chief Executive

Date: 26/07/2021

Report for: **Corporate Committee – 9 September 2021**

Title: **Audit & Risk Service Update Quarter 1 (April - June 2021)**

Report authorised by: **Director of Finance**

Lead Officer: Minesh Jani, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: minesh.jani@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 in-house Audit and Risk team as well as our outsourced partner Mazars, for the quarter ending 30 June 2021.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the activities of the team during quarter one of 2021/22.

4. Reasons for decision

4.1 The Corporate Committee is responsible for monitoring the effectiveness of the Council's Internal Audit Strategy; policies on Anti-Fraud and Corruption and receiving assurance with regard the Council's internal control environment and mechanisms for managing risk. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee with regards Audit and Anti-Fraud.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The information in this report has been compiled from information held by Audit & Risk Management.

7. Contribution to strategic outcomes

7.1 The Audit & Risk 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 and Head of Legal & Governance (Monitoring Officer)

8.1 <u>Finance and Procurement</u>

There are no direct financial implications arising from this report.

8.2 Legal

The Council's Head of Legal and Governance has been consulted in the preparation of this report, and in noting the plans in place to deal with the areas of concern highlighted in the report advises that there are no direct legal implications arising out of 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 Audit & Risk 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. Local Government (Access to Information) Act 1985

Not applicable.

10. Performance Management Information

10.1 Local performance targets have been agreed for Audit and Risk Management, these are reported against in the sections below.

11. INTRODUCTION

11.1 This report covers the period from 1 April 2021 to 30 June 2021 and summarises the work of the Audit & Risk Service in relation to Audit, Risk and Fraud.

11.2 The in-house team has been fully resourced in quarter one. The team consists of a Head and Deputy Head of Audit, Six Fraud Investigators, and an Assistant Investigator. The operational delivery of the audit plan is undertaken by Mazars.

12. INTERNAL AUDIT

12.1 The audit planning work for the 2021/22 audit plan is proceeding well and commenced in quarter one, Appendix 1 also outlines the audits carried out and as at the end of June. The Head and Deputy Head of Audit and Risk continue to support the efficient delivery of added value work and continue to support the work of services and responding to new and emerging risks by providing advice, guidance or undertaking focused audit assignments to provide assurances. During quarter one a number of requests for additional audit and assurance work have been received and will be considered against the approved audit plan, ensuring that resources continue to be prioritised to where they are of most value.

12.2 Due to the Covid related delays in starting last year's audit plan, a number of reports were finalised after the end of the last financial year. These were all reported in the annual internal audit report presented to Committee in July 2021, including the period up to June 2021, and are included here as part of the routine quarterly reporting.

12.3 The reports finalised and those that reached the draft stage, as well as work in progress is outlined in Appendix 1 of this report. In summary, four final reports were assigned "**Substantial"** assurance, six "**Adequate"** assurance and five "**Limited"** assurance. No audit area was assigned Nil assurance. The audit areas assigned Limited assurance were Health and Safety, Brokerage (Adults and Children's Services), IT Disaster Recovery, and Safeguarding. In addition, some advisory work was undertaken with regards both early years and CCTV, this work has led to further work by in house resources, but this was not concluded by the end of quarter one. One school received limited assurance, and this will be followed up formally in quarter two of 2021/22. Three other schools received adequate assurance and progress to implement their recommendations will also be part of the general follow up activity included in the 2021/22 audit plan.

12.4 The Deputy Head of Audit & Risk has continued to be involved with the Business Grant projects. Two investigators supported this project throughout 2020/21 and continue to do so, however focus is now on the post event assurance work required by central government and investigations of fraud and error. The Business Grant project has presented significant opportunities for the council to work more efficiently with businesses in the borough, these are being explored with other services.

12.5 Troubled Families returns have been audited and assurances provided to the Department for Ministry of Housing, Communities and Local Government (MHCLG) that the information provided by the Troubled Families Team in pursuit of funding is correct.

12.6 Internal audit will follow up the agreed actions within audit reports as part of the 2021/22 audit plan, and where required, escalate to where there are concerns raised by follow up work.

