



London Borough of Haringey

Draft Statement of Accounts 2017/18

31 May 2018 (update for Corp Cttee 24072018)

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Haringey
LONDON

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NARRATIVE REPORT



**Statement from Jon Warlow,
Interim Director of Finance**

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 2018. The format and content of the accounts is largely prescribed and is, in some parts, complex, although we try to balance the statutory reporting requirements with the desire to make them clear and understandable to all interested parties.

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

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 282,931 with approximately a quarter (24%) of residents aged under 20 years. Over 180 languages are spoken in the borough, and 66% of our population are of non-White British ethnicity (the proportion is slightly higher among younger residents). Our overall population is the eighth most ethnically diverse in the country.

The population is growing and is estimated to reach 293,691 by 2028, an increase of 5% from 2018.

The borough ranks among the most deprived in the country with pockets of extreme deprivation in the east. Of all London boroughs,

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Haringey has the second largest proportion of local areas (LSOAs) that fall into the most deprived 10% nationally.

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

POLICY AND ACHIEVEMENTS IN 2017/18

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

We have made great strides in ensuring that all of Haringey's children have the best possible start in life, not only compared to other children in London, but also to their peers nationally. We committed to supporting all Haringey schools to earn 'good' or 'outstanding' Ofsted ratings, and 99% of the borough's nursery, primary, secondary and special schools have met that standard. Haringey's children are also achieving at a higher level than most across the UK; in 2017, 99% of provisional A-levels or equivalents achieved grades A* - C and 37% were A* or A, well ahead of the 26% national average.

Adult social care is a nationwide problem, with reductions in central government funding creating challenges for all local authorities. Despite facing a dual threat of diminishing resources and increased demand for services, Haringey has continued to prioritise the protection of vulnerable adults. Close to 90% of adults safeguarded from abuse in the borough reported that the council's services made them feel 'safe and secure' – significantly higher than

the 81% London average. We have also signed up to UNISON's ethical care charter, which sets out a series of commitments to protect the rights of home care workers' and give them greater freedom to focus on the needs of the people they care for.

We want all residents to be able to enjoy and appreciate their local environment, which is why we published the Zero Carbon 2050 report which aims to make Haringey the UK's first carbon free borough through a range of ambitious recommendations agreed by the Haringey Zero by 2050 Commission. We have made equal efforts to improve safety on the roads and make Haringey one of the most cycling and pedestrian friendly boroughs in London. Our recently published Transport Strategy will promote cycling and walking by increasing dedicated cycle lanes and encourage sustainable modes of transport through a smarter travel campaign including the formation of special travel plans for 65 local schools.

Haringey is open for business. We have promoted the borough to attract investment and support businesses in locating, growing and creating jobs in Haringey. A £1bn High Road West development in Tottenham has been confirmed and will have a positive and transformative effect on the area. The scheme will deliver 1,400 new homes, a new library and learning centre, a new public square, community park and all-new restaurants, retail and business spaces.

Ensuring that all people in Haringey have a place to live in that suits their needs is one of our core responsibilities. In the last year, we delivered the first new council homes in Haringey for over 30 years. Residents have now moved into the four new properties in Barnes Court, the first of 31 new homes being built on former garage and car park sites in seven housing development sites across the borough.

Haringey is also protecting its heritage, having guaranteed the future

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of the historic Grade II* listed Hornsey Town Hall through a multi-million pound refurbishment project to restore the Hall's former majesty. Exciting proposals for the redevelopment of the Town Hall include £30million investment in restoring the Art Deco landmark – removing it from Historic England's 'Heritage at Risk' register – and delivering a new arts centre, café and community spaces and hotel alongside a refurbished Town Hall Square designed in partnership with local residents.

PERFORMANCE MONITORING

Our Corporate Plan (2015-2018) sets out the kind of borough residents told us they wanted Haringey to be by 2018, and the priorities we have been focussing on to get us there.

It shows how we might work together with partners and with our communities to improve our borough together, and make Haringey a more successful place, while delivering around £70million savings between 2015 and 2018.

We are open about which ambitions we have achieved and which we are still working towards and we report on progress quarterly.

Further detail can be found on the Council's website www.haringey.gov.uk

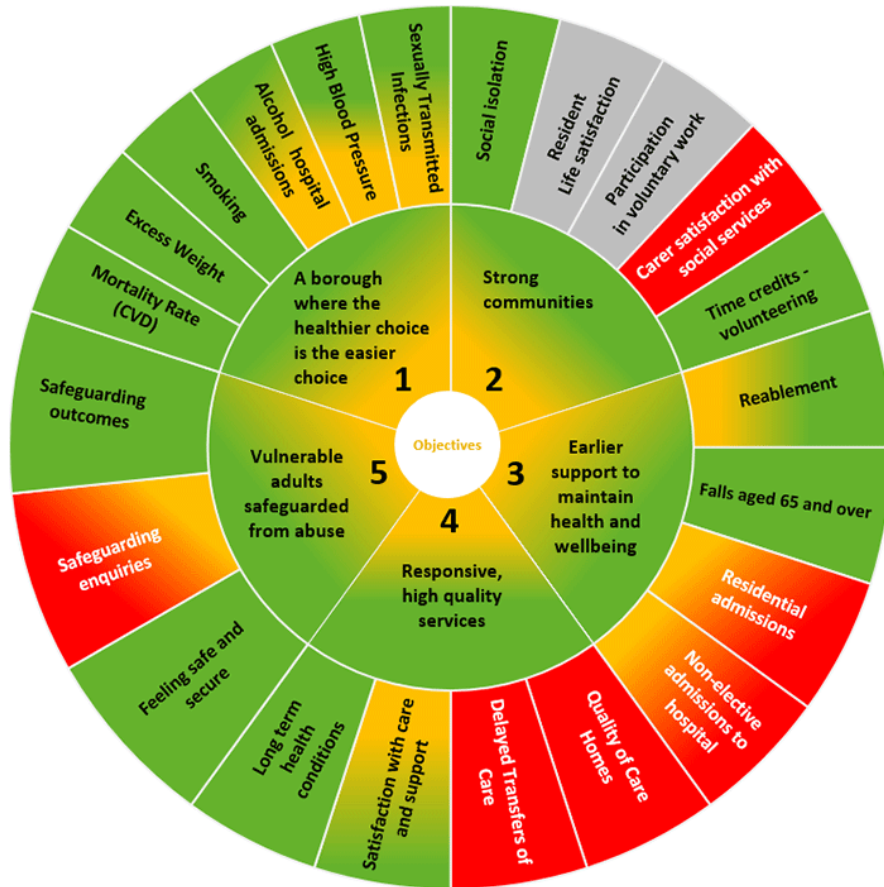
The Plan is centred on five core priority areas each under-pinned by a series of ambitious targets. The following section graphically presents our latest performance against these indicators; green where performance is on or exceeding target, amber/red highlighting where more needs to be done, grey indicates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

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



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



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



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



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



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PX – Enabling

Priority X largely covers the Council's main support service functions and activities such as HR, Legal, Audit, IT, Finance and corporate budgets for treasury management. It is therefore quite different to the other five Priorities in the Corporate Plan in that it is somewhat 'inward' facing, and has focussed on improving the efficiency of enabling and back office services, thus better supporting Priorities to deliver outcomes in the Corporate Plan.

As such it does not have a set of outcomes or performance wheel indicators aligned to the delivery as is the case with Priorities 1 to 5 however, some of the key deliverables this year have been:

- The introduction of a number of Dynamic Purchasing Systems for social care that will enable greater value for money to be achieved.
- A new contract for the recruitment of permanent and temporary staff with Hays Recruitment to better support Workforce Plan targets.
- The refurbishment of Marcus Garvey and Wood Green Customer Service Centres (CSC) and Libraries to further improve customer access.
- An increase to 60,000 residents now signed up to 'My Account', enabling more customers to access services digitally and interact with the Council.
- The continued expansion of the Shared Service Centre including a new business support function and improved partnership working with the GLA to recover historical Council Tax and NNDR debt
- Initial work on the emerging Future Back office and Customer Services programme which has started to examine end-to-end processes and systems that need to

change as a first step in the next phase of our transformation journey.

- The future ways of working programme continues to make good progress with further consolidation and rationalisation of existing accommodation to reduce office costs.
- Leading on mapping the Council's business requirements for the Shared Digital Service (SDS), in order to incorporate these into the bigger plan and work programme for the SDS across each of the three boroughs and help prioritise and rationalise our big technology requirements.

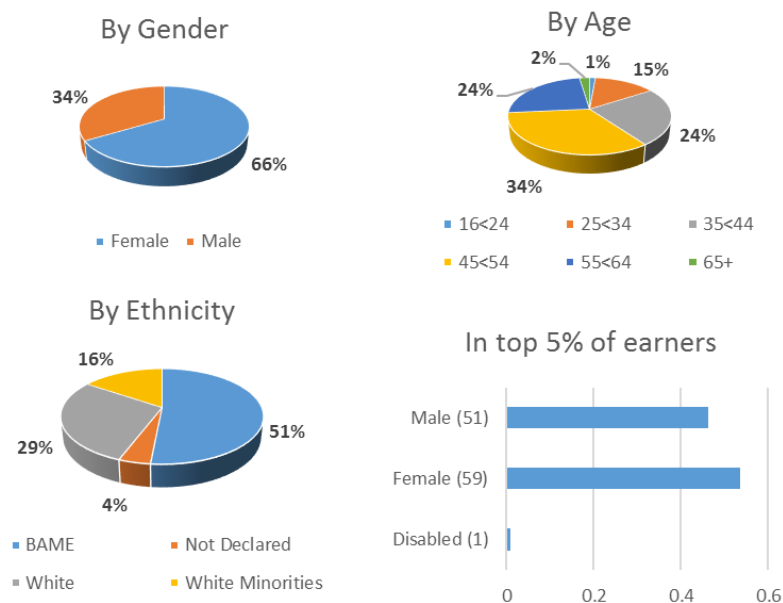
Following the May local elections and in light of the fact that our current corporate strategy is due to come to an end this year, we will be developing a new Borough Plan which reflects the political vision and priorities for the next four years. The Plan is being developed very closely with our partners to create a common vision and strategy for the 2018-2022 period and will be aligned with the Council's financial (MTFS) and workforce (People Strategy) planning. We expect to publish the draft Borough Plan for consultation later in 2018. The final Borough Plan will set out a set of priorities, outcomes and objectives and will include plans setting out how we will deliver these.

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HARINGEY WORKFORCE

The Council employs 2,209 people (excluding schools based staff) on full and part time contracts, equating to a full-time equivalent of 1,992. This represents a 3.4% reduction in the workforce since March 2017.

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 2017/18 include:

- Gross revenue expenditure (spending on day-to-day services) of around £1bn;
- Income from fees, charges and grants of £781m;
- Billing of around £188m in council tax and business rates;
- Maintenance of fixed assets with a value of more than £2bn, including capital investment of £79m in housing, schools, highways and regeneration projects;
- Management of the £1.3bn Haringey Pension Fund.

The aim to minimise financing costs and maximise returns from surplus cash balances, within a low risk treasury management strategy. The Strategy was reviewed and approved during the financial year. External borrowing at 31 March 2018 was £365m.

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

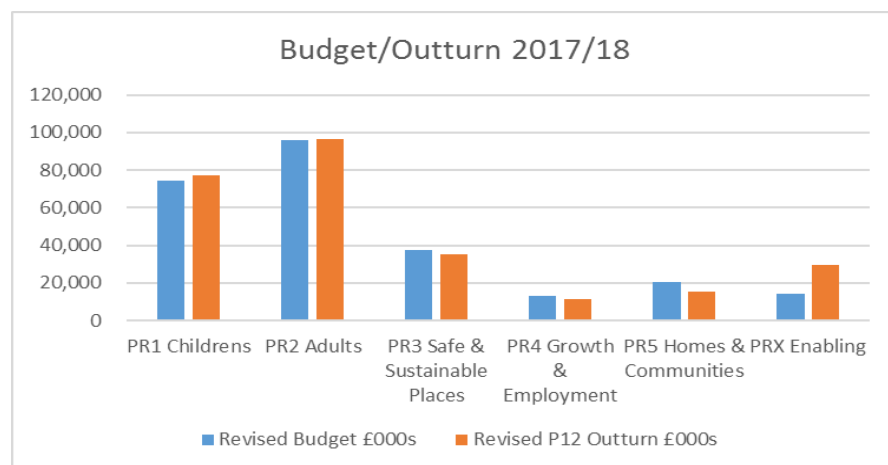
Against this backdrop the Council has maintained sound financial stewardship whilst at the same time developed innovative and collaborative approaches to service delivery, transformation and regeneration to help ensure future financial sustainability.

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Revenue spending in 2017/18

The Council's final general fund revenue outturn for 2017/18 showed spending was £0.404m more than budgeted however, as reported throughout the year, there was budget pressure in the demand led priorities, specifically Priority One Childrens (£3.5m) and Priority Two Adults (£1.1m). The Council was able to mitigate down this overspending through a number of measures including savings in other service areas, application of unbudgeted grants and application of flexible use of capital receipts.

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



General fund balances (including schools) were £85.5m at 31 March 2018 (£72.3m as at 31 March 2017).

Housing Revenue Account

- The Council owns approximately 15,400 homes which are managed by Homes for Haringey (wholly owned by Haringey Council)
- £110m was collected in rents and service charges in 2017/18 (£111m in 2016/17)
- Revenue spending on repairs, maintenance and management was £59m (£61m in 2016/17)
- Capital investment in the housing stock was £39m (£58m in 2016/17)

HRA reserves were £38.2m as at 31 March 2018 (£36.5m at 31 March 2017)

Capital Investment

In December 2015, the Cabinet approved the Council's Capital Investment Strategy. The strategy was developed to ensure that the Council takes a longer-term view of assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS). 2017/18 was the third year into the rolling 10-year capital plan

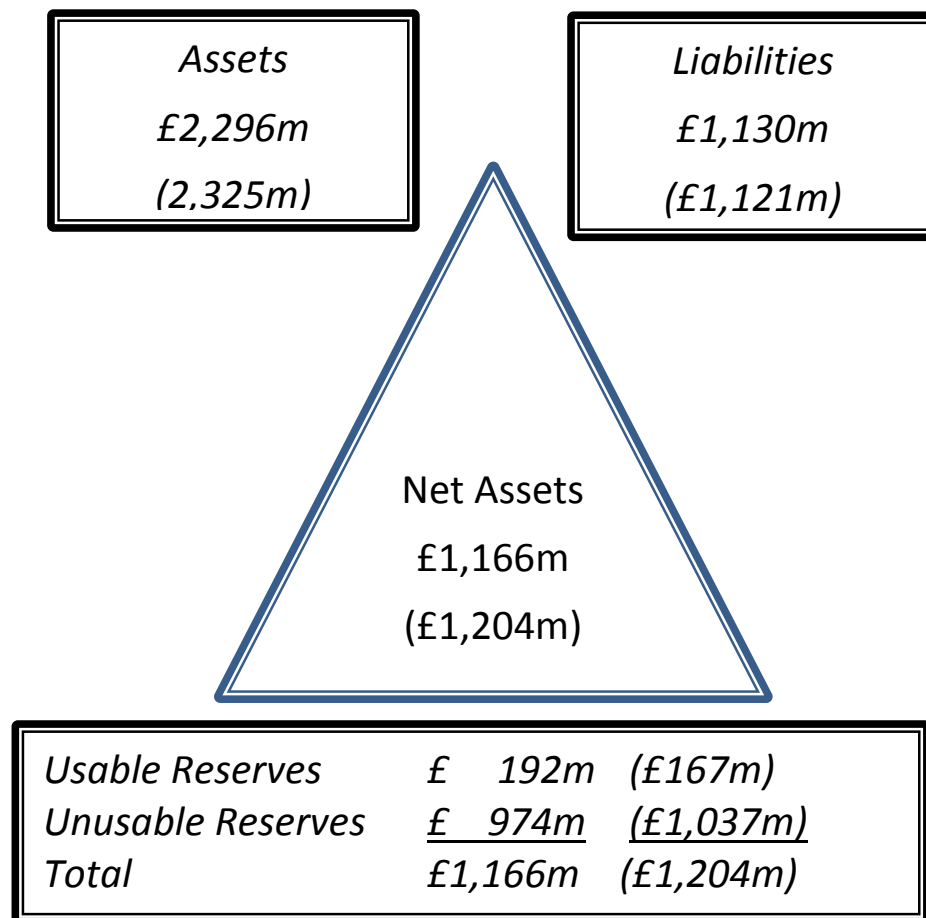
The ambitious strategy for growth and regeneration will invest almost £2bn over the period to deliver a range of improved outcomes for residents.