13. RISK MANAGEMENT

13.1 In quarter one the Head and Deputy Head of Audit and Risk have requested the latest risk registers to assist Mazars in audit planning. Input is requested routinely to advise on many risk management issues however our planned work in this area, from a corporate perspective has been hindered by the other pressures on the team.

14. ANTI-FRAUD ACTIVITY

14.1 The team undertakes a wide range of anti-fraud activity and have two performance indicators to monitor its work relating to tenancy fraud and the other right to buy fraud. These targets have been consistently achieved in recent years. Financial values are assigned to these outcomes based on the discounts not given and the estimated value of providing temporary accommodation to a family. The Audit Commission, when in existence, valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, as noted above this related 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 to provide an indication of the cost on the public purse of fraud activity.

14.2 **Table 1 Local Performance measures – anti fraud activity**

Performance Indicator	Q1	YTD	Financial Value	Annual Measure
Properties Recovered	**5**	**5**	**£90k**	**50**
Right to Buys prevented	**13**	**13**	**£1.4m+**	**80**

14.3 Tenancy Fraud – Council properties

14.4 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 continue to fund a Tenancy Fraud Officer co-located within the Fraud Team.

14.5 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., both tenancy fraud and right to buy fraud.

14.6 Table 2 Tenancy Fraud Activity and Outcomes

Opening Caseload	187	
New Referrals received	40	
Total		**227**
Properties Recovered	5	
Case Closed – no fraud	32	
Total		**(-) 37**
Ongoing Investigations		**190**

Haringey LONDON

14.7 Two Tenancy Fraud files are being prepared for prosecution and 126 of these cases (66%) are with other teams for action. Properties will be included in the 'recovered' data when the keys are returned, and the property vacated.

14.8 Right-to-buy (RTB) applications

14.9 As at 30th June 2021 there were 264 ongoing applications under investigation. During quarter one, 13 RTB applications were withdrawn or refused either following review by the fraud team and/or due to failing to complete money laundering processes. 89 new applications were received in this period for review, this is due to the backlog of valuation work by surveyors being cleared in recent months since covid restrictions were lifted.

14.10 **Gas safety – execution of warrant visits**

The Fraud Team accompany warrant officers on all executions of 'warrant of entry' visits where it is suspected that the named tenant is not in occupation. The fraud team have recommenced attending the gas safety visits, following a COVID-19 risk assessment.

14.11 **Pro-active counter-fraud projects**
In quarter one, 2 members of the team have continued to support the Business Grants administration project, undertaking pre-payment checks to ensure risk of fraud and error is minimised and completing post event assurance work to identify fraud and error for appropriate action.

14.12 **No Recourse to Public Funds (NRPF)**
In quarter one, 9 referrals have been received and responded to by the Fraud Team. The role of the Fraud Team is to provide a financial status position for the NRPF team to include in their overall Children and Family Assessment.
The average cost of NRPF support per family (accommodation and subsistence for a two-child household) is around £20,000 pa.

14.13 **Internal employee investigations**
In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees.
There were two employee investigations in progress at the start of quarter one. There was one new employee related investigation received in quarter one.

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.

14.14 **Whistleblowing Referrals**
The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. One new referral was made during quarter one, work on this is on-going.

14.15 **Prosecutions**
As at 30 June two suspected tenancy fraud investigations had been advanced for prosecution.

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APPENDIX 1

Introduction

This report for the 2021/22 financial year includes details of all reports which have reached final stage in Quarter 1. The report provides information on assurance opinions on areas we have reviewed and gives an indication of the direction of travel for key systems work which will provide information on how risks are being managed over time. Full copies of our audit reports will be provided upon request. The fieldwork for these reviews has been completed during the government measures put in place in response to Covid-19. Consequently, testing has been performed remotely.

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.