£79m was invested in schools, housing and regeneration during the year. Capital planning is, by its nature complex and often dependent on negotiation and external approvals. This means that the precise

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timing of spend is often uncertain. Planned spending of £105m was re-profiled to future periods

Balance Sheet Position 31 March 2018



Figures in brackets relate to position at 31 March 2017

Pension Liabilities

- The pension liability (£577m) represents the difference between the estimated cost of pensions payable in the future (£1,656m), and the value of assets in the pension fund (£1,079m);
- The Pension Fund is revalued every three years to set future contribution rates. The latest valuation was at 31 March 2016;
- The funding level at 31 March 2016 was assessed as 79%;
- The plan is to bring the funding level to 100% within 20 years;
- The Council paid £29.2m for pensions in year (£30.4m in 16/17)

Addressing future challenges in 2018/19 and beyond

Whilst the council is committed to supporting all our residents to live healthy and fulfilling lives, uncertainty at a local level looks to continue over the short to medium term due to continued demand and a less reliable resource base. The introduction of the 100% Business Rates Retention Scheme (BRRS) is forecast to benefit Haringey, as is the London Pilot which starts from April 2018. The later was originally estimated to deliver £240m net benefit across London which has recently been increased to £370m due to increased projected growth. Haringey has assumed a conservative increased income from this stream in the latest Medium Term Financial Strategy (MTFS).

Ongoing negotiations around Brexit provide further volatility the impact of which is difficult to predict but which is likely to impact significantly on London and the South East.

We also know that more of our residents are living longer and/or often have more complex needs which continues to put pressure on our Adult Social Care budgets that Central Government measures haven't adequately addressed.

The Council continues to make strategic use of its reserves as it works to develop long-term solutions and invest in the transformative

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activity required to improve efficiency to make our money go further. The delivery of agreed savings set out in the February 2018 MTFS budget report will be critical to the Council. Recognising the challenge that the continued requirement to deliver ever more savings, Full Council approved the creation of a Budget Resilience Reserve to be used to mitigate any in-year overspend or delay in implementation of agreed savings. This reserve will predominately underpin our demand led priorities (Priority 1 & Priority 2) who account for the majority of the £9.2m (45%) unachieved 17/18 savings carrying forward into the new year.

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. Our emerging Borough Plan will clearly restate our priorities for the coming 3 to 4 years

The strategic application of the flexible use of capital receipts and the maintenance of a transformation reserve will help us to fund one-off investment to deliver the sustained revenue savings built into our MTFS. Our 10 year capital strategy, a mix of regeneration growth and asset availability, will also underpin delivery of savings.

KEY STRATEGIC RISKS FOR 2018/19

The Annual Governance Statement (AGS) that is incorporated into the SoA includes the key Corporate Risks and governance issues that have been identified during 2017/18 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 2018/19, as will the identification of any new emerging risks or issues.

EXPLANATION OF THE KEY ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2018. It comprises core and supplementary statements together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which in turn is underpinned by International Reporting Standards.

The Core Statements comprise:

- The ***Comprehensive Income and Expenditure Statement*** – this records all the Council's income and expenditure for the year. The top half of the statement shows the cost of providing services, analysed across the Council's priorities. The bottom half of the statement deals with corporate transactions and funding.
- The ***Movement in Reserves Statement*** is a summary of the changes in the Council's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable', which must be set aside for specific purposes.
- The ***Balance Sheet*** is a snapshot of the Council's assets, liabilities, cash balances and reserves at the yearend date

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

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

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

The **Supplementary Financial Statements** comprise:

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

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

INDEPENDENT EXTERNAL AUDITOR'S REPORT

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

[TO BE INSERTED AT END OF AUDIT]

INDEPENDENT EXTERNAL AUDITOR'S REPORT

INDEPENDENT EXTERNAL AUDITOR'S REPORT

STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

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

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the 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 2018 and its income and expenditure for the year then ended.

A handwritten signature in black ink, appearing to be 'Jon Warlow', written on a light background.

Jon Warlow
Interim Chief Financial Officer (£151)

31 May 2018

EXPENDITURE AND FUNDING ANALYSIS

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

| Single Entity | 2017/18 | | | 2016/17 | | |
|--|--|---|-----------------------------|--|---|-----------------------------|
| | Income and Expenditure chargeable to GF and HRA balances | Adjustments between funding and accounting basis (Note 5) | Net expenditure in the CIES | Income and Expenditure chargeable to GF and HRA balances | Adjustments between funding and accounting basis (Note 5) | Net expenditure in the CIES |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | |
| Priority 1 - Childrens | 65,232 | 8,631 | 73,863 | 72,148 | 8,886 | 81,034 |
| Priority 2 - Adults | 83,960 | 5,086 | 89,046 | 96,375 | (502) | 95,873 |
| Priority 3 - Safe and Sustainable Places | 24,714 | 10,324 | 35,038 | 30,029 | 11,024 | 41,053 |
| Priority 4 - Growth and Employment | 11,231 | 13,024 | 24,255 | 7,939 | 3,689 | 11,628 |
| Priority 5 - Homes and Communities (GF) | 16,227 | (290) | 15,937 | 22,906 | 93 | 22,999 |
| Priority 5 - Homes and Communities (HRA) | (31,096) | 64,970 | 33,874 | (33,933) | (22,908) | (56,841) |
| Priority X - Enabling | (5,448) | 14,605 | 9,157 | (1,079) | 17,030 | 15,951 |
| Net Cost of Services | 164,820 | 116,350 | 281,170 | 194,385 | 17,312 | 211,697 |
| Other income and expenditure | (179,654) | (10,147) | (189,801) | (171,173) | (46,625) | (217,798) |
| (Surplus) or Deficit on Provision of Services | (14,834) | 106,203 | 91,369 | 23,212 | (29,313) | (6,101) |
| Opening General Fund and HRA Balance | (108,852) | | | (132,064) | | |
| Less/Plus deficit/(surplus) on General Fund and HRA balance in year (see Movement in Reserves Statement) | (14,834) | | | 23,212 | | |
| Closing General Fund and HRA Balance | (123,686) | | | (108,852) | | |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| Single Entity | 2017/18 | | | 2016/17 (Restated) | | |
|--|-------------------|------------------|-----------------|--------------------|------------------|-----------------|
| | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Priority 1 - Childrens | 310,173 | (236,310) | 73,863 | 307,822 | (226,788) | 81,034 |
| Priority 2 - Adults | 119,855 | (30,809) | 89,046 | 122,592 | (26,719) | 95,873 |
| Priority 3 - Safe and Sustainable Places | 77,198 | (42,160) | 35,038 | 78,138 | (37,085) | 41,053 |
| Priority 4 - Growth and Employment | 34,864 | (10,609) | 24,255 | 21,594 | (9,967) | 11,628 |
| Priority 5 - Homes and Communities (GF) | 61,867 | (45,930) | 15,937 | 61,432 | (38,433) | 22,999 |
| Priority 5 - Homes and Communities (HRA) | 143,381 | (109,507) | 33,874 | 54,617 | (111,458) | (56,841) |
| Priority X - Enabling | 314,607 | (305,450) | 9,157 | 340,669 | (324,718) | 15,951 |
| Cost of Continuing Services | 1,061,945 | (780,775) | 281,170 | 986,864 | (775,167) | 211,697 |
| Other operating expenditure (Note 6) | 34,064 | (20,385) | 13,679 | 35,479 | (25,923) | 9,556 |
| Financing and investment income and expenditure (Note 7) | 40,088 | (7,587) | 32,501 | 37,079 | (8,766) | 28,313 |
| Taxation and Non-Specific Grant Income (Note 8) | 0 | (235,981) | (235,981) | 0 | (255,667) | (255,667) |
| (Surplus) or Deficit on Provision of Services | | | 91,369 | | | (6,101) |
| (Surplus) or deficit on revaluation of property, plant and equipment (Note 19) | | | (14,127) | | | (105,829) |
| Remeasurement of net defined benefit liability (Note 19) | | | (38,423) | | | 43,660 |
| Other Comprehensive Income and Expenditure | | | (52,550) | | | (62,169) |
| Total Comprehensive Income and Expenditure | | | 38,819 | | | (68,270) |

Note: 2016/17 has been restated to reflect the Council performance was reported on a priority basis in 2017/18.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| Group Accounts | 2017/18 | | | 2016/17 (Restated) | | |
|--|----------------------|------------------|--------------------|----------------------|------------------|--------------------|
| | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Priority 1 - Childrens | 310,173 | (236,310) | 73,863 | 307,822 | (226,788) | 81,034 |
| Priority 2 - Adults | 119,855 | (30,809) | 89,046 | 122,592 | (26,719) | 95,873 |
| Priority 3 - Safe and Sustainable Places | 77,198 | (42,160) | 35,038 | 78,138 | (37,085) | 41,053 |
| Priority 4 - Growth and Employment | 47,891 | (24,884) | 23,007 | 34,987 | (21,521) | 13,467 |
| Priority 5 - Homes and Communities (GF) | 61,867 | (45,930) | 15,937 | 61,432 | (38,433) | 22,999 |
| Priority 5 - Homes and Communities (HRA) | 138,371 | (101,637) | 36,734 | 47,351 | (103,687) | (56,336) |
| Priority X - Enabling | 314,607 | (305,450) | 9,157 | 340,669 | (324,718) | 15,951 |
| Cost of Continuing Services | 1,069,962 | (787,180) | 282,782 | 992,991 | (778,950) | 214,041 |
| Other operating expenditure | 34,064 | (20,385) | 13,679 | 35,479 | (26,013) | 9,466 |
| Financing and investment income and expenditure | 40,119 | (7,587) | 32,532 | 37,872 | (8,766) | 29,106 |
| Taxation and Non-Specific Grant Income | | (235,981) | (235,981) | 0 | (255,667) | (255,667) |
| Surplus on Provision of Services | | | 93,012 | | | (3,054) |
| Surplus on revaluation of property, plant and equipment | | | (18,465) | | | (112,153) |
| Remeasurement of net defined benefit liability (Note 38) | | | (42,931) | | | 19,642 |
| Other Comprehensive Income and Expenditure | | | (61,396) | | | (92,511) |
| Total Comprehensive Income and Expenditure | | | 31,616 | | | (95,565) |

Note: 2016/17 has been restated to reflect the Council's performance was reported on a priority basis in 2017/18.

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 |
|--|----------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|--|------------------------|----------------------------------|
| 2017/18 | | | | | | | | | | |
| Balance as at 31/03/2017 | (72,343) | (36,509) | (33,662) | (24,078) | (761) | (167,353) | (1,037,025) | (1,204,378) | (101,704) | (1,306,082) |
| <u>Movement in reserves during 2017/18</u> | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 68,090 | 23,279 | 0 | 0 | 0 | 91,369 | (52,550) | 38,819 | (7,203) | 31,616 |
| Adjustments between accounting basis & funding basis under regulations (note 9) | (81,241) | (24,962) | (4,031) | (5,966) | 532 | (115,668) | 115,668 | 0 | 0 | 0 |
| (Increase) / Decrease in 2017/18 | (13,151) | (1,683) | (4,031) | (5,966) | 532 | (24,299) | 63,118 | 38,819 | (7,203) | 31,616 |
| Balance as at 31/03/2018 carried forward | (85,494) | (38,192) | (37,693) | (30,044) | (229) | (191,652) | (973,907) | (1,165,559) | (108,907) | (1,274,466) |
| 2016/17 | | | | | | | | | | |
| Balance as at 31/03/2016 | (86,737) | (45,327) | (26,354) | (21,244) | (5,081) | (184,743) | (951,365) | (1,136,108) | (74,409) | (1,210,517) |
| <u>Movement in reserves during 2016/17</u> | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 65,095 | (71,196) | 0 | 0 | 0 | (6,101) | (62,169) | (68,270) | (27,295) | (95,565) |
| Adjustments between accounting basis & funding basis under regulations (note 9) | (50,701) | 80,014 | (7,308) | (2,834) | 4,320 | 23,491 | (23,491) | 0 | 0 | 0 |
| (Increase) / Decrease in 2016/17 | 14,394 | 8,818 | (7,308) | (2,834) | 4,320 | 17,390 | (85,660) | (68,270) | (27,295) | (95,565) |
| Balance as at 31/03/2017 carried forward | (72,343) | (36,509) | (33,662) | (24,078) | (761) | (167,353) | (1,037,025) | (1,204,378) | (101,704) | (1,306,082) |

BALANCE SHEET

| | Notes | Single Entity | | Group Accounts | |
|--------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
| | | 31 March 2018 | 31 March 2017 | 31 March 2018 | 31 March 2017 |
| | | £'000 | £'000 | £'000 | £'000 |
| Property, Plant and Equipment | 11,36 | 2,073,893 | 2,121,198 | 2,175,543 | 2,205,307 |
| Heritage Assets | | 6,110 | 6,105 | 6,110 | 6,105 |
| Investment Property | 12 | 66,865 | 70,163 | 66,865 | 70,163 |
| Intangible Assets | | 5,713 | 6,821 | 5,713 | 6,821 |
| Long-term Debtors | 15 | 8,881 | 10,895 | 4,781 | 6,592 |
| Long Term Assets | | 2,161,462 | 2,215,182 | 2,259,012 | 2,294,988 |
| Assets Held for Sale | | 3,070 | 3,965 | 3,070 | 3,965 |
| Short-term Investments | 13 | 10,013 | 0 | 10,013 | 0 |
| Inventories | | 490 | 312 | 1,340 | 810 |
| Short-term Debtors | 15 | 80,821 | 77,425 | 90,769 | 88,852 |
| Cash and Cash Equivalents | 16 | 40,389 | 28,696 | 50,344 | 36,558 |
| Current Assets | | 134,783 | 110,398 | 155,536 | 130,185 |
| Short-term borrowing | 13 | (73,834) | (93,801) | (73,834) | (93,801) |
| Short-term Creditors | 17 | (123,639) | (118,606) | (134,021) | (116,247) |
| Grants Receipts in Advance - Revenue | 28 | (2,891) | (3,347) | (2,891) | (3,347) |
| Grants Receipts in Advance - Capital | 28 | (2,272) | (1,276) | (2,272) | (1,276) |
| Provisions | 18 | (2,299) | (6,921) | (2,299) | (6,921) |
| Current Liabilities | | (204,935) | (223,951) | (215,317) | (221,592) |
| Long-term Creditors | 17 | (1,445) | (1,364) | (1,758) | (1,417) |
| Provisions | 18 | (6,973) | (2,600) | (7,340) | (2,930) |
| Long-term Borrowing | 13 | (299,000) | (260,654) | (299,000) | (260,654) |
| Other Long-term Liabilities | 31-34 | (611,399) | (625,374) | (609,733) | (625,239) |
| Grants Receipts in Advance - Capital | 29 | (6,934) | (7,259) | (6,934) | (7,259) |
| Long-term Liabilities | | (925,751) | (897,251) | (924,765) | (897,499) |
| Net Assets | | 1,165,559 | 1,204,378 | 1,274,466 | 1,306,082 |
| Usable Reserves | | (191,652) | (167,353) | (212,149) | (173,664) |
| Unusable Reserves | 19 | (973,907) | (1,037,025) | (1,062,317) | (1,132,418) |
| Total Reserves | | (1,165,559) | (1,204,378) | (1,274,466) | (1,306,082) |

CASH FLOW STATEMENT

| | | Single Entity | | Group Accounts | |
|---|------|------------------|------------------|------------------|------------------|
| | Note | 2017/18 £'000 | 2016/17 £'000 | 2017/18 £'000 | 2016/17 £'000 |
| Net surplus or (deficit) on the provision of services | | (91,369) | 6,101 | (93,012) | 3,054 |
| Adjustments to net surplus or (deficit) on the provision of services for non-cash movements | 20 | 162,487 | 32,319 | 180,125 | 47,879 |
| Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities | 20 | (40,097) | (52,951) | (40,066) | (52,158) |
| Net cash flows from Operating Activities | | 31,021 | (14,531) | 47,047 | (1,225) |
| Investing Activities | 21 | (36,199) | (34,312) | (49,934) | (39,393) |
| Financing Activities | 22 | 16,871 | 42,821 | 16,673 | 45,196 |
| Net increase or (decrease) in cash and cash equivalents | | 11,693 | (6,022) | 13,786 | 4,578 |
| Cash and cash equivalents at the beginning of the reporting period | | 28,696 | 34,718 | 36,558 | 31,980 |
| Cash and cash equivalents at the end of the reporting period | | 40,389 | 28,696 | 50,344 | 36,558 |

NOTES TO THE STATEMENTS

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS).