Date: August 2021

Key Highlights/Summary in Quarter 1:

2020/21 Internal Audit Reports finalised

- Insourcing
- No Recourse to Public Funds
- Administration of Concessionary Travel
- IT Infrastructure Resilience
- Management and Control of the Carers Service
- Revenue Assurance
- Accounting for Pay and Display Income
- Safeguarding
- IT Disaster Recovery
- Health and Safety
- Accounts Payable
- Major Adaptations (Childrens and Adults)
- Quality of Practice
- Brokerage (Childrens)
- Brokerage (Adults)
- Early Years
- CCTV

2020/21 Schools Audit Reports finalised

- Crowland Primary School
- St Peter in Chains Roman Catholic Infant School
- Stroud Green Primary School
- West Green Primary School

2021/22 Draft Internal Audit Reports issued

- Highgate Wood School

2021/22 Audits at Fieldwork Stage

- Bruce Grove Primary School
- IT Capability Management
- Payroll

Audit Progress and Detailed Summaries

The following table sets out the audits finalised 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.

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Insourcing	December 2020	May 2021	**Adequate**	**N/A**	-	3	-
No Recourse to Public Funds	December 2020	July 2021	**Substantial**	**N/A**	-	1	1
Brokerage (Adults)	January 2021	July 2021	**Limited**	↔	-	5	1
Brokerage (Childrens)	January 2021	June 2021	**Limited**	**N/A**	1	2	-
IT Disaster Recovery	January 2021	June 2021	**Limited**	**N/A**	-	4	-
IT Infrastructure Resilience	January 2021	June 2021	**Adequate**	**N/A**	-	3	1
Major Adaptations	January 2021	July 2021	**Substantial**	**N/A**	-	-	2
Health and Safety	February 2021	June 2021	**Limited**	**N/A**	1	4	-
Administration of Concessionary Travel	February 2021	June 2021	**Adequate**	**N/A**	-	1	1
Accounting for Pay and Display Income	February 2021	July 2021	**Substantial**	**N/A**	-	-	6
Accounts Payable	February 2021	June 2021	**Substantial**	→	-	-	1
Quality of Practice	February 2021	July 2021	**Adequate**	**N/A**	-	3	1
Management and Control of Carers Service	February 2021	August 2021	**Adequate**	**N/A**	-	3	1

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Safeguarding (Management & Triage Arrangements)	March 2021	July 2021	Limited	N/A	2	1	2
Revenue Assurance	April 2021	July 2021	Adequate	N/A	-	1	-
Early Years	February 2021	April 2021	N/A - Advisory				
CCTV	March 2021	July 2021	N/A - Advisory				

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As part of the 2020/21 Internal Audit Plan we have visited the following schools and issued a final report:

School	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
Crowland Primary School	March 2021	June 2021	Adequate	→	-	4	3
St Peter in Chains Roman Catholic Infant School	March 2021	June 2021	Adequate	→	-	3	3
Stroud Green Primary School	March 2021	July 2021	Limited	→	2	8	-
West Green Primary School	March 2021	June 2021	Adequate	↔	-	4	-

Definitions of assurance levels, recommendations priorities and direction of travel are included below.

As a reminder, our recommendations are prioritised according to the following categories:

Definitions of Assurance Levels	
Level	**Description**
Substantial Assurance:	Our audit finds no significant weaknesses and we feel that overall risks are being effectively managed. The issues raised tend to be minor issues or areas for improvement within an adequate control framework.
Adequate Assurance:	There is generally a sound control framework in place, but there are significant issues of compliance or efficiency or some specific gaps in the control framework which need to be addressed. Adequate assurance indicates that despite this, there is no indication that risks are crystallising at present.
Limited Assurance:	Weaknesses in the system and/or application of controls are such that the system objectives are put at risk. Significant improvements are required to the control environment.
Nil Assurance:	There is no framework of key controls in place to manage risks. This substantially increases the likelihood that the service will not achieve its objectives. Where key controls do exist, they are not applied.

Definitions of Recommendations	
Priority	**Description**
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Direction	
Direction	**Description**
→	Improved since the last audit visit.
←	Deteriorated since the last audit visit.
↔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Statement of Responsibility

We take responsibility to the London Borough of Haringey for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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. 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.