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

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service

- potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Accrual de-minimis 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

NOTES TO THE STATEMENTS

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 has been carried out as part of the 2017/18 closure process.

Termination Benefits

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

NOTES TO THE STATEMENTS

recognises costs for a restructuring.

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

Post Employment Benefits

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

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

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

i. The Local Government Pension Scheme

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

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

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

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years

NOTES TO THE STATEMENTS

of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES

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

Re-measurements comprising:

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

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

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

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

ii. Teachers' Pension Scheme

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make

NOTES TO THE STATEMENTS

the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.6 Events after the Balance Sheet Date

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

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

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

1.7 Fair Value Measurement

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

NOTES TO THE STATEMENTS

- Level 3 – unobservable inputs for the asset or liability.

1.8 Financial Instruments

Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the CIES regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was

repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MiRS.

Financial Assets

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

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

1.9 Government Grants and Contributions

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

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

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

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

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

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

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

1.10 Interests in companies and other entities

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

1.11 Investment Property

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

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

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

1.12 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not

NOTES TO THE STATEMENTS

have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as lessee

i. Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise Council Tax to cover depreciation

or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MiRS for the difference between the two.

ii. Operating Leases

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

The Council as lessor

i. Finance Leases

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

NOTES TO THE STATEMENTS

between:

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

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

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

ii. Operating Leases

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

1.13 Overheads and Support Services

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

1.14 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

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- 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

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recognised for the shortfall. Where impairment losses are identified, the accounting treatment applied is outlined above.

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

Depreciation

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

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

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

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

Depreciation is calculated on the current value of an asset. Where this valuation is above the historic cost, the difference between depreciation as calculated on current value and that calculated on

historic cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation of valuations

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

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

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

Disposals and non-current assets held for sale

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

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

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

Schools

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

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All locally maintained schools (i.e. community, foundation, voluntary controlled, community 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.

1.15 Provisions, Contingent Liabilities and Contingent Assets

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

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

When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be

NOTES TO THE STATEMENTS

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.

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

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

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

Exceptional items are material amounts of income or expenditure, which occur infrequently in the course of the council's normal business and are not expected to arise at regular intervals. Should an exceptional item occur and are deemed material, their nature and amount will be disclosed separately, either on the face of the CIES or in a note depending on how significant the items are to an

understanding of the Council's financial performance.

1.16 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.

1.17 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

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be being capitalised based on a capitalisation order from the Government.

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

1.18 Revenue recognition

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

Council tax and business rate income included in the 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, and landlords are expected to move the actual rent of a property to this formula rent, over time.

1.19 Service Concession Arrangements

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

- a) 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
- 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).

1.20 VAT

VAT payable is included as an expense only to the extent that it is

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not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1a 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. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS Revenue from Contracts with Customers

The Code requires implementation from 01 April 2018 and currently neither standard is expected to have a material impact on the 2018/19 Statement of Accounts.

2. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. In particular, there is a high degree of uncertainty regarding future levels of funding for local government and the impact of the decision for Britain to leave the

European Union remain unclear. However, the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close facilities.

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 2018 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 to arrive at the notional 'Highest and Best use value' for the asset either as a stand-alone asset or in combination with other

NOTES TO THE STATEMENTS

assets within the principal market whilst ensuring that any alternative use is physically, legally and financially possible. This has been achieved, for these purposes, by comparing the 'current use' of the asset to the notional 'alternative use' based on potential redevelopment on a land value basis for the site.

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

In respect of specialised properties, the valuers have adopted the depreciated replacement cost method of valuation to assess current value in existing use. The valuers have provided these valuations in accordance with the Red Book under; UKVS 1.16 in addition to UKGN 2, DRC method of valuation for financial reporting.

Broadly it has been assumed for each valuation, that there are no encumbrances to title, buildings are in a 'fair' condition, building services are in working order, there are no planning or statutory constraints, there is no contamination or hazardous substances, and there are no environmental or sustainability factors that may affect the property's value

Pension Fund Liability

During 2017/18, the Council's actuaries advised that the net pension liability had decreased by £11.074m as a result of estimates being revised and the updating of the assumptions. The liability held on the balance sheet is subject to actuarial estimation; some of the detail behind the estimates used by the actuary is shown in notes 35 and 36.

4. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 31 May 2018. There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

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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

| | 2017/18 | | | | 2016/17 | | | |
|--|---|---|---|------------------------------|---|---|---|------------------------------|
| | Adjustments for Capital Purposes (Note 1) £'000 | Net change for Pensions Adjustments (Note 2) £'000 | Other Differences (Note 3) £'000 | Total Adjustment £'000 | Adjustments for Capital Purposes (Note 1) £'000 | Net change for Pensions Adjustments (Note 2) £'000 | Other Differences (Note 3) £'000 | Total Adjustment £'000 |
| Priority 1 - Childrens | 1,487 | 7,144 | 0 | 8,631 | 8,886 | 0 | 0 | 8,886 |
| Priority 2 - Adults | 3,695 | 1,391 | 0 | 5,086 | (502) | 0 | 0 | (502) |
| Priority 3 - Safe and Sustainable Places | 9,102 | 1,222 | 0 | 10,324 | 11,024 | 0 | 0 | 11,024 |
| Priority 4 - Growth and Employment | 12,797 | 849 | (622) | 13,024 | 303 | 0 | 3,386 | 3,689 |
| Priority 5 - Homes and Communities | (391) | 101 | 0 | (290) | 93 | 0 | 0 | 93 |
| Priority 5 - Homes and Communities (HR | 64,769 | 201 | 0 | 64,970 | (22,908) | 0 | 0 | (22,908) |
| Priority X - Enabling | 12,917 | 1,688 | 0 | 14,605 | 20,046 | (3,016) | 0 | 17,030 |
| Net Cost of Services | 104,376 | 12,596 | (622) | 116,350 | 16,942 | (3,016) | 3,386 | 17,312 |
| Other income and expenditure | (28,407) | 14,753 | 3,507 | (10,147) | (61,358) | 18,459 | (3,726) | (46,625) |
| Difference between General Fund surplus or deficit and the CIES surplus or deficit on the provision of services | 75,969 | 27,349 | 2,885 | 106,203 | (44,416) | 15,443 | (340) | (29,313) |

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Note 1 - Adjustments for capital purposes

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

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

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

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

Note 2 – Net Change for the Pension Adjustments

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

For services, this represents the removal of the employer contributions made by the authority as allowed by statute and the

replacement with current service costs and past service costs.

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

Note 3 – Other Differences

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

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

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

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b) Cost of Service – Income by Nature

| | 2017/18 | | | 2016/17 | | |
|--|--|--|------------------|--|--|------------------|
| | Fees, charges & other income £000 | Government Grants & Other Income £000 | Total £000 | Fees, charges & other income £000 | Government Grants & Other Income £000 | Total £000 |
| Priority 1 - Childrens | (18,666) | (217,644) | (236,310) | (12,563) | (214,225) | (226,788) |
| Priority 2 - Adults | (9,126) | (21,683) | (30,809) | (9,497) | (17,222) | (26,719) |
| Priority 3 - Safe and Sustainable Places | (39,866) | (2,294) | (42,160) | (34,529) | (2,556) | (37,085) |
| Priority 4 - Growth and Employment | (7,087) | (3,522) | (10,609) | (5,675) | (4,292) | (9,967) |
| Priority 5 - Homes and Communities | (36,633) | (9,297) | (45,930) | (38,433) | - | (38,433) |
| Priority 5 - Homes and Communities (HRA) | (109,507) | - | (109,507) | (111,458) | - | (111,458) |
| Priority X - Enabling | (17,611) | (287,839) | (305,450) | (29,526) | (295,192) | (324,718) |
| Cost of services | (238,496) | (542,279) | (780,775) | (241,681) | (533,487) | (775,168) |

c) Cost of Service - Expenditure by Nature

| | 2017/18 | | | | 2016/17 | | | |
|--|--|--|--|------------------|--|--|--|----------------|
| | Employee benefits expenses £000 | Depreciation amortisation impairment £000 | Other expenses (net of recharges) £000 | Total £000 | Employee benefits expenses £000 | Depreciation amortisation impairment £000 | Other expenses (net of recharges) £000 | Total £000 |
| Priority 1 - Childrens | 189,883 | 1,439 | 118,851 | 310,173 | 196,448 | 8,279 | 103,094 | 307,821 |
| Priority 2 - Adults | 17,801 | 770 | 101,283 | 119,855 | 21,746 | 326 | 100,520 | 122,592 |
| Priority 3 - Safe and Sustainable Places | 15,849 | 9,102 | 52,247 | 77,198 | 16,631 | 11,024 | 50,483 | 78,138 |
| Priority 4 - Growth and Employment | 11,441 | 4,800 | 18,623 | 34,864 | 11,026 | 67 | 10,501 | 21,594 |
| Priority 5 - Homes and Communities | 1,455 | (391) | 60,803 | 61,867 | 912 | 93 | 60,427 | 61,432 |
| Priority 5 - Homes and Communities (HRA) | 1,302 | 80,224 | 61,855 | 143,381 | 1,728 | (12,937) | 65,826 | 54,617 |
| Priority X - Enabling | 38,246 | 10,206 | 266,155 | 314,607 | 47,023 | 12,242 | 281,404 | 340,669 |
| Total | 275,977 | 106,150 | 679,818 | 1,061,945 | 295,514 | 19,094 | 672,255 | 986,863 |

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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:

| | 2017/18 | 2016/17 |
|--|---------------|--------------|
| | £'000 | £'000 |
| Levies - North London Waste Authority (NLWA) | 7,875 | 6,871 |
| Levies - Others | 641 | 637 |
| Payments to Govt. Housing Capital Receipts Pool | 2,599 | 11,839 |
| Losses / (gains) on disposal of non-current assets | 2,564 | (9,791) |
| | 13,679 | 9,556 |

7. Financing and investment income and expenditure

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

| | 2017/18 | 2016/17 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Interest payable and similar charges | 16,541 | 17,173 |
| Net interest on the net defined benefit liability | 14,846 | 18,459 |
| Interest receivable and similar income | (438) | (360) |
| Income from investment properties | (484) | (7,308) |
| Other investment income and expenditure | 2,037 | 349 |
| | 32,502 | 28,313 |

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:

| | £'000 | £'000 |
|----------------------------------|------------------|------------------|
| Council tax income | (97,735) | (93,393) |
| Non domestic rates | (75,596) | (75,672) |
| Non-ringfenced government grants | (48,466) | (62,544) |
| Capital grants and contributions | (14,184) | (24,058) |
| | (235,981) | (255,667) |

The decrease in non-ring fenced government grants is primarily due to less Revenue Support Grant being received from central government in 2017/18.

The non-domestic rates income under the Governments business rates retention arrangement consists of £21.047m (£20.452m in 2016/17) collected locally and a 'top-up' of £54.549m (£55.220m in 2016/17), 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 the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

General Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Capital Receipts Reserve (CRR)

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

Capital Grants Unapplied Reserve (CGUR)

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

Major Repairs Reserve (MRR)

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

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| Movement during 2017/18 | Usable Reserves | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | General | Housing | Capital | Major | Capital |
| | Fund | Revenue | Receipts | Repairs | Grants |
| | Balance | Account | Reserve | Reserve | Unapplied |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements | | | | | |
| - Pensions costs (transferred to / from the Pensions Reserve) | (27,256) | (93) | 0 | 0 | 0 |
| - Financial instruments (transferred to the Financial Instruments Adjustments Account) | 205 | (28) | 0 | 0 | 0 |
| - Council Tax and NDR (transfers to or from the Collection Fund) | (3,649) | 0 | 0 | 0 | 0 |
| - Holiday pay (transferred to the Accumulated Absence Reserve) | 622 | 0 | 0 | 0 | 0 |
| - Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account) | (56,752) | (77,131) | 0 | 0 | (17,712) |
| Total Adjustments to Revenue Resources | (86,831) | (77,251) | 0 | 0 | (17,712) |
| Adjustments between Revenue and Capital Resources | | | | | |
| - Transfer of non-current asset sale proceeds from revenue to the CRR | 5,705 | 14,681 | (20,385) | 0 | 0 |
| - Administrative costs of non-current asset disposals (funded by contribution from the CRR) | (310) | (257) | 566 | 0 | 0 |
| - Payments to the government housing receipts pool (funded by a transfer from the CRR) | (2,599) | 0 | 2,599 | 0 | 0 |
| - Posting of HRA resources from revenue to the MRR | 0 | 15,468 | 0 | (15,468) | 0 |
| - Statutory provision for the repayment of debt (transfer from the CAA) | 2,793 | 0 | 0 | 0 | 0 |
| - Capital expenditure financed from revenue balances (transfer to the CAA) | 0 | 22,397 | 0 | 0 | 0 |
| Total Adjustments between Revenue and Capital Resources | 5,589 | 52,290 | (17,220) | (15,468) | 0 |
| Adjustments to Capital Resources | | | | | |
| - Use of the CRR to finance capital expenditure | 0 | 0 | 13,357 | 0 | 0 |
| - Use of the MRR to finance capital expenditure | 0 | 0 | 0 | 16,000 | 0 |
| - Application of capital grants to finance capital expenditure | 0 | 0 | 0 | 0 | 11,746 |
| - Cash payments in relation to deferred capital receipts | 0 | 0 | (169) | 0 | 0 |
| Total Adjustments between Revenue and Capital Resources | 0 | 0 | 13,189 | 16,000 | 11,746 |
| Total Adjustments | (81,241) | (24,962) | (4,031) | 532 | (5,966) |

NOTES TO THE STATEMENTS

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

NOTES TO THE STATEMENTS

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 2017/18.

| | Note | Balance at 31/03/16 | Transfer In 2016/17 | Transfer Out 2016/17 | Balance at 31/03/17 | Transfer In 2017/18 | Transfer Out 2017/18 | Balance at 31/03/18 |
|--|------|------------------------|------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund Reserve | i | (19,998) | (13,000) | 17,101 | (15,897) | 0 | 404 | (15,493) |
| General Fund earmarked reserves: | | | | | | | | |
| Schools reserve | ii | (10,751) | (117) | 2,992 | (7,876) | 0 | 169 | (7,707) |
| Transformation reserve | iii | (7,767) | (7,900) | 5,328 | (10,339) | (584) | 2,848 | (8,075) |
| Services reserve | iv | (5,552) | (5,064) | 2,303 | (8,313) | (4,335) | 4,442 | (8,206) |
| PFI lifecycle reserve | v | (9,772) | (1,059) | 1,815 | (9,016) | (1,408) | 660 | (9,764) |
| Debt repayment reserve | vi | (5,258) | (1,394) | 1,549 | (5,103) | (1,404) | 1,094 | (5,413) |
| Insurance reserve | vii | (10,004) | (778) | 5,919 | (4,862) | (1,769) | 1,470 | (5,161) |
| Unspent grants reserve | viii | (3,793) | (543) | 823 | (3,513) | (5,700) | 722 | (8,491) |
| Community infrastructure reserve | ix | (3,000) | 0 | 0 | (3,000) | 0 | 0 | (3,000) |
| Labour market growth resilience reserve | x | (1,789) | (688) | 898 | (1,578) | (465) | 788 | (1,255) |
| Financing reserve | xi | (5,810) | (3,070) | 8,000 | (880) | (6,544) | 1,133 | (6,291) |
| IT infrastructure reserve | xii | (998) | 0 | 160 | (838) | 0 | 0 | (838) |
| Resilience reserve | xiii | 0 | 0 | 0 | 0 | (5,074) | 0 | (5,074) |
| Other reserves | xiv | (2,245) | 0 | 1,119 | (1,126) | | 400 | (726) |
| GF earmarked reserves: | | (66,739) | (20,613) | 30,906 | (56,446) | (27,283) | 13,726 | (70,001) |
| Total General Fund Usable Reserves | | (86,737) | (33,613) | 48,007 | (72,343) | (27,283) | 14,130 | (85,494) |
| Housing Revenue Account | | (39,319) | 0 | 9,779 | (29,540) | (2,298) | 1,286 | (30,552) |
| Housing Revenue Account earmarked Reserves: | | | | | | | | |
| HRA Smoothing reserve | | (6,008) | (331) | 0 | (6,339) | 0 | 0 | (6,339) |
| Homes for Haringey | | 0 | (629) | 0 | (629) | (672) | 0 | (1,301) |
| HRA earmarked reserves | | (6,008) | (960) | 0 | (6,968) | (672) | 0 | (7,640) |
| Total HRA Usable Reserves | | (45,327) | (960) | 9,779 | (36,508) | (2,970) | 1,286 | (38,192) |

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

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

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

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

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

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

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

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

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

xi. The financing reserve is a key tool for managing the impact of financial plans from one year to another. This reserve requires balances to be at different levels year to year depending on the demand as identified through previous and current budget plans. This includes a recognition at the close of 2017/18 of the risks associated with funding the Transformation programmes in 2018/19.

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

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

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

NOTES TO THE STATEMENTS

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 2017 | 1,369,698 | 580,032 | 240,948 | 18,942 | 19,303 | 5,578 | 9,924 | 2,244,425 | 119,470 |
| Additions | 39,766 | 15,253 | 9,712 | 112 | 786 | 1,165 | 15 | 66,811 | 727 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | (84,460) | 7,761 | 0 | 0 | 0 | 0 | 1,531 | (75,167) | 11,327 |
| Revaluation increases / (decreases) recognised in SDPOS | 31,282 | 6,833 | 0 | 0 | 0 | 0 | (2,827) | 35,288 | 2,101 |
| Derecognition - disposals | (6,181) | (15,536) | 0 | (499) | 0 | 0 | (2,071) | (24,287) | |
| Reclassifications and transfers | 0 | (385) | 0 | 0 | 0 | 0 | 0 | (385) | |
| Other movements in cost or valuation | (234) | 3,429 | 0 | 0 | 0 | (946) | (2,250) | 0 | |
| At 31 March 2018 | 1,349,872 | 597,388 | 250,661 | 18,556 | 20,089 | 5,798 | 4,322 | 2,246,685 | 133,624 |
| Accumulated Depreciation at 1 April 2017 | 2 | (24,180) | (85,868) | (11,614) | (650) | 0 | (917) | (123,227) | (2,667) |
| Depreciation charge | (15,301) | (11,078) | (8,891) | (2,060) | 0 | 0 | (0) | (37,330) | (2,355) |
| Accumulated Depreciation written out | 12,516 | 18,958 | 0 | 0 | 0 | 0 | 29 | 31,503 | 4,268 |
| Accumulated Impairment WO to GCA | | 14,832 | 0 | 0 | 0 | 0 | 109 | 14,942 | 384 |
| Impairment (losses)/reversals recognised in the Revaluation Reserve | (2,870) | (2,149) | 0 | 0 | 0 | 0 | 0 | (5,019) | (122) |
| Impairment (losses)/reversals recognised in surplus/deficit on the provision of services | (48,776) | (1,893) | 0 | (112) | (786) | (3,239) | 0 | (54,807) | 0 |
| Derecognition - disposals | 13 | 538 | 0 | 499 | 0 | 0 | 0 | 1,050 | 0 |
| Reclassifications and transfers | 0 | 97 | 0 | 0 | 0 | 0 | 0 | 97 | 0 |
| Other movements in depreciation & impairment | 0 | (778) | 0 | 0 | 0 | 0 | 778 | 0 | 0 |
| At 31 March 2018 | (54,416) | (5,654) | (94,759) | (13,288) | (1,437) | (3,239) | 0 | (172,792) | (492) |
| Net Book Value at 31 March 2018 | 1,295,456 | 591,735 | 155,902 | 5,268 | 18,652 | 2,559 | 4,322 | 2,073,893 | 133,132 |

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| | Council Dwellings | Other Land and Buildings | Infrastructure Assets | Vehicles, Plant, Furniture and Equipment | Community Assets | Assets Under Construction | Surplus Assets | Total Property, Plant and Equipment | PFI Assets included in Property, Plant and Equipment |
|--|-------------------|--------------------------|-----------------------|--|------------------|---------------------------|----------------|-------------------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation at 1 April 2016 | 1,217,162 | 546,188 | 228,588 | 18,188 | 18,652 | 3,926 | 11,977 | 2,044,681 | 130,338 |
| Additions | 54,331 | 22,451 | 12,360 | 1,443 | 651 | 1,985 | 881 | 94,102 | 420 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 82,823 | 13,845 | 0 | 0 | 0 | 0 | (83) | 96,585 | 2,253 |
| Revaluation increases / (decreases) recognised in SDPOS | 27,115 | 1,224 | 0 | 0 | 0 | 0 | (1,350) | 26,989 | 592 |
| Derecognition - disposals | (11,896) | (3,108) | 0 | (689) | 0 | 0 | 0 | (15,693) | 0 |
| Reclassifications and transfers | 0 | (263) | 0 | 0 | 0 | 0 | (2,139) | (2,402) | 0 |
| Other movements in cost or valuation | 161 | (305) | 0 | 0 | 0 | (333) | 638 | 161 | 0 |
| At 31 March 2017 | 1,369,696 | 580,032 | 240,948 | 18,942 | 19,303 | 5,578 | 9,924 | 2,244,423 | 133,603 |
| Accumulated Depreciation at 1 April 2016 | 0 | (775) | (77,794) | (9,282) | 0 | 0 | (18) | (87,869) | 0 |
| Depreciation charge | (14,807) | (11,018) | (8,074) | (2,752) | 0 | 0 | (18) | (36,669) | (2,586) |
| Accumulated Depreciation written out | 14,809 | 1,744 | 0 | 0 | 0 | 0 | 18 | 16,571 | 49 |
| Impairment (losses)/reversals recognised in the Revaluation Reserve | 0 | (7,034) | 0 | 0 | (4) | 0 | 0 | (7,038) | (311) |
| Impairment (losses)/reversals recognised in surplus/deficit on the provision of services | 0 | (7,148) | 0 | 0 | (647) | 0 | (888) | (8,683) | (109) |
| Derecognition - disposals | 0 | 45 | 0 | 419 | 0 | 0 | 0 | 464 | 0 |
| Other movements in depreciation & impairment | 0 | 10 | 0 | 0 | 0 | 0 | (11) | (1) | 0 |
| At 31 March 2017 | 2 | (24,176) | (85,868) | (11,615) | (651) | 0 | (917) | (123,225) | (2,957) |
| Net Book Value at 31 March 2017 | 1,369,698 | 555,856 | 155,080 | 7,327 | 18,652 | 5,578 | 9,007 | 2,121,198 | 130,646 |

The above note includes the figures from Single Entity only. Group Entity Property, Plant and Equipment assets total £103.0m as at 31 March 2018 (£84.1m as at 31 March 2017). Further details are at Note 38.

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Since 2012/13 the Council has instructed external valuers Wilks, Head & Eve (an independent partnership of Chartered Surveyors and Town Planners) to carry out full valuations each year and a desktop valuation as at 31 March on the whole of the Council's property portfolio. The full valuation for 2017/18 was performed as at 31 January 2018. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

Capital commitments

At 31 March 2018, the Council has entered into several contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years, budgeted to cost £10 million (£49 million as at 31 March 2017). The major commitments at 31 March 2018 were:

- Decent Homes Programme – £6.3 million
- HRA Mechanical and electrical works - £1.9 million
- HRA Lift renewals - £1.3 million

12. Investment properties

The fair value for investment properties has been based on the market approach using current market conditions and recent sales

prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

The values at 31 March are analysed as follows.

| | 31/03/18 | 31/03/17 |
|---------------------------|---------------|---------------|
| | £'000 | £'000 |
| Office units | 2,476 | 4,447 |
| Commercial units | 44,010 | 46,095 |
| Land | 10,837 | 14,836 |
| Other investment property | 9,542 | 4,785 |
| Total | 66,865 | 70,163 |

There were no transfers between any of the three levels during 2017/18 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.

| | 2017/18 | 2016/17 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Rental income from investment property | (7,408) | (7,837) |
| Direct operating expenses arising from investment property | 2,768 | 2,928 |
| Net (gain) / loss | (4,640) | (4,909) |

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

NOTES TO THE STATEMENTS

income and the proceeds of disposal.

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

| | 2017/18 | 2016/17 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Balance at start of the year | 70,163 | 65,403 |
| Additions - Purchases | 115 | 3,374 |
| Disposals | (237) | (411) |
| Net gain / (losses) from FV adjustments | (4,156) | 1,797 |
| Transfer from AHFS & PPE | 980 | 0 |
| Balance at the end of the year | 66,865 | 70,163 |

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

13. Financial instruments

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

Financial liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to

exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

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

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

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

| | Long Term | | Short Term | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 31/03/18 | 31/03/17 | 31/03/18 | 31/03/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial liabilities: | | | | |
| Loans at amortised cost | | | | |
| - principal sum borrowed | (299,000) | (260,654) | (69,619) | (89,665) |
| - accrued interest | 0 | 0 | (4,216) | (4,136) |
| Total borrowing | (299,000) | (260,654) | (73,835) | (93,801) |
| - PFI liabilities | (22,013) | (24,811) | 0 | 0 |
| - finance lease liabilities | (11,981) | (12,222) | 0 | 0 |
| Total Other LT Liabilities | (33,994) | (37,033) | 0 | 0 |
| Liabilities at amortised cost | | | | |
| - trade payables | (1,445) | (1,364) | (54,173) | (62,669) |
| - PFI liabilities | 0 | 0 | (2,798) | (2,662) |
| - finance lease liabilities | 0 | 0 | (942) | (1,043) |
| Total included in creditors | (1,445) | (1,364) | (57,913) | (66,374) |
| Total Financial Liabilities | (334,439) | (299,051) | (131,748) | (160,175) |

The short-term creditors line in the Balance Sheet includes £65.6

NOTES TO THE STATEMENTS

million (31 March 2017 £52.2 million) 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.

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

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

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

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

| | Long Term | | Short Term | |
|--|--------------|---------------|----------------|---------------|
| | 31/03/18 | 31/03/17 | 31/03/18 | 31/03/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets: | | | | |
| Loans and receivables | | | | |
| - principal at amortised cost | 0 | 0 | 10,013 | 0 |
| Total investments | 0 | 0 | 10,013 | 0 |
| Loans and receivables | | | | |
| - cash (including bank accounts) | 0 | 0 | 4,432 | 10,120 |
| Available for sale assets | | | | |
| - cash equivalents at fair value | 0 | 0 | 35,957 | 18,576 |
| Total cash and cash equivalents | 0 | 0 | 40,389 | 28,696 |
| - Trade receivables | 5,218 | 6,882 | 61,791 | 49,337 |
| - Loans made for service purposes | 3,663 | 4,013 | 0 | 0 |
| Total included in debtors | 8,881 | 10,895 | 61,791 | 49,337 |
| Total Financial Assets | 8,881 | 10,895 | 112,193 | 78,033 |

The short-term debtors line in the Balance Sheet includes £17.6 million (31 March 2017 £28.1 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.

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Financial instruments – gains and losses

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

| | Liabilities measured at amortised cost | Assets, Loans and receivables | Total |
|---------------------------------------|--|----------------------------------|---------------|
| 2017/18 | £'000 | £'000 | £'000 |
| Interest expense | 16,541 | 0 | 16,541 |
| Total expense in SDPOS | 16,541 | 0 | 16,541 |
| Interest and investment income | 0 | (438) | (438) |
| Total income in SDPOS | 0 | (438) | (438) |
| Net (gain) / loss for the year | 16,541 | (438) | 16,103 |
| 2016/17 | £'000 | £'000 | £'000 |
| Interest expense | 17,173 | 0 | 17,173 |
| Total expense in SDPOS | 17,173 | 0 | 17,173 |
| Interest and investment income | 0 | (360) | (360) |
| Total income in SDPOS | 0 | (360) | (360) |
| Net (gain) / loss for the year | 17,173 | (360) | 16,813 |

Financial instruments – fair values

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

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows as at 31 March 2018, 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.

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| | Fair Value | | Carrying Amount | |
|---|------------------|------------------|------------------|------------------|
| | 31/03/18 | 31/03/17 | 31/03/18 | 31/03/17 |
| | £'000 | £'000 | £'000 | £'000 |
| PWLB loans | (229,108) | (199,399) | (184,533) | (147,749) |
| LOBO loans | (227,307) | (236,962) | (130,259) | (130,294) |
| Lease payables | (16,658) | (17,912) | (12,923) | (13,265) |
| PFI liability | (24,880) | (32,453) | (24,811) | (27,473) |
| Total | (497,953) | (486,726) | (352,526) | (318,781) |
| Liabilities for which fair value is not disclosed | | | (52,016) | (140,445) |
| Total financial liabilities | | | (404,542) | (459,226) |
| Recorded on balance sheet as: | | | | |
| - short term creditors | | | (54,173) | (62,492) |
| - short term borrowing | | | (73,834) | (93,801) |
| - long term creditors | | | (1,445) | (1,364) |
| - long term borrowing | | | (299,000) | (260,654) |
| - other long term liabilities | | | (34,132) | (40,915) |
| Total financial liabilities | | | (462,584) | (459,226) |

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 | |
|--|-------|---------------|---------------|-----------------|---------------|
| | | 31/03/18 | 31/03/17 | 31/03/18 | 31/03/17 |
| | | £'000 | £'000 | £'000 | £'000 |
| Money market funds | 1 | 35,946 | 8,575 | 35,945 | 8,575 |
| Loans to local authorities | 2 | 9,997 | 10,000 | 10,013 | 10,000 |
| Total | | 45,943 | 18,575 | 45,958 | 18,575 |
| Assets for which fair value is not disclosed | | | | 75,116 | 70,353 |
| Total financial assets | | | | 121,074 | 88,928 |
| Recorded on balance sheet as: | | | | | |
| - short term debtors | | | | 61,791 | 49,337 |
| - short term investments | | | | 10,013 | 0 |
| - long term debtors | | | | 8,881 | 10,895 |
| - cash and cash equivalents | | | | 40,389 | 28,696 |
| Total financial assets | | | | 121,074 | 88,928 |

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 2017/18 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 Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to

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security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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

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

Credit Risk: Investments

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

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

of term and investment limits.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies (nil value at 31 March 2018) 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 2018 that this was likely to happen.

The nominal value of the Council's investment portfolio at 31 March 2018 was £45.945 million with nil deposit with UK commercial banks (£18.575 million and nil respectively at 31 March 2017). 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.

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Liquidity Risk

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

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

| Maturing within (years) | 31/03/2018 | 31/03/2017 |
|--------------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| Public Works Loans Board | 337,105 | 276,619 |
| Market debt | 378,762 | 384,698 |
| Local government | 58,073 | 76,431 |
| | 773,940 | 737,748 |
| Less than 1 year | 86,511 | 106,411 |
| Between 1 and 2 years | 22,635 | 22,965 |
| Between 2 and 5 years | 55,424 | 60,639 |
| Between 5 and 10 years | 72,183 | 69,689 |
| Between 10 and 20 years | 120,225 | 102,823 |
| Between 20 and 30 years | 144,630 | 94,701 |
| Between 30 and 40 years | 157,258 | 161,504 |
| Between 40 and 50 years | 115,074 | 119,016 |
| | 773,940 | 737,748 |

This analysis includes £125 million of LOBO loans, which are currently in their call period. These are shown according to their final

maturity date as it is unlikely the lender will revise the terms of the loan in the next year.

Market Risk

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

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

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 60% on external debt that can be subject to variable interest rates. At 31 March 2018, 99.5% of the debt portfolio was held in fixed rate instruments and 0.5% 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.

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| | 31/03/2018 |
|--|------------|
| | £'000 |
| Increase in interest receivable on variable rate investments | 315 |
| Increase in interest payable on variable rate borrowings | (19) |
| Impact on Surplus or Deficit on Provision of Services | 296 |
| Decrease in fair value of fixed rate borrowing liabilities | 68,128 |

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 2018 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 because of adverse movements in the price of this class of financial instruments).