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Report for: Corporate Committee 9 September 2021

Title: Treasury Management Q1 2021/22 Update

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions & Treasury
tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) requires the Council to approve reports on the performance of the treasury management function at least twice yearly (mid-year and at year end).

1.2. The Council's Treasury Management Strategy for 2021/22 was approved by Full Council on 1 March 2021.

1.3. This report provides an update to the Committee on the Council's treasury management activities and performance in the three months to 30 June 2020 in accordance with the CIPFA Treasury Management Code of Practice.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

The Corporate Committee is requested:

3.1. To note the Treasury Management activity undertaken during the three months to 30 June 2020 and the performance achieved which is attached as Appendix 1 to this report.

3.2. To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

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 Treasury Management in Public Services: Code of Practice (the CIPFA 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 Council'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 CIPFA 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 2021/22 on 1 March 2021. The Corporate Committee is responsible for monitoring treasury management activity, and this is achieved through the receipt of quarterly/annual reports.

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

6.5. 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.

7. Contribution to Strategic Outcomes

7.1. None.

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

<u>Finance and Procurement</u>

8.1. Finance comments are contained within the body of the report.

Legal

8.2. The Assistant Director for Corporate Governance has been consulted on the content of this report which is consistent with legislation governing the financial affairs of the Council. In particular, the Council must comply with the requirements of the Local Government Act 2003, the Local Authorities (Capital Financing & Accounting – England) Regulations 2003 and the Localism Act 2011 and the CIPFA Treasury Management code.

8.3. 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

9.1. Appendix 1 – Treasury Management Update Q1 2021/22

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Appendix 1 - Treasury Management Update Q1 2021/22

1. Introduction

1.1. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports. This report provides an additional update.

1.2. The Authority's treasury management strategy for 2021/22 was approved at a full Council meeting on 1 March 2021. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

1.3. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 1 March 2021.

2. External Context (provided by the Council's treasury management advisor, Arlingclose)

Economic background

2.1. Economic resurgence from coronavirus pandemic continued to dominate the first quarter of the financial year. In the biggest inoculation programme the country has ever undertaken, over 44 million people in the UK had received their first dose of a COVID-19 vaccine with 32 million also having a second dose.

2.2. The Bank of England (BoE) held Bank Rate at 0.10% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its June 2021 policy announcement, the BoE expected the economy to experience a temporary period of strong GDP growth and above-target CPI inflation, after which growth and inflation is expected to fall back.

2.3. There were, however, two-sided risks around this central path, and it is possible that near-term upward pressure on prices could prove somewhat larger than expected. The Bank's Monetary Policy Committee does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.

2.4. Government initiatives continued to support the economy over the quarter, following the range of measures announced by the Chancellor in the 2021 Budget, which included extending the furlough (Coronavirus Job Retention) scheme until September 2021.

2.5. The latest labour market data showed that in the three months to April 2021 the unemployment rate fell to 4.7%, although it is likely that labour market slack has remained higher than implied by this measure. Some individuals stopped looking for work during the pandemic and were therefore recorded as inactive. There is uncertainty around how many of these individuals will resume their search for a job, and when.

2.6. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 5.6% for the three months February to April 2021. The seemingly high growth partly reflected a base effect from a decline in average pay in the spring of last year, associated with the reduced pay of employees on the furlough scheme.

2.7. Annual CPI inflation rose to 2.1% in May on the back of base effects in spring 2020 and partly due to higher energy and commodity prices and supply-side bottlenecks. The BoE expects inflation to exceed 3% for a temporary period. The ONS' preferred measure of CPIH which includes owner-occupied housing was also 2.1% year/year, marginally higher than expectations.

2.8. The reimposition of restrictions on activity in the first quarter of calendar 2021 year resulted in GDP falling 1.6% in Q1. GDP growth was strong in April at 2.3% with the partial easing of restrictions on non-essential retail and outdoor hospitality. Housing market activity remained strong, aided by the extension of the stamp duty threshold and an increase in mortgage approvals for house purchases.

2.9. The US economy rebounded by 4.3% in Q4 2020 (Oct-Dec) and then an even stronger 6.4% in Q1 as the recovery continued to be fuelled by $5 trillion worth of pandemic stimulus packages. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period. The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

Financial Markets

2.10. Ongoing monetary and fiscal stimulus together with improving economic growth prospects and successful vaccine rollout programmes continued to boost equity markets over the period. The Dow Jones reached a record high during the period while the UK-focused FTSE 250 index was back above pre-pandemic levels and the more internationally focused FTSE 100 had recouped around three-quarters of 2020 losses.

2.11. Inflation worries continued during the period but declines in bond yields between April and June suggest bond markets may be expecting any general price increases to be less severe, or more transitory, than was previously thought.

2.12. The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.32% by the end of June 2021. Over the same period the 10-year gilt yield fell from 0.80% to 0.71%, despite jumping to 0.90% in May. The 20-year yield declined from 1.31% to 1.21%. The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

Credit Review

2.13. Credit default swap spreads were relatively flat over the period and remain only slightly above their pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, and Santander UK remained an outlier compared to the other ringfenced/retail banks.

2.14. There were only a small number of credit rating actions over the period which included upwardly revised outlooks for several UK and European banks from negative to stable by S&P. Notably, Barclays and Nationwide were revised by S&P from stable to positive. In addition to the S&P revised outlooks, Fitch also revised their outlook for the United Kingdom from negative to stable towards the end of the period.

2.15. The successful vaccine rollout programme is credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted from the pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

3. Local Context

3.1. On 31st March 2021, the Authority had net borrowing of £555.9m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

Type of Liability	31.03.21 Actual** £m
General Fund CFR	505.5
HRA CFR	332.3
Total CFR **	**837.8**
Less: *Other debt liabilities	(28.2)
Borrowing CFR – comprised of:	**809.6**
- External borrowing	555.9
- Internal borrowing	253.7

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt
** subject to audit

3.2. Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority continued to pursue its long-standing strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk.

3.3. The treasury management position on 30th June 2021 and the change over the quarter is shown in Table 2 on the following page.

Table 2: Treasury Management Summary

Type of Borrowing / Investment	31.3.21 Balance (£m)	Movement (£m)	30.6.21 Balance (£m)	30.6.21 Rate (%)
Long-term borrowing	496.9	(1.7)	495.2	3.27
Short-term borrowing	59.0	15.0	74.0	0.15
Total borrowing	**555.9**	**13.3**	**569.2**	**2.86**
Long-term investments	0.0	0.0	0.0	0.00
Short-term investments	5.0	(5.0)	0.0	0.00
Cash and cash equivalents	12.0	2.7	14.7	0.01
Total investments	**17.0**	**(2.3)**	**14.7**	**0.01**
Net borrowing	**538.9**	**15.6**	**554.5**	

4. Borrowing Update

4.1. Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

4.2. Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

4.3. The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able to fully access the PWLB.

Municipal Bonds Agency (MBA)

4.4. The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.

4.5. If the Authority were to consider future borrowing through the MBA, it would first ensure that it had thoroughly scrutinised the legal terms and conditions of the arrangement and taken proper advice on these.

UK Infrastructure Bank

4.6. In his March 2021 budget, the Chancellor confirmed that a UK Infrastructure Bank will be set up with £4bn in lending earmarked for local authorities from the summer of 2021. The availability of this lending to local authorities is due to commence in summer 2021 for which there is expected to be a bidding process. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate.

Borrowing strategy during the period

4.7. At 30th June 2021, the Authority held £569.2m of loans (an increase of £13.3m compared to 31st March 2021) as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30th June 2021 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.03.21 Balance £m	Net Movement £m	30.06.21 Balance £m	30.06.21 Weighted Average Rate %	30.06.21 Weighted Average Maturity (years)
Public Works Loan Board	371.9	(1.7)	370.2	2.77	27.26
Banks (LOBO)	125.0	0.0	125.0	4.72	38.94
Local authorities (short-term)	59.0	15.0	74.0	0.15	0.52
Total borrowing	**555.9**	**13.3**	**569.2**	**2.86**	**26.35**

4.8. The Authority's chief objective when borrowing has been to strike 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 Authority's long-term plans change being a secondary objective.