15. Debtors

The following tables provide an analysis of money owed to the Council by other bodies as at 31 March 2018 and which at that date was yet to be received. The Council has considered the collectability of the debt and has impaired the debt for the amounts it may not recover.

| | Long Term | | Short Term | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | 31/03/18 | 31/03/17 | 31/03/18 | 31/03/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Central Govt bodies | 0 | 0 | 13,826 | 18,903 |
| Other local authorities | 0 | 0 | 6,865 | 5,737 |
| NHS bodies | 0 | 0 | 11,548 | 5,274 |
| Public corporations and trading funds | 0 | 0 | 894 | 296 |
| Other entities and individuals: | 52,724 | 55,088 | 139,515 | 136,086 |
| Less Impairment | (43,843) | (44,193) | (91,826) | (88,871) |
| Total | 8,881 | 10,895 | 80,821 | 77,425 |
| | Single Entity | | Group Amounts | |
| | 31/03/18 | 31/03/17 | 31/03/18 | 31/03/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Central Govt bodies | 13,826 | 18,903 | 13,826 | 18,903 |
| Other local authorities | 6,865 | 5,737 | 6,865 | 5,737 |
| NHS bodies | 11,548 | 5,274 | 11,548 | 5,274 |
| Public corporations and trading funds | 894 | 296 | 894 | 296 |
| Other entities and individuals: | 192,239 | 191,174 | 154,661 | 154,900 |
| Less Impairment | (135,669) | (133,064) | (92,243) | (89,654) |
| Total | 89,702 | 88,320 | 95,550 | 95,456 |

Allowance for non-collection of debts

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

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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 | |
|--------------------------|---------------|----------|---------------|----------|
| | 31/03/18 | 31/03/17 | 31/03/18 | 31/03/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash in hand and at bank | 4,432 | 10,120 | 14,387 | 17,982 |
| Short-term deposits | 35,957 | 18,576 | 35,957 | 18,576 |
| Total | 40,389 | 28,696 | 50,344 | 36,558 |

17. Creditors

The following tables provide an analysis of money owed by the Council as at 31 March 2018.

| | Long Term | | Short Term | |
|-------------------------------------|-----------|----------|------------|-----------|
| | 31/03/18 | 31/03/17 | 31/03/18 | 31/03/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Central Govt bodies | 0 | 0 | (26,546) | (19,315) |
| Other local authorities | 0 | 0 | (3,698) | (9,169) |
| NHS bodies | 0 | 0 | (1,159) | (1,433) |
| Public corporations / trading funds | 0 | 0 | (11) | (6) |
| Other entities and individuals | (1,445) | (1,364) | (92,225) | (88,683) |
| Total | (1,445) | (1,364) | (123,639) | (118,606) |

| | Single Entity | | Group Amounts | |
|-------------------------------------|---------------|-----------|---------------|-----------|
| | 31/03/18 | 31/03/17 | 31/03/18 | 31/03/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Central Govt bodies | (26,546) | (19,315) | (26,546) | (19,315) |
| Other local authorities | (3,698) | (9,169) | (3,698) | (9,169) |
| NHS bodies | (1,159) | (1,433) | (1,159) | (1,433) |
| Public corporations / trading funds | (11) | (6) | (11) | (6) |
| Other entities and individuals | (93,670) | (90,047) | (104,365) | (87,981) |
| Total | (125,084) | (119,970) | (135,779) | (117,904) |

18. Provisions

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

| | Insurance | NDR appeals | Redundancy | Other | Total |
|----------------------------|-----------|-------------|------------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2017 | (3,815) | (2,852) | (1,169) | (1,685) | (9,521) |
| Amounts used in 2017/18 | 1,408 | 1,002 | 1,169 | 1,298 | 4,877 |
| Provisions made in 2017/18 | (3,239) | (1,179) | 0 | (210) | (4,628) |
| Balance at 31 March 2018 | (5,646) | (3,029) | 0 | (597) | (9,272) |
| Of which: | | | | | |
| Long Term | (4,257) | (2,716) | 0 | 0 | (6,973) |

The **insurance provision** is required as some of the Council's

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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 **redundancy provision** relates to several planned changes due to ongoing restructures within the Council. Any approved redundancies in 2018/19 will be funded by the flexible use of capital receipts.

19. Unusable reserves

| | 31/03/18 | 31/03/17 |
|----------------------------------|------------------|--------------------|
| | £'000 | £'000 |
| Financial Instruments Adjustment | 4,547 | 4,724 |
| Collection Fund Adjustment | (4,075) | (7,724) |
| Accumulated Absences | 6,969 | 7,591 |
| Revaluation Reserve | (479,463) | (474,257) |
| Capital Adjustment Account | (1,079,117) | (1,155,656) |
| Pensions Reserve | 577,267 | 588,341 |
| Deferred Capital Receipts | (35) | (44) |
| Total | (973,907) | (1,037,025) |

Financial instruments adjustments account

The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the CIES in

accordance with proper accounting practices under the Code of Practice, but which statutory provisions allow or require to be deferred over future years.

| | 2017/18 | 2016/17 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Balance as at 1st April | 4,724 | 4,731 |
| Amounts by which finance costs charged to the CIES differ from finance costs chargeable in the year in accordance with statute | (177) | (7) |
| Balance as at 31st March | 4,547 | 4,724 |

Collection fund adjustment account

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

| | 2017/18 | 2016/17 |
|-------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Balance as at 1 April | (7,724) | (3,970) |
| Movement in year | 3,649 | (3,754) |
| Balance as at 31 March | (4,075) | (7,724) |

Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried

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forward at 31 March 2018. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

| | 2017/18 | 2016/17 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Balance as at 1 April | 7,591 | 4,205 |
| Settlement / cancellation of accrual made at the end of the preceding year | (7,591) | (4,205) |
| Amounts accrued at the end of the current year | 6,969 | 7,591 |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from charges in accordance with statute | (622) | 3,386 |
| Balance at 31 March | 6,969 | 7,591 |

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 £103m as at 31 March 2018 (£79m at 31 March 2017).

| | 2017/18 | 2016/17 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Balance as at 1 April | (474,257) | (371,377) |
| Upward revaluation of assets | (55,237) | (125,735) |
| Downward revaluation of assets and impairment losses not charged to SDPOS | 41,110 | 19,906 |
| Difference between fair value depreciation and historical cost depreciation | 6,386 | 492 |
| Revaluation balances on disposed assets | 2,535 | 2,457 |
| Balance as at 31 March | (479,463) | (474,257) |

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

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| | 2017/18 | 2016/17 |
|---|--------------------|--------------------|
| | £'000 | £'000 |
| Balance as at 1 April | (1,155,656) | (1,114,098) |
| <i>Reversal of items relating to capital expenditure debited or credited to CIES</i> | | |
| - charges for depreciation and impairment of NCA | 93,185 | 45,783 |
| - revaluation losses and reversals of losses on PF | 12,814 | (27,078) |
| - amortisation of intangible assets | 1,833 | 1,611 |
| - REFCUS | 19,316 | 16,472 |
| - amounts of NCA written off on disposal or sale as part of the gain/loss on disposal to CIES | 22,384 | 15,640 |
| | 149,532 | 52,428 |
| Adjusting amounts written out of Revaluation Reserve | (8,921) | (2,949) |
| Net written out amount of the cost of NCA consumed in the year | 140,611 | 49,479 |
| <i>Capital financing applied in the year</i> | | |
| - Capital Receipts | (13,357) | (6,335) |
| - Major Repairs Reserve | (16,000) | (19,318) |
| - Capital Grants | (11,746) | (25,178) |
| - Revenue Contributions | (24,328) | (35,536) |
| - Minimum revenue provision | (2,793) | (2,833) |
| | (68,224) | (89,200) |
| Movements in the market value of Investment Properties debited or credited to CIES | 4,156 | (1,700) |
| Movements in donated assets credited to CIES | 0 | 0 |
| Other adjustments | (4) | (137) |
| Balance as at 31 March | (1,079,117) | (1,155,656) |

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.

| | 2017/18 | 2016/17 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance as at 1 April | 588,341 | 529,238 |
| Remeasurements recognised in Other Comprehensive Income and Expenditure | (38,423) | 43,660 |
| Reversal of items relating to retirement benefits debited or credited to SDPOS | 27,349 | 15,443 |
| Balance as at 31 March | 577,267 | 588,341 |

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20. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

| | 2017/18 | 2016/17 |
|-------------------|----------|----------|
| | £'000 | £'000 |
| Interest received | 425 | 545 |
| Interest paid | (16,496) | (18,867) |

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

| | 2017/18 | 2016/17 |
|---|----------------|---------------|
| | £'000 | £'000 |
| Depreciation | 37,345 | 36,668 |
| Impairment, downward revaluations (including revaluation gains reversing previous losses) | 69,398 | (17,632) |
| Amortisation | 1,833 | 1,611 |
| Movement in creditors | 2,286 | 6,492 |
| Movement in debtors | (156) | (23,008) |
| Movement in inventories | (178) | (219) |
| Movement in pension liability | 27,349 | 15,443 |
| Carrying amount of non-current assets | 22,384 | 15,640 |
| Other non-cash items charged to SDPOS | 2,226 | (2,676) |
| Total | 162,487 | 32,319 |
| Adjustments for intra-group transactions | 1,612 | 2,254 |
| Homes For Haringey | 3,047 | 5,291 |
| Alexandra Park and Palace Charitable Trust | 12,979 | 8,015 |
| Group Total | 180,125 | 47,879 |

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

| Investing and financing activities | 2017/18 | 2016/17 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Net adjustments from the sale of short term investments | 0 | 492 |
| Proceeds from the sale of PPE, investment property and intangible assets | (22,385) | (25,431) |
| Capital grants credited to SDPOS | (17,712) | (28,012) |
| Total | (40,097) | (52,951) |

21. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

| | 2017/18 | 2016/17 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Purchase of PPE, investment property and intangible assets | (66,080) | (99,538) |
| Purchase of investments | (10,000) | 0 |
| Proceeds from the sale of PPE, investment property and intangible assets | 22,394 | 26,723 |
| Capital grants and other investments received | 17,487 | 38,503 |
| Total | (36,199) | (34,312) |

22. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

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| | 2017/18 | 2016/17 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Cash receipts from borrowing | 38,381 | 47,332 |
| Other receipts from financing activities | (106) | 11,889 |
| Cash payments for the reduction of finance lease and PFI outstanding liabilities | (3,004) | (3,813) |
| Repayments of borrowing | (18,400) | (12,587) |
| Total | 16,871 | 42,821 |

23. Members allowances

The total of Members' allowances paid in 2017/18 was £1.126 million compared to £1.104 million in 2016/17. These figures are included in the 'Priority X Enabling' 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.

| | 2017/18 | 2016/17 |
|--|------------|------------|
| | £'000 | £'000 |
| Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the year | 245 | 245 |
| Fees payable to BDO in respect of grant claims and other services provided during the year | 7 | 7 |
| Fee for additional work carried out on the 2016/17 returns | 0 | 7 |
| Fees for professional advice & due diligence on technical accounting issues | 0 | 21 |
| Fees payable to Grant Thornton in respect of grant claims and other services provided | 0 | 16 |
| Total | 252 | 296 |

25. Pooled budgets

The Council has entered into partnership agreements under Section 75 of the Health Act 2006. The first consists of Haringey Clinical Commissioning Group, Whittington Health and the Barnet, Enfield and Haringey Mental Health Trust for the provision of services to people with Learning Disabilities. Section 75 allows for three types of pooled fund:

Section 75 of the National Health Service Act 2006 (formerly Section 31 of the Health Act 1999) and the NHS bodies and Local Authorities Partnership Arrangements Regulation 2000 enable the establish of joint working arrangement between NHS bodies and local authorities. Pool Funds enable health bodies and local authorities to work collaboratively to address specific local health issues. A key feature of the pool is that the use of resources contributed to the pool should be dictated by the needs of the clients who meet the criteria

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established by the pool, rather than the respective contributions of the partners. This is to be expected that health services resources could be used to deliver local authority services and vice versa. This intended to ensure client focused care packages are developed and delivered to individuals, which meet their needs in the more seamless and efficient manner.

The aims and benefits of the Partners in entering into this Agreement are to:

- improve the quality and efficiency of the Services;
- meet the National Conditions and Local Objectives;
- make more effective use of resources through the establishment and maintenance of a pooled fund for expenditure on the Services, and
- work together to achieve the Haringey shared vision for integrated care

Any surplus or deficit generated from the arrangement is the responsibility of the respective partner to whom it's attributed. Gross Income and expenditure is analysed in the table below and Haringey's share has been included in its Comprehensive Income and Expenditure Statement.

| | Gross Expenditure 2017/18 | CCGS Contribution 2017/18 | Haringey Contribution 2017/18 | TOTAL Contribution 2017/18 |
|---|---------------------------------|---------------------------------|-------------------------------------|----------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Adult Learning Disabilities Support | 39,640 | (10,295) | (29,345) | (39,640) |
| Adults Mental Health | 55,769 | (40,810) | (14,959) | (55,769) |
| Better Care Fund (BCF) | 20,681 | (17,804) | (2,877) | (20,681) |
| Improved Better Care fund (iBCF) | 5,721 | 0 | (5,721) | (5,721) |
| Child and adolescent mental health services (CAMHS) | 4,561 | (3,929) | (632) | (4,561) |
| Violence Against Women and Girls (VAWG) | 201 | (51) | (150) | (201) |
| TOTAL | 126,573 | (72,889) | (53,684) | (126,573) |

The second partnership agreement is for the Better care Fund and consists of Haringey CCG (Clinical Commissioning Group) and Haringey 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 pooled budget.

In 2016/17, the Council entered into two pooled budget arrangements with Haringey Clinical Commissioning Group, established under Section 75 of the NHS Act 2006:

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| | Gross Expenditure 2016/17 | CCGS Contribution 2016/17 | Haringey Contribution 2016/17 | TOTAL Contribution 2016/17 |
|---|---------------------------------|---------------------------------|-------------------------------------|----------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Adult Learning Disabilities Support | 7,525 | (1,799) | (5,726) | (7,525) |
| Adults Mental Health | 0 | 0 | 0 | 0 |
| Better Care Fund (BCF) | 19,179 | (17,361) | (1,818) | (19,179) |
| Improved Better Care fund (iBCF) | 0 | 0 | 0 | 0 |
| Child and adolescent mental health services (CAMHS) | 0 | 0 | 0 | 0 |
| Violence Against Women and Girls (VAWG) | 0 | 0 | 0 | 0 |
| TOTAL | 26,704 | (19,160) | (7,544) | (26,704) |

NOTES TO THE STATEMENTS

26. Officers remuneration

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

| Post Holder Details | Note | Salary, Fees and Allowances | | Remuneration (excluding employer pension contribution) | | Employer Pension Contribution | | Total Remuneration | |
|---|------|-----------------------------|---------|--|---------|-------------------------------|---------|--------------------|---------|
| | | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | | £ | £ | £ | £ | £ | £ | £ | £ |
| Chief Executive - Z Etheridge | | 181,877 | 155,158 | 181,877 | 155,158 | 45,265 | 26,065 | 227,142 | 181,223 |
| COO & Acting Deputy Chief Executive- T Evans | | 157,259 | 153,472 | 157,259 | 153,472 | 0 | 0 | 157,259 | 153,472 |
| Head Teacher Gladesmore Community School - AM Hartney | | 177,718 | 0 | 177,718 | 0 | 18,126 | 0 | 195,844 | 0 |

NOTES TO THE STATEMENTS

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

| Post Holder Details | Salary, Fees and Allowances | | Remuneration (excluding employer pension contribution) | | Employer Pension Contribution | | Total Remuneration | |
|---|-----------------------------|--------------|--|--------------|-------------------------------|--------------|--------------------|--------------|
| | 2017/18 £ | 2016/17 £ | 2017/18 £ | 2016/17 £ | 2017/18 £ | 2016/17 £ | 2017/18 £ | 2016/17 £ |
| Director of Housing & Regeneration Planning | 133,470 | 148,843 | 133,470 | 148,843 | 32,880 | 37,019 | 166,349 | 185,862 |
| Director of Childrens Services (upto 20 Aug 2017) | 55,212 | 137,200 | 55,212 | 137,200 | 13,481 | 34,163 | 68,693 | 171,363 |
| Director of Public Health | 144,501 | 129,269 | 144,501 | 129,269 | 0 | 17,103 | 144,501 | 146,372 |
| Director of Adults & Health | 128,557 | 125,891 | 128,557 | 125,891 | 32,088 | 31,424 | 160,645 | 157,315 |
| Assistant Director Strategy & Communications | 100,318 | 0 | 100,318 | 0 | 24,979 | 0 | 125,297 | 0 |

NOTES TO THE STATEMENTS

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

| 2017/18 | No of compulsory redundancies | No of other agreed departures | Total number | Total cost |
|---------------------|-------------------------------|-------------------------------|--------------|------------------|
| £0 - £20,000 | 154 | 32 | 186 | 1,276,661 |
| £20,001 - £40,000 | 19 | 13 | 32 | 854,848 |
| £40,001 - £60,000 | 3 | 3 | 6 | 270,923 |
| £60,001 - £80,000 | 1 | 1 | 2 | 129,851 |
| £80,001 - £100,000 | 1 | 1 | 2 | 183,252 |
| £100,001 - £150,000 | 2 | 3 | 5 | 602,124 |
| £250,001 - £300,000 | 0 | 1 | 1 | 165,910 |
| | 180 | 54 | 234 | 3,483,569 |

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

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):

| | 2017/18 | 2016/17 |
|---------------------|------------------|------------------|
| | No. of employees | No. of employees |
| £50,000 - £54,999 | 222 | 268 |
| £55,000 - £59,999 | 127 | 133 |
| £60,000 - £64,999 | 70 | 71 |
| £65,000 - £69,999 | 37 | 55 |
| £70,000 - £74,999 | 28 | 35 |
| £75,000 - £79,999 | 28 | 23 |
| £80,000 - £84,999 | 19 | 27 |
| £85,000 - £89,999 | 16 | 10 |
| £90,000 - £94,999 | 1 | 7 |
| £95,000 - £99,999 | 7 | 11 |
| £100,000 - £104,999 | 9 | 4 |
| £105,000 - £109,999 | 1 | 3 |
| £110,000 - £114,999 | 5 | 4 |
| £115,000 - £119,999 | 0 | 2 |
| £120,000 - £124,999 | 3 | 1 |
| £125,000 - £129,999 | 4 | 4 |
| £130,000 - £134,999 | 1 | 0 |
| £135,000 - £139,999 | 0 | 1 |
| £140,000 - £144,999 | 1 | 1 |
| £145,000 - £149,999 | 0 | 0 |
| £150,000 - £154,999 | 0 | 0 |
| £155,000 - £159,999 | 0 | 0 |
| £160,000 - £164,999 | 0 | 1 |
| Total | 579 | 661 |

NOTES TO THE STATEMENTS

27. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded by DSG, a specific grant provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget (ISB), which is divided into a budget share for each school. Details of the deployment of DSG receivable for 2017/18 are as follows.

| | Central Expenditure | ISB | Total |
|---|------------------------|---------|---------|
| | £'000 | £'000 | £'000 |
| Final DSG for 2017/18 before Academy recoupment | | | 249,809 |
| Academy figure recouped for 2017/18 | | | 60,921 |
| Total DSG after academy recoupment for 2017/18 | | | 188,888 |
| Brought forward from 2016/17 | | | 2,800 |
| Carry forward to 2018/19 agreed in advance | | | (2,800) |
| Agreed initial budget distribution in 2017/18 | 35,568 | 153,319 | 188,888 |
| In year adjustments | 0 | (234) | (234) |
| Final budgeted distribution for 2017/18 | 35,568 | 153,085 | 188,654 |
| Less actual central expenditure | 36,949 | | 36,949 |
| Less actual ISB deployed to schools | | 153,085 | 153,085 |
| Plus Council contribution for 2017/18 | 0 | 0 | 0 |
| Carry forward to 2018/19 | (1,381) | 0 | 1,419 |

28. Grant income

The Council credited the following grants, contributions and donations to the CIES in 2017/18.

| | £'000 | £'000 |
|--|------------------|------------------|
| Credited to Services | | |
| Benefit Subsidy | (249,837) | (259,734) |
| Dedicated Schools Grant | (188,890) | (189,387) |
| Local Taxation Admin Grants | (2,308) | (2,492) |
| Pupil Premium | (10,694) | (11,705) |
| Public Health | (20,742) | (21,313) |
| PFI Revenue | (5,669) | 0 |
| Flexible Housing Grant | (8,631) | (5,669) |
| Universal Infant Free School Meals | (2,773) | (2,811) |
| Better Care Fund (Dept of Health via CCG) | (5,426) | (5,726) |
| Discretionary Housing Payments | (1,729) | (1,727) |
| Adult Social care New Burdens | (1,660) | 0 |
| Adult Learning Grant | (1,153) | (1,534) |
| 16 + Grant | (4,219) | (4,528) |
| Tackling Troubled Families | (1,237) | (1,126) |
| Ministry of Housing, Communities and Local Government grants | (2,021) | (1,186) |
| Department for Education grants | (1,473) | (1,250) |
| Home Office miscellaneous grants | (2,184) | (1,128) |
| Other miscellaneous revenue grants | (4,554) | (4,313) |
| Capital Grants treated as revenue | (3,710) | (3,955) |
| Other contributions and reimbursements | (23,369) | (13,902) |
| Total | (542,279) | (533,486) |

NOTES TO THE STATEMENTS

| | 2017/18 | 2016/17 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Credited to Taxation and Non-Specific Income | | |
| Business Rates - top-up | (54,549) | (55,220) |
| Revenue Support Grant | (38,590) | (50,988) |
| New Homes Bonus Grant | (5,776) | (6,897) |
| Education Services Grant | (800) | (2,785) |
| Business Rate and Retail Relief Grants | (2,928) | (1,863) |
| Local Services Support Grant | (19) | (6) |
| Other miscellaneous general grants | (353) | (5) |
| Capital Grants | (14,184) | (24,058) |
| Total | (117,199) | (141,822) |

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

| | 31/03/18 | 31/03/17 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Capital Grants and Contributions Received in Advance | | |
| Planning Gains (S106 & S278) | (7,364) | (7,694) |
| Other | (1,842) | (841) |
| Total | (9,206) | (8,535) |

| | 31/03/18 | 31/03/17 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Revenue Grants and Contributions Received in Advance | | |
| Estate Regeneration | (2,371) | (2,371) |
| New Homes Bonus | (321) | (378) |
| DECC Heat Network Delivery Unit (HNDU) | (99) | (276) |
| Adult Learning Grant | 0 | (198) |
| Green Deal Communities Fund | (14) | (14) |
| Other grants received in advance | (86) | (110) |
| Total | (2,891) | (3,347) |

29. Related Parties

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

Central Government

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

Pooled Budgets

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

NOTES TO THE STATEMENTS

Haringey Local Government Pension Fund

The Haringey Local Government Pension Fund is administered by Haringey. As such, whilst the pension fund accounts are published with the Statement of Accounts, this is due to its role as Administering Authority and the accounts are subject to a separate audit opinion. The pension fund operates a separate bank account and makes investments separately from the Council. The Council owed the Pension Fund £0.216 million as at 31 March 2018 and the Council charged the Fund £0.616 million administration in 2017/18 (£0.858 million and £0.571 million respectively in 2016/17).

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

Both are wholly owned subsidiaries of Haringey Council and have been consolidated into the Council's Group Account. The net value of payments and receipts in 2017/18 were £60.0 million and £8.1 million respectively (£61.9 million and £8.5 million in 2016/17).

North London Waste Authority (NLWA)

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

Members and Senior Officers

Members of the Council including the Mayor have direct control over the Council's financial and operating policies. The total of members allowances paid in 2017/18 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 2017/18 Haringey has provided financial support to, or purchased services from 17 charitable or voluntary organisations (17 in 2016/17)

in which 29 members have declared an interest (25 in 2016/17). 24 of these instances were as a representative of the Council and 5 were in a personal capacity (15 and 10 respectively in 2016/17). In 2017/18 the total value of payments made was £1.814 million (£1.761 million in 2016/17) and the total value of receipts was £0.731 million (£0.363 million in 2016/17).

The only related balance due to Haringey at the end of the year was in respect of a loan made to Bernie Grant Centre in the sum of £0.460m. The Centre is a registered charity and performing arts centre in Tottenham set up in memory of MP Bernie Grant. There are no other amounts due to or from related parties at the year-end.

The Council has well established mechanisms and procedures for preventing undue influence in awarding of contracts or grant funding to organisations. Supporting these mechanisms is the disclosure of interests in the Register of Members' Interest which is open to public inspection at River Park House, 225 High Road, Wood Green, London N22 8HQ. This note has been compiled using this register and individual declarations made by elected members and senior officers. One member and one senior officer did not submit their declarations.

NOTES TO THE STATEMENTS

30. 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.

| | £'000 | £'000 |
|--|-----------------|-----------------|
| Opening CFR | 574,640 | 547,165 |
| <i>Capital investment</i> | | |
| - Property, Plant and Equipment | 67,890 | 94,102 |
| - Investment Properties | 115 | 3,374 |
| - Intangible Assets | 0 | 1,532 |
| - REFCUS | 17,551 | 16,472 |
| - Assets acquired under finance leases | 0 | 1,195 |
| | 85,556 | 116,675 |
| <i>Sources of finance</i> | | |
| - Capital receipts | (13,357) | (6,335) |
| - Government grants and other contributions | (11,746) | (25,178) |
| - Major Repairs Allowance | (16,000) | (19,318) |
| - Direct revenue contributions | (24,328) | (35,536) |
| - Minimum Revenue Provision | (2,793) | (2,833) |
| | (68,224) | (89,200) |
| Closing CFR | 591,972 | 574,640 |
| Explanation of movements in year | | |
| Increase / (decrease) in underlying need for supported borrowing | 17,332 | 26,280 |
| Assets acquired under finance leases | 0 | 1,195 |
| Increase / (decrease) in CFR | 17,332 | 27,475 |

31. 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.

| | 31/03/18 | 31/03/17 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Other Land and Buildings | 5,375 | 4,422 |
| Vehicles, Plant, Furniture and Equipment | 3,840 | 4,480 |
| Total | 9,215 | 8,902 |

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.

| | 31/03/18 | 31/03/17 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Finance lease liabilities (NPV of minimum lease payments) | | |
| - current | 942 | 1,043 |
| - non-current | 11,981 | 12,222 |
| Finance costs payable in future years | 21,605 | 22,132 |
| Total | 34,528 | 35,397 |

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

NOTES TO THE STATEMENTS

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|----------------------------|------------------------|---------------|---------------------------|---------------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Less than one year | 1,515 | 1,611 | 942 | 1,043 |
| Between one and five years | 4,327 | 4,357 | 2,539 | 2,542 |
| Later than five years | 28,685 | 29,429 | 9,442 | 9,680 |
| Total | 34,527 | 35,397 | 12,923 | 13,265 |

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

Authority as Lessee - Operating leases

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

| | 31/03/18 | 31/03/17 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Not later than one year | 781 | 981 |
| Later than one year and not later than five years | 1,411 | 3,033 |
| Later than five years | 1 | 2 |
| Total | 2,193 | 4,016 |

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

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

Authority as Lessor - Finance leases

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

Authority as Lessor - Operating leases

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

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

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

| | 31/03/18 | 31/03/17 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Not later than one year | 1,188 | 1,646 |
| Later than one year and not later than five years | 4,199 | 5,190 |
| Later than five years | 27,402 | 28,829 |
| Total | 32,789 | 35,665 |

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

NOTES TO THE STATEMENTS

32. Service Concession Arrangements

In 2000 the Council entered into a PFI contract that encompassed major building work and ongoing facilities management for its eight secondary schools. In February 2007, the agreement was suspended and all of the assets were brought back onto the Council's balance sheet.

The remaining contract that the Council has with the contractor is for the repayment of the outstanding liability of debt incurred when the original PFI works were first undertaken. This debt has also been recognised within the Council's Balance Sheet. Payments to the contractor were £4.261m in 2017/18 (£4.610 million in 2016/17). 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 2018/19 | 153 | 2,798 | 1,273 | 4,224 |
| Payable within 2 to 5 years | 614 | 12,705 | 3,579 | 16,898 |
| Payable within 6 to 10 years | 384 | 9,308 | 870 | 10,562 |
| Total | 1,151 | 24,811 | 5,722 | 31,684 |

33. 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 2017/18 the Council paid £10.557 million (£11.015 million in 2016/17) to Teachers' Pensions in respect of teachers' pension costs which represented 16.48% of teachers' pensionable pay. Expected contributions for 2018/19 are £10.742 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 34.

NOTES TO THE STATEMENTS

34. 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 Park and Palace Charitable Trust. Homes for Haringey is an admitted body of the Council's Pension Fund and pension obligations were transferred to the limited company on 1 April 2006.

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement (added years) are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. Included within the present value of unfunded liabilities detailed in the following notes is £18.631 million (£19.400 million in 2016/17) in respect of Teachers unfunded pensions. At 31st January 2018 the Scheme had 1,136 members in respect of LGPS and 424 members in respect of Teachers unfunded pensions (1,193 and 447 respectively as at 31st

January 2017).

Transactions relating to post-employment benefits

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

The following transactions have been made in the CIES:

| | LGPS | | Unfunded | |
|---|-----------------|---------------|--------------|--------------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Cost of Services | | | | |
| - current service cost | 40,588 | 26,563 | 0 | 0 |
| - past service cost | 1,099 | 823 | 0 | 0 |
| Total | 41,687 | 27,386 | 0 | 0 |
| Net Interest Expense | | | | |
| Total Charged to SDPOS | 13,558 | 16,691 | 1,288 | 1,768 |
| Other Comprehensive Income and Expenditure | | | | |
| - return on plan assets | (8,890) | (172,239) | 0 | 0 |
| - actuarial gains/losses (changes in financial assumptions) | (28,917) | 259,473 | (164) | 5,811 |
| - other | 0 | (46,594) | 115 | (2,832) |
| Total | (37,807) | 40,640 | (49) | 2,979 |

NOTES TO THE STATEMENTS

| | Group | |
|---|-----------------|---------------|
| | 2017/18 | 2016/17 |
| | £'000 | £'000 |
| Cost of Services | | |
| - current service cost | 47,755 | 31,192 |
| - past service cost | 1,161 | 1,032 |
| Total | 48,916 | 32,224 |
| Financing and Investment Income and Expenditure | | |
| Total | 14,881 | 19,261 |
| Other Comprehensive Income and Expenditure | | |
| - return on plan assets | (10,110) | (192,096) |
| - actuarial gains/losses (changes in financial assumptions) | (32,369) | 290,487 |
| - other | 115 | (78,788) |
| Total | (42,364) | 19,603 |

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

| | 2017/18 | 2016/17 |
|--|----------|----------|
| | £'000 | £'000 |
| Reversal of net IAS 19 charges | (56,533) | (45,845) |
| Actual amount charged for pensions in the year | 29,184 | 30,402 |

Pension assets and liabilities recognised in the Balance Sheet

| | LGPS | | Unfunded | |
|-----------------------------|------------------|------------------|-----------------|-----------------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Present value of obligation | (1,605,788) | (1,588,538) | (50,890) | (53,359) |
| Fair value of plan assets | 1,079,411 | 1,053,556 | 0 | 0 |
| Net liability | (526,377) | (534,982) | (50,890) | (53,359) |

| | Single Entity | | Group Amounts | |
|---|------------------|------------------|------------------|------------------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Present value of the defined benefit obligation | (1,656,678) | (1,641,897) | (1,824,313) | (1,803,250) |
| Fair value of plan assets | 1,079,411 | 1,053,556 | 1,248,712 | 1,215,044 |
| Net liability | (577,267) | (588,341) | (575,601) | (588,206) |

NOTES TO THE STATEMENTS

Reconciliation of Movement in Fair Value of Scheme Assets

| Scheme Assets | LGPS | | Unfunded | |
|--|------------------|------------------|------------------|------------------|
| | 2017/18 £'000 | 2016/17 £'000 | 2017/18 £'000 | 2016/17 £'000 |
| Opening fair value | 1,053,556 | 862,429 | 0 | 0 |
| Interest income | 26,206 | 29,972 | 0 | 0 |
| Remeasurement gain / (loss) | | | | |
| - the return on plan assets | 8,890 | 172,239 | 0 | 0 |
| Employer contributions | 26,043 | 26,512 | 3,708 | 3,849 |
| Contributions from employees into the scheme | 6,724 | 6,995 | 0 | 0 |
| Benefits paid | (42,008) | (44,591) | (3,708) | (3,849) |
| Closing fair value | 1,079,411 | 1,053,556 | 0 | 0 |

| | Single Entity | | Group Amounts | |
|--|------------------|------------------|------------------|------------------|
| | 2017/18 £'000 | 2016/17 £'000 | 2017/18 £'000 | 2016/17 £'000 |
| Opening fair value of scheme assets | 1,053,556 | 862,429 | 1,215,044 | 996,562 |
| Interest income | 26,206 | 29,972 | 30,428 | 34,709 |
| Remeasurement gain / (loss) | | | | |
| - the return on plan assets | 8,890 | 172,239 | 10,110 | 192,096 |
| Employer contributions | 29,751 | 30,361 | 34,038 | 34,966 |
| Contributions from employees into the scheme | 6,724 | 6,995 | 7,967 | 8,193 |
| Benefits paid | (45,716) | (48,440) | (48,875) | (51,482) |
| Closing fair value of scheme assets | 1,079,411 | 1,053,556 | 1,248,712 | 1,215,044 |