4.9. No new long-term borrowing was undertaken in the quarter, while £1.7m of existing loans matured. In line with the approved Treasury Management Strategy, new long term borrowing is anticipated to be raised over the remaining course of the 2021/22 financial year.

4.10. With short-term interest rates remaining much lower than long-term rates and with surplus of liquidity continuing to feature in the local authority to local authority market, the Authority considered it to be more cost effective in the near term to use short-term loans to satisfy liquidity requirements during the quarter. The net movement in temporary short-term loans is shown in Table 3 above.

4.11. The Authority has a significant capital programme which extends into the foreseeable future. A large proportion of this will be financed by borrowing, which the Authority will have to undertake in the current and coming years. The Authority's treasury advisor, Arlingclose undertakes a weekly 'cost of carry' analysis which informs the Authority on whether it is financially beneficial to undertake borrowing now or delay this for set time periods based on PWLB interest rate forecasts.

4.12. Any borrowing which is taken prior to capital expenditure taking place, and reducing the extent of the Authority's internal borrowing, would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing, creating an immediate cost for revenue budgets. The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing is maintained.

LOBO Loans

4.13. The Authority continues to hold £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 Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

5. <u>Treasury Investment Activity</u>

5.1. The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £14.7 and £50.1 million due to timing differences between income and expenditure. The investment position is shown in table 4 on the following page.

Table 4: Treasury Investment Position

Investments	**31.03.21**	**Net**	**30.06.21**	**30.06.21**	**30.06.21**

	Balance £m	Movement £m	Balance £m	Rate of Return %	Weighted Average Maturity (Days)
Money Market Funds	0.0	14.7	14.7	0.01	1
UK Government:					
- Local Authorities	5.0	(5.0)	0.0	0.00	0
- Debt Management Office	12.0	(12.0)	0.0	0.00	0
Total investments	**17.0**	**(2.3)**	**14.7**	**0.01**	**1**

5.2. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.3. Ultra-low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.10% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.

5.4. Deposit rates with the Debt Management Account Deposit Facility (DMADF) are also largely around zero.

5.5. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (Days)	Rate of Return
31.03.2021	**3.91**	**AA-**	**0%**	**8**	**0.28%**
31.06.2021	**4.87**	**A+**	**100%**	**1**	**0.01%**
Similar Local Authorities	**4.70**	**A+**	**73%**	**23**	**0.11%**
All Local Authorities	**4.64**	**A+**	**67%**	**12**	**0.11%**

Scoring:
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

Non-Treasury Investments

5.6. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and

Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

Treasury Performance

5.7. Treasury investments generated an average rate of return of 0.01% in the first quarter of the financial year. The Authority's treasury investment income for the year is likely to be less than the budget forecast due to a lower than anticipated average rate of return.

5.8. Borrowing costs for 2021/22 are forecast in line with budget at Q1 at £24.8m (£16.2m HRA, £8.6m General Fund). In prior years, these budgets have underspent due to a number of factors, including: the current lower interest rate environment reducing interest costs for the Council, and delays in the capital programme's delivery. Should slippage in the Council's capital programme occur, it will reduce the borrowing requirement, and reduce this forecast.

6. <u>Compliance</u>

6.1. The Director of Finance reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

6.2. Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 6 below.

Table 6: Debt Limits

	Q1 Maximum £m	**30.06.21 Actual £m**	**2020/21 Operational Boundary £m**	**2020/21 Authorised Limit £m**	**Complied?**
Borrowing	569.2	569.2	1,157.4	1,207.4	Yes
PFI and Finance Leases	28.2	28.2	28.2	31.0	Yes
Total debt	**597.4**	**597.4**	**1,185.6**	**1,238.4**	**Yes**

6.3. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure, however, Haringey's debt remained well below this limit at all points during quarter.