Reconciliation of Present Value of Defined Benefit Obligation

| Scheme Liabilities | LGPS | | Unfunded | |
|--|--------------------|--------------------|------------------|------------------|
| | 2017/18 £'000 | 2016/17 £'000 | 2017/18 £'000 | 2016/17 £'000 |
| Balance as at 1st April | (1,588,538) | (1,339,206) | (53,359) | (52,461) |
| Current service cost | (40,588) | (26,563) | | |
| Past service cost | (1,099) | (823) | | |
| Interest cost | (39,764) | (46,663) | (1,288) | (1,768) |
| Contributions from scheme participants | (6,724) | (6,995) | 0 | 0 |
| Remeasurement gain / (loss) | | | | |
| - demographic assumptions | 0 | 19,761 | 0 | 1,360 |
| - financial assumptions | 28,917 | (259,473) | 164 | (5,811) |
| - other experience changes | 0 | 26,833 | (115) | 1,472 |
| Benefits paid | 42,008 | 44,591 | 3,708 | 3,849 |
| Balance as at 31st | (1,605,788) | (1,588,538) | (50,890) | (53,359) |

| | Single Entity | | Group Amounts | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2017/18 £'000 | 2016/17 £'000 | 2017/18 £'000 | 2016/17 £'000 |
| Balance as at 1st April | (1,641,897) | (1,391,667) | (1,803,250) | (1,548,646) |
| Current service cost | (40,588) | (26,563) | (47,755) | (31,192) |
| Past service cost | (1,099) | (823) | (1,161) | (1,032) |
| (Losses) on curtailments | 0 | 0 | 0 | 0 |
| Interest cost | (41,052) | (48,431) | (45,309) | (53,970) |
| Contributions from scheme participants | (6,724) | (6,995) | (7,967) | (8,193) |
| Remeasurement gain / (loss) | | | | |
| - demographic assumptions | 0 | 21,121 | 0 | 23,439 |
| - financial assumptions | 29,081 | (265,284) | 32,369 | (290,487) |
| - other experience changes | (115) | 28,305 | (115) | 55,349 |
| Benefits paid | 45,716 | 48,440 | 48,875 | 51,482 |
| Balance as at 31st March | (1,656,678) | (1,641,897) | (1,824,313) | (1,803,250) |

NOTES TO THE STATEMENTS

Analysis of Scheme Assets: Single Entity

| 2017/18 - Quoted Prices: | Quoted - active markets | Not quoted - no active markets | Total | % of Total Assets |
|-------------------------------------|-------------------------------|--------------------------------------|------------------|-------------------------|
| | £'000 | £'000 | £'000 | % |
| Cash and cash equivalents | 22,223 | 0 | 22,223 | 2 |
| Private equity | 0 | 48,056 | 48,056 | 4 |
| Debt securities | 71,580 | 0 | 71,580 | 7 |
| Real estate: UK property | 0 | 72,481 | 72,481 | 7 |
| Investment funds and unit transfers | | | 0 | |
| - equities | 694,057 | 0 | 694,057 | 63 |
| - bonds | 143,908 | 0 | 143,908 | 14 |
| - infrastructure | 0 | 27,106 | 27,106 | 3 |
| Sub-total | 837,965 | 27,106 | 865,071 | 80 |
| Total assets | 931,768 | 147,643 | 1,079,411 | 100 |

| 2016/17 | Quoted - active markets | Not quoted - no active markets | Total | Total Assets |
|-------------------------------------|-------------------------------|--------------------------------------|------------------|-----------------|
| | £'000 | £'000 | £'000 | % |
| Cash and cash equivalents | 26,673 | 0 | 26,673 | 3 |
| Private equity | 0 | 44,448 | 44,448 | 4 |
| Debt securities | 41,745 | 0 | 41,745 | 4 |
| Real Estate: UK Property | 0 | 76,744 | 76,744 | 7 |
| Investment funds and unit transfers | | | | |
| - equities | 689,341 | 0 | 689,341 | 65 |
| - bonds | 151,770 | 0 | 151,770 | 14 |
| - infrastructure | 0 | 22,835 | 22,835 | 2 |
| Sub-total | 841,111 | 22,835 | 863,946 | 82 |
| Total assets | 909,529 | 144,027 | 1,053,556 | 100 |

Group Amounts

| 2017/18 - Quoted Prices: | Quoted - active markets | Not quoted - no active markets | Total | % of Total Assets |
|-------------------------------------|-------------------------------|--------------------------------------|------------------|-------------------------|
| | £'000 | £'000 | £'000 | % |
| Cash and cash equivalents | 25,709 | 0 | 25,709 | 2 |
| Private equity | 0 | 55,593 | 55,593 | 4 |
| Debt securities | 82,807 | 0 | 82,807 | 7 |
| Real estate: UK property | 0 | 83,849 | 83,849 | 7 |
| Investment funds and unit transfers | | | 0 | |
| - equities | 802,917 | 0 | 802,917 | 64 |
| - bonds | 166,479 | 0 | 166,479 | 13 |
| - infrastructure | 0 | 31,357 | 31,357 | 3 |
| Sub-total | 969,396 | 31,357 | 1,000,754 | 80 |
| Total assets | 1,077,912 | 170,800 | 1,248,712 | 100 |

| 2016/17 | Quoted - active markets | Not quoted - no active markets | Total | Total Assets |
|-------------------------------------|-------------------------------|--------------------------------------|------------------|-----------------|
| | £'000 | £'000 | £'000 | % |
| Cash and cash equivalents | 30,761 | 0 | 30,761 | 3 |
| Private equity | 0 | 51,261 | 51,261 | 4 |
| Debt securities | 48,144 | 0 | 48,144 | 4 |
| Real Estate: UK Property | 0 | 88,507 | 88,507 | 7 |
| Investment funds and unit transfers | | | | |
| - equities | 795,002 | 0 | 795,002 | 65 |
| - bonds | 175,033 | 0 | 175,033 | 14 |
| - infrastructure | 0 | 26,335 | 26,335 | 2 |
| Sub-total | 970,036 | 26,335 | 996,371 | 82 |
| Total assets | 1,048,941 | 166,103 | 1,215,044 | 100 |

NOTES TO THE STATEMENTS

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 2.6% (2.6% in 2016/17).

The Council's Pension Scheme liabilities as at 31st March 2018 have been assessed by Hymans Robertson, an independent firm of actuaries, and are projections based on data pertaining to the latest full valuation of the scheme as at 31st March 2016. There are risks and uncertainties associated with whatever assumptions are adopted as these are in effect projections of future investment returns and demographic experience many years into the future. The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute as described in the accounting policies note.

The significant assumptions used by the actuary are as follows.

| | 2017/18 | 2016/17 |
|---|------------|------------|
| Mortality assumptions | | |
| - Longevity at 65 for male current pensioners | 21.8 years | 21.8 years |
| - Longevity at 65 for female current pensioners | 24.1 years | 24.1 years |
| - Longevity at 65 for male future pensioners | 23.8 years | 23.8 years |
| - Longevity at 65 for female future pensioners | 26.0 years | 26.0 years |
| Rate of increase in salaries | 3.0% | 3.0% |
| Rate of increase in pensions | 2.4% | 2.4% |
| Rate for discounting scheme liabilities | 2.6% | 2.6% |

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.

NOTES TO THE STATEMENTS

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 | 154,770 |
| 0.5% increase in salary increase rate | 1 | 16,902 |
| 0.5% increase in pension increase | 8 | 136,119 |

To mitigate the existing funding deficit, the Council anticipates paying contributions of £25.586 million for the period to 31st March 2018. The weighted average duration of the funded defined benefit obligation for scheme members is 17.0 years for 2017/18, (17.0 2016/17).

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 2019, during 2019/20.

NOTES TO THE STATEMENTS

35. Contingent liabilities

Municipal Mutual Insurance Limited (MMIL)

MMIL ceased to write insurance business after 30 September 1992. After this date, a Scheme of Arrangement was entered, which meant that if the Company could no longer pay agreed claims in full, a percentage levy based on claims payments would be triggered. Haringey Council is one of 729 creditors of the MMIL Scheme of Arrangement. Following the Supreme Court judgement, which was handed down on 28 March 2012, in the Employers Liability Policy relating to mesothelioma claims, the levy was triggered. The percentage levy on claims payments is currently set at 25%; no further increases in the percentage levy have been required since 1 April 2016 but the Council will continue to monitor claims payments.

Lender Option Borrower Option Loans

The Council has £125 million of Lender Option Borrower Option (LOBO) loans, taken out between 2003 and 2006 and with terms of 40 to 60 years. Information on the Council's borrowings, including LOBO loans, is included in Notes 13 and 14. A number of local authorities, including this Council, have received objections from local electors as to the lawfulness of local authorities obtaining borrowings through LOBO loans. Whilst the LOBO loans held by this Council have not currently been found to be unlawful, there is ongoing analysis of LOBO loans generally by councils affected, their auditor and specialist lawyers. The law in relation to this matter is complex and there is uncertainty as to what the consequences could be should a local authority have obtained borrowing through a LOBO that was found to be unlawful. In the event of a LOBO loan being found to be unlawful, restitutionary remedies may result in the outstanding balances on these loans having to be repaid in full to the lender and may result in additional costs resulting from losses incurred by the lender.

Rosebery Industrial Estate

The Council is freeholder of the estate and manages it on behalf of the head-leaseholder. The head leaseholder has communicated potential claims for failure to repair the estate, and for under-recovery of rent, totalling £1.680 million.

Haringey Housing Infill Sites, Phase 1 Contracts

The contractor has submitted interim extension of time claims which total in excess of £1 million. The Council is disputing the claims and there is a strong possibility that the matter will go to adjudication.

Employment Tribunal

A former head teacher employed by the Council has brought a claim to the Employment Tribunal. The case will be heard in September 2018. Details of the amount of the claim have not as yet been provided.

Thames Water

The Council entered into a contract in 2000, whereby it collected water charges from its tenants on behalf of Thames Water and was paid a commission. The High Court has found that a similar contract between LB Southwark and Thames Water is a contract for resale of water under which the recovery of commission is limited by law. The potential liability could be in excess of £6 million in addition to any Solicitors costs. The appeal of the High Court decision did not proceed, but the Council, with other Councils, is investigating supporting a test case to challenge the decision.

West Indian Cultural Centre

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

NOTES TO THE STATEMENTS

Haringey Development Vehicle (HDV)

In deciding not to proceed with the HDV, the Council has delegated authority to one of its directors to approve payment to Lendlease of the Council's share of agreed costs.

36. Adjustments between group and single entity accounts

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

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

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

- Homes for Haringey Ltd; and

- Alexandra Park and Palace Charitable Trust (APPCT).

Both 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.

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

APPCT carry its main asset, the Park and Palace, at nil value on its Balance Sheet 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 £82.189m (£78.048m as at 31 March 2017) 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)

NOTES TO THE STATEMENTS

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

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

The financial performance of HfH Limited is summarised below:

| | 2017/18 | 2016/17 |
|----------------------------------|----------|----------|
| | £000 | £000 |
| Turnover | (56,487) | (59,825) |
| (Surplus) / Deficit for the year | 2,860 | 1,208 |
| Accumulated deficit / (surplus) | (1,388) | 143 |

The accumulated surplus was a result of a pension surplus of £4.422 million (£23.937 million surplus in 2016/17).

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:

| | 2017/18 | 2016/17 |
|----------------------------------|-----------|-----------|
| | £000 | £000 |
| Turnover | (18,019) | (14,389) |
| (Surplus) / Deficit for the year | (1,334) | 362 |
| Reserves: | | |
| Usable Reserves | (19,109) | (6,454) |
| Unusable reserves | (88,410) | (95,393) |
| | (107,519) | (101,847) |

NOTES TO THE STATEMENTS

APPCT Property, Plant and equipment consolidated in Group Accounts:

| | Palace & Park | Asset Under Construct | Vehicles, plant and equipm't | Total |
|-----------------------------|------------------|--------------------------|---------------------------------------|----------------|
| Cost at 1 April 2017 | 79,444 | 4,936 | 2,146 | 86,526 |
| Additions | 80 | 13,519 | 136 | 13,735 |
| Revaluations | 5,296 | - | - | 5,296 |
| Disposals | (23) | - | (281) | (304) |
| At 31 March 2018 | 84,797 | 18,455 | 2,001 | 105,253 |
| Depreciation | | | | |
| At 1 April 2017 | 1,396 | - | 1,026 | 2,422 |
| Charge for the year | 1,212 | - | 250 | 1,462 |
| Disposals | - | - | (281) | (281) |
| At 31 March 2018 | 2,608 | - | 995 | 3,603 |
| NBV as 31 March 2018 | 82,189 | 18,455 | 1,006 | 101,650 |
| NBV as 31 March 2017 | 78,048 | 4,936 | 1,125 | 84,109 |

In June 2015 the Heritage Lottery Board gave its approval to progress with the restoration of the East Wing of the Palace. During 2017-18 the appointed contractor progressed pre-construction and preliminary works, with full construction due to be completed in autumn 2018. The estimated project cost is £26.7m to be funded by:

- Heritage Lottery Fund grant (£18.9m)
- Grant from Haringey Council (£6.8m)
- APPCT fundraising campaign (£1m)

In accordance with the Statement of Recommended Practice for Charities (SORP 2015), APPCT recognised this funding in 2015/16 and it forms part of their Restricted Reserves (unusable reserves in the Group statements).

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

HOUSING REVENUE ACCOUNT

| 2016/17 | HRA Income & Expenditure Statement | 2017/18 | |
|------------------|---|----------|------------------|
| £'000 | | £'000 | £'000 |
| | Expenditure | | |
| 22,435 | Repairs and maintenance | 21,144 | |
| 38,228 | Supervision and management | 38,077 | |
| 1,210 | Rents, rates, taxes and other charges | 1,754 | |
| 19,700 | Depreciation and impairment of non-current assets | 15,484 | |
| (27,935) | Revaluation losses / (gains) | 64,756 | |
| 15 | Debt Management Costs | 19 | |
| 964 | Movement in the allowance for bad debts | 2,148 | |
| 54,617 | Total Expenditure | | 143,382 |
| | Income | | |
| (85,369) | Dwelling rents | (84,039) | |
| (639) | Non-dwelling rents | (752) | |
| (24,392) | Charges for services and facilities | (23,634) | |
| (1,058) | Contributions towards expenditure | (1,083) | |
| (111,458) | Total Income | | (109,508) |
| (56,841) | Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement | | 33,874 |
| 777 | HRA service share of Corporate and Democratic Core | | 765 |
| (56,064) | Net expenditure or (income) for HRA Services | | 34,639 |
| | HRA share of operating income and expenditure included in the Comprehensive I&E Statement | | |
| (21,482) | Gain on sale of HRA non-current assets | (14,634) | |
| 9,542 | Interest payable and similar charges | 10,545 | |
| (2,245) | Interest and net investment income | (1,357) | |
| 110 | Net interest on the net defined benefit liability | 93 | |
| (1,057) | Capital grants and contributions receivable | (6,007) | |
| | | | (11,360) |
| (71,196) | Deficit or (surplus) for the year on HRA services | | 23,279 |

HOUSING REVENUE ACCOUNT

| 2016/17 | Movement on the HRA Statement | 2017/18 |
|-----------------|---|-----------------|
| £'000 | | £'000 |
| (39,319) | Balance on the HRA at the end of the previous year | (29,541) |
| (71,196) | Deficit or (surplus) for the year on the HRA Income and Expenditure Statement | 23,279 |
| | Adjustments between accounting basis and funding basis under the legislative framework | |
| (129) | - 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 | (28) |
| 23,964 | - Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements | (61,663) |
| 21,482 | - Gain on sale of HRA non-current assets | 14,424 |
| (110) | - HRA share of contributions to or from the Pensions Reserve | (93) |
| 34,807 | - Capital expenditure funded by the HRA | 22,397 |
| 14,998 | - Transfer to/(from) Major Repairs Reserve | 15,468 |
| (14,998) | - Transfer to/(from) Capital Adjustment Account | (15,468) |
| 80,014 | Net (increase) or decrease before transfers to or from reserves | (24,963) |
| | Transfers to or (from) reserves | |
| 331 | - HRA Smoothing Reserve | 0 |
| 629 | - Homes for Haringey Reserve | 672 |
| 960 | | 672 |
| 9,778 | (Increase) or decrease in year on the HRA | (1,012) |
| (29,541) | Balance on the HRA at the end of the year | (30,553) |

HOUSING REVENUE ACCOUNT

1. Vacant possession

As at 1st April 2017, the vacant possession value of dwellings within the HRA was £5,265 million (£5,673 million as at 1st April 2016). 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 2018 | 31 March 2017 |
|-------------------------|------------------|------------------|
| Hostels | 127 | 127 |
| Houses and bungalows | 5,039 | 5,057 |
| Flats and maisonettes | 10,171 | 10,233 |
| Affordable rent housing | 13 | 6 |
| Total | 15,350 | 15,423 |

3. Value of assets held on the balance sheet

| | 31 March 2018 | 31 March 2017 |
|--------------------------|------------------|------------------|
| Value of assets | £'000 | £'000 |
| Dwellings | 1,295,455 | 1,418,138 |
| Other land and buildings | 10,471 | 9,120 |
| Investment properties | 5,170 | 26,810 |
| Total | 1,311,096 | 1,454,068 |

4. Revenue expenditure funded from capital under statute (REFCUS)

London Borough of Haringey Statement of Accounts 2017/18

HRA REFCUS for 2017/18 was £2.915 million (£4.697 million in 2016/17) and relates primarily to capital expenditure on improvement works to Council estates e.g. bin stores, play areas and signage.