Treasury Management Indicators

6.4. The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security

6.5. The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.06.21 Actual	2021/22 Target	Complied?
Portfolio average credit score	4.87 (A+)	7.0 (A-)	Yes

Liquidity

6.6. The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	30.06.21 Actual	2021/22 Target	Complied?
Total cash available within 3 months	14.7	10.0	Yes

Interest Rate Exposures

6.7. This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	30.06.21 Actual	2021/22 Target	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.35m	£2m	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0.35m	£2m	Yes

6.8. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Maturity Structure of Borrowing

6.9. This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	30.06.21 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	14.67%	50%	0%	Yes
12 months and within 24 months	5.92%	40%	0%	Yes
24 months and within 5 years	1.96%	40%	0%	Yes
5 years and within 10 years	3.95%	40%	0%	Yes
10 years and within 20 years	14.38%	40%	0%	Yes
20 years and within 30 years	8.78%	40%	0%	Yes
30 years and with 40 years	25.74%	50%	0%	Yes
40 years and within 50 years	24.60%	50%	0%	Yes
50 years and above	0.00%	40%	0%	Yes

6.10. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.11. The Authority has used short term borrowing (under 1 year in duration) from other local authorities extensively in recent years, as an alternative to longer term borrowing from PWLB, due to lower interest rates, and corresponding revenue savings. Short term borrowing exposes the Authority to refinancing risk: the risk that rates rise quickly over a short period of time and are at significantly higher rates when loans mature, and new borrowing has to be raised. With this in mind, the Authority has set a limit on the total amount of short-term local authority borrowing, as a proportion of all borrowing.

Short term borrowing	Limit	30.06.21	Complied?
Upper limit on short-term borrowing from other local authorities as a percentage of total borrowing	30%	13%	Yes

Principal Sums Invested for Periods Longer than a year

6.12. The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2021/22	2022/23	2023/24
Actual principal invested beyond year end	Nil	Nil	Nil
Limit on principal invested beyond year end	£10m	£10m	£10m
Complied?	Yes	Yes	Yes

7. Other: CIPFA Consultations

7.1. In February 2021, CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes.

7.2. However, from feedback documents the following changes are likely:

Prudential Code:

- Clarification and definitions to define commercial activity and investment, and that an authority must not borrow to invest for the primary purpose of commercial return.
- Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority's functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing.
- Proportionality will be included as an objective; new indicators for net income from commercial and service investments to net revenue stream.
- A specific objective around commercial investment with the intention of embedding good practice across authorities.

Treasury Management Code

- Inclusion of the liability benchmark as a mandatory treasury indicator.
- Implementation of a treasury management knowledge and skills framework.
- Incorporating ESG issues as a consideration within TMP 1 Risk Management.

8. Outlook for the remainder of 2021/22

8.1. The medium-term global economic outlook has continued to improve with the rollout of vaccination programmes. The UK has continued to benefit from its initial rapid vaccine rollout and has shifted focus onto second vaccinations to increase protection to counter a third wave of Covid variant. The opening up of the UK economy in Q2/Q3 will continue to prompt a sharp increase in GDP.

8.2. While downside risks seem to have fallen somewhat after recent trends in GDP and labour, the upside risks remain relatively balanced with the MPC reiterating its commitment not to tighten policy until there is clear evidence that the recovery is eliminating spare capacity in the economy. Arlingclose expects Bank Rate to remain at the current 0.10% level. The risk of movement in Bank Rate in the short term is low.

8.3. Inflation has moved above the Bank of England's 2% target. Alongside the increase in commodity prices, the MPC has acknowledged the prospect of a sharper upturn in inflation, with the potential CPI could rise above 3% in the coming months. However, the nature of the commodity price rise and the base effect easing, this is likely a more transitory effect.

8.4. Gilt yields could continue to increase in the short term but will begin to plateau and reduce once the market's expectation of rises in Bank Rate and inflation fears subside. Longer term yields may face upward pressure towards the end of Arlingclose's forecast period as the economy moves back to a sustained footing and policy expectations start to strengthen.

8.5. Downside risks remain – the damage from the pandemic will have lasting effects and there is the risk of further virus mutations due to the uneven global rollout of vaccines. Downside risks also arise from potential future vaccine shortages as the global demand for vaccines increases.

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Official Bank Rate													
Upside risk	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20