5. Impairment charges and revaluation losses

The HRA was charged with £0.613 million of upward revaluations on investment properties during 2017/18 (£0.331 million in 2016/17).

6. Capital expenditure

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

| | 2017/18 | 2016/17 |
|--------------------------|---------------|---------------|
| | £'000 | £'000 |
| Expenditure on dwellings | 39,022 | 58,210 |
| <i>Funded by</i> | | |
| Usable capital receipts | 595 | 2,090 |
| Revenue contributions | 22,397 | 34,801 |
| Grants and contributions | 30 | 2,000 |
| Major Repairs Reserve | 16,000 | 19,319 |
| | 39,022 | 58,210 |

7. Capital receipts

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

| | 2017/18 | 2016/17 |
|-------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Dwellings | (14,000) | (21,697) |
| Land and other property | (862) | (224) |
| | (14,862) | (21,921) |

HOUSING REVENUE ACCOUNT

8. Depreciation

| | 2017/18 | 2016/17 |
|--------------------------|---------------|---------------|
| | £'000 | £'000 |
| Operational assets | | |
| Dwellings | 15,307 | 14,814 |
| Other land and buildings | 161 | 158 |
| | 15,468 | 14,972 |

9. Major repairs reserve

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

| | 2017/18 | 2016/17 |
|---|--------------|----------------|
| | £'000 | £'000 |
| Balance at 1st April | (735) | (5,081) |
| Amount transferred to Major Repairs Reserve during financial year | (15,494) | (14,972) |
| Capital expenditure on dwellings during financial year | 16,000 | 19,318 |
| Balance at 31st March | (229) | (735) |

10. Rent Arrears

The rent arrears as at 31st March 2018 are set out below.

| | 2017/18 | 2016/17 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Type of tenancy | | |
| Permanent (including licences) | 10,979 | 9,962 |
| Temporary | 766 | 738 |
| Total arrears | 11,745 | 10,700 |
| Less Provision for bad and doubtful debts | (9,077) | (8,142) |
| Net Arrears | 2,668 | 2,558 |

The average rent for permanent tenants was £103.92 per week in 2017/18, a decrease of £0.84 (-0.8%) over the 2016/17 average rent of £104.76 per week.

The total provision included in the Balance Sheet in respect of all HRA uncollectable debts is £10.88 million (£9.43 million as at 31st March 2017).

COLLECTION FUND

| 2016/17 | | | | 2017/18 | | | |
|---|-------------|---------------|---|---------|------------------------|-------------|---------------|
| Council Tax £000 | NDR £000 | Total £000 | | Note | Council Tax £000 | NDR £000 | Total £000 |
| Amounts required by statute to be credited to the Collection Fund | | | | | | | |
| (115,956) | (66,312) | (182,268) | Council Tax & Business Rate Income (net of benefits, discounts and transitional relief) | | (121,033) | (65,842) | (186,875) |
| | (1,419) | (1,419) | Income collectable in respect of Business Rate Supplements | | | (1,521) | (1,521) |
| | (9,298) | (9,298) | Contributions towards previous year's Collection Fund deficit | | | | - |
| Amounts required by statute to be debited to the Collection Fund | | | | | | | |
| | | | Precepts and demands from major preceptors and the Council | | | | |
| 87,188 | 19,837 | 107,025 | - London Borough of Haringey | | 93,773 | 21,633 | 115,406 |
| 19,920 | 13,224 | 33,144 | - Greater London Authority | | 21,104 | 26,681 | 47,785 |
| | 33,061 | 33,061 | - Central Government | | | 23,797 | 23,797 |
| | 368 | 368 | Non-domestic rates transitional protection payments | | | (6,541) | (6,541) |
| | 1,348 | 1,348 | Business Rates Supplement - Payment to lewying authorities revenue account | | | 1,434 | 1,434 |
| | 5 | 5 | Business Rates Supplement - Administration costs | | | 8 | 8 |
| | 306 | 306 | Charge to General Fund for allowable collection costs | | | 309 | 309 |
| 1,228 | (2,469) | (1,241) | - Allowance for impairment | | 1,299 | 1,997 | 3,296 |
| 7,315 | - | 7,315 | Contribution towards previous year's estimated surplus | | 8,077 | 1,501 | 9,578 |
| (305) | (11,349) | (11,654) | Movement on fund balance | | 3,219 | 3,456 | 6,675 |
| (8,730) | 10,127 | 1,397 | Accumulated balance brought forward at 1 April | 1 | (9,035) | (1,222) | (10,257) |
| (9,035) | (1,222) | (10,257) | Accumulated balance at 31 March | 1 | (5,816) | 2,234 | (3,582) |

COLLECTION FUND

1. Fund Balance

The balances on the Collection Fund at the start and the end of the year are comprised as follows.

| | Council Tax | Non- domestic Rates | Total |
|------------------------------|----------------|---------------------------|----------------|
| | £'000 | £'000 | £'000 |
| As at 1st April 2017 | (9,035) | (1,222) | (10,257) |
| Movement on fund balance | 3,219 | 3,456 | 6,675 |
| As at 31st March 2018 | (5,816) | 2,234 | (3,582) |

2. Income from Business Rates

Under the Business Rates Retention Scheme the business rates collected by the Council are distributed so that the government receives 33%, the Council receives 30% and the GLA receives 37%.

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 46.6 pence (48.4 pence in 2016/17); and
- (ii) The standard multiplier was 47.9 pence (49.7 pence in 2016/17).

The total business rateable value for the Council at 31 March 2018 was £194.699 million (£164.556 million in 2016/17) of which £49.922 million (£48.181 million in 2016/17) related to small businesses. There has been an increase in number of small businesses due to a change in the threshold for small business rate.

3. Council Tax

In 2017/18 the tax base for Haringey was 75,365 properties (72,175 in 2016/17) which was used to calculate the Band D Council Tax of £1,524.27 (£1,484.01 in 2016/17), 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 | | Number of chargeable dwellings | | Proportion | Band D Equivalent No. | |
|--|-----------|-----------|--------------------------------|---------------|------------|-----------------------|----------------------|
| | from £ | to £ | 2017/18 | 2016/17 | | 2017/18 | 2016/17 |
| A | up to | 40,000 | 4,247 | 3,933 | 0.67 | 2,831 | 2,622 |
| B | 40,001 | 52,000 | 11,521 | 10,900 | 0.78 | 8,961 | 8,477 |
| C | 52,001 | 68,000 | 24,073 | 23,176 | 0.89 | 21,398 | 20,601 |
| D | 68,001 | 88,000 | 19,734 | 19,057 | 1.00 | 19,734 | 19,057 |
| E | 88,001 | 120,000 | 8,644 | 8,355 | 1.22 | 10,565 | 10,212 |
| F | 120,001 | 160,000 | 4,712 | 4,626 | 1.44 | 6,807 | 6,683 |
| G | 160,001 | 320,000 | 4,362 | 4,239 | 1.67 | 7,271 | 7,065 |
| H | 320,001 | and above | 674 | 629 | 2.00 | 1,349 | 1,257 |
| | | | <u>77,967</u> | <u>74,915</u> | | <u>78,916</u> | <u>75,974</u> |
| Collection rate after allowance for non-collection | | | | | | 95.5% | 95.0% |
| Council Tax base used to calculate Band D | | | | | | <u>75,365</u> | <u>72,175</u> |

PENSION FUND

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

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

PENSION FUND

| 2017/18 | Pension Fund Account | Note | 2016/17 |
|------------------|---|------|------------------|
| £000 | | | £000 |
| | Dealings with members, employers and others directly involved in the fund | | |
| 44,455 | Contributions | 7 | 47,249 |
| 5,436 | Transfers in from other pension funds | 8 | 2,839 |
| 49,891 | | | 50,088 |
| (49,170) | Benefits | 9 | (47,223) |
| (6,421) | Payments to and on account of leavers | 10 | (3,662) |
| (55,591) | | | (50,885) |
| (5,700) | Net withdrawals from dealings with members | | (797) |
| (7,124) | Management expenses | 11 | (4,646) |
| (12,824) | Net withdrawals including fund management expenses | | (5,443) |
| | Returns on Investments: | | |
| 5,853 | Investment Income | 12 | 4,146 |
| (5) | Taxes on income | 13 | (4) |
| 55,395 | Profit and losses on disposal of investments and changes in market value of investments | 14a | 262,508 |
| 61,243 | Net return on investments | | 266,650 |
| 48,419 | Net increase in the net assets available for benefits during the year | | 261,207 |
| 1,307,484 | Opening net assets of the scheme | | 1,046,277 |
| 1,355,903 | Closing net assets of the scheme | | 1,307,484 |

| 31/03/18 | Net Asset Statement | Note | 31/03/17 |
|------------------|--|------|------------------|
| £000 | | | £000 |
| | Long Term Investments | | |
| 150 | London CIV | 1 | 150 |
| 150 | | | 150 |
| | Current Investments | | |
| 1,283,610 | Investment assets | 14 | 1,275,186 |
| 73,879 | Cash deposits | 14 | 33,907 |
| 1,357,489 | | | 1,309,093 |
| 944 | Current assets | 21 | 1,488 |
| (2,680) | Current liabilities | 22 | (3,247) |
| 1,355,903 | Net assets of the fund available to fund benefits at the period end | | 1,307,484 |

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

PENSION FUND

Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2018

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

Introduction

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

The financial statements have been prepared in accordance with the Public Service Pensions Act 2013 (as amended) and Local Government Pension Scheme Regulations and with the guidelines set out in the *Code of Practice on Local Authority Accounting in the UK 2017/18*, which is based on International Financial Reporting Standards as amended for the UK public sector. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Net Asset Statement sets out the assets and liabilities for the

London Borough of Haringey Statement of Accounts 2017/18

Fund as at 31st March 2018.

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), (previously the Statement of Investment Principles), which is published in the Pension Fund Annual Report. The ISS is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with the Myners principles of investment. All investments are externally managed, with the exception of a small allocation of cash required for the payment of benefits, which is managed internally. The Fund awarded one new mandate in 2017/18, to a multi asset absolute return London Collective Investment Vehicle (CIV) sub-fund, managed by Ruffer. This mandate was funded during 2017/18.

Fund administration and membership

At 31st March 2018, there were 6,716 (2017: 6,167) active fund memberships with employees contributing to the Fund and 7,742 (2017: 7,508) pensioner and dependent memberships with individuals receiving benefits. There were also 8,719 (2017: 8,769) deferred pensioner memberships. Some individuals have multiple memberships due to having had multiple contracts of employment with fund employers.

PENSION FUND

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

Transferee Admission Bodies:

- Cofely Workplace Limited
- Fusion Lifestyle
- Veolia Environmental Services (UK) PLC
- Lunchtime UK Limited (nine school contracts)
- ABM (two school contracts)
- Caterlink (four school contracts)
- Absolutely Catering
- Cooperscroft Care Home
- Superclean Services
- ISS Catering (two school contracts)
- K M Cleaning
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Amey Community Limited
- Pabulum (ten school contracts)
- Hillcrest Cleaning (two school contracts)
- Ategi Ltd
- Hertfordshire Catering Ltd

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- Homes for Haringey
- College of Haringey, Enfield & North East London
- Greig City Academy
- Fortismere School
- Alexandra Park Academy
- Woodside Academy

- Eden Free School
- Harris Academy Coleraine
- Harris Academy Philip Lane
- AET Trinity Primary
- AET Noel Park
- Haringey 6th Form Centre
- St Paul's & All Hallows Infant Academy
- St Paul's & All Hallows Junior Academy
- St Michael's Academy
- St Ann CE Academy
- Holy Trinity CE Academy
- Heartlands High School
- St Thomas More RC Academy
- Brook House Primary
- Millbrook Primary School
- Harris Academy Tottenham
- The Octagon
- Dukes Aldridge 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's income is derived from employees, contributions from employing organisations and income from investments.

PENSION FUND

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board. Details of the individuals who served on the Pensions Committee and Board during 2017/18 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The Committee and Board consists of six elected Councillors and four employer and employee representatives, (one of which was vacant in 2017/18). 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 2017/18 year was:

| | | |
|------------------|---|-------------------------|
| Cllr Clare Bull | - | Chair |
| Cllr John Bevan | - | Vice Chair |
| Cllr Mark Blake | - | Member |
| Cllr Liz McShane | - | Member |
| Cllr Viv Ross | - | Member |
| Cllr Noah Tucker | - | 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 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, 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.

Contributions

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

Transfers in and out

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

Investment income

Interest on cash and short term deposits is accounted for on an accruals basis. Distributions from equity and bond pooled funds are recognised on the date of payment. Distributions from property unit trusts are shown on an accruals basis by reference to the ex-dividend date. Income retained within pooled funds is accounted for as part of the change in the market value of investments posted to the fund account. Interest is recognised on an effective interest rate basis.

Benefits

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

PENSION FUND

Taxation

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

Management expenses

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

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

Financial assets and liabilities

Financial assets and liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the net assets statement on the date the fund became party to the contractual acquisition of the asset or party to the liability. From this date any gains or losses from changes in the fair value of the asset or liability are recognised by the Fund. See note 16 for further detail including the valuation methodology for different investments.

The value of these holdings is based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest

financial statements published by the respective fund managers adjusted for draw-downs paid and distributions received in the period from the date of the private equity financial statements to 31st March 2018. Infrastructure holdings are valued by third parties appointed by the fund manager using mark to market modelling.

The valuation of securities denominated in overseas currencies is calculated by using the overseas bid or mid price current at the year-end date and the exchange rate for the appropriate currency at the year-end to express the value as a sterling equivalent.

Foreign currency transaction

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

PENSION FUND

As permitted under IAS 26 and CIPFA guidance, the Fund has opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements, however a brief summary of this is also included as note 20 in these accounts.

Additional Voluntary Contributions (“AVCs”)

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed within transfers-in.

Further details about the AVC arrangements are disclosed in note 23 to the financial statements.

Actuarial present value of promised retirement benefits – the liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The liability is calculated by the Fund’s qualified Actuary on a three yearly basis with annual updates in the intervening years. The three yearly triennial valuation provides the basis for setting employer contributions for the following three year period. The Actuary has advised that this has provided a reasonable estimate of the actuarial present value of promised retirement benefits. Further detail is given in Annex 1 to these accounts.

4. Critical judgements in applying accounting policies

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

Private Equity valuations – the value of the Fund’s private equity holdings is calculated by the General Partners of the fund using valuations provided by the underlying partnerships. The variety of valuation bases adopted and quality of management data of the underlying investments in the partnership means that there are inherent difficulties in determining the value of these investments. Given the long term nature of these investments, amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference may be material. Further detail is given in note 16.

PENSION FUND

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

| Items | Uncertainties | Effect if actual results differ from assumptions |
|--|---|--|
| Actuarial Present Value of promised retirement benefits | Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance: - 0.5% increase in the discount rate would result in a decrease in the pension liability of £186m (10%) - 0.5% increase in assumed earnings would increase the value of the liabilities by approximately £22m (1%) - 0.5% increase in assumed pension earnings inflation would increase the value of liabilities by approximately £155m (8%) |
| Private Equity | Private Equity investments are valued at fair value in accordance with international Private Equity and Venture Capital Guidelines. These assets are not publicly listed, and as such there is a degree of estimation. | The total private equity investments in the financial statements are £66m. There is a risk that this may be over or understated: however, the private equity investments only represent 5% of overall assets. Further detail is shown in Note 16 regarding the sensitivity of this valuation. |

6. Events after the reporting date

Bulk Transfers

The fund was aware of two bulk transfers which had not taken place on 31st March 2018, but were likely to do so in 2018/19:

- The College of Haringey, Enfield and North East London (CoHENEL) ceased to be a participating employer in Haringey's fund following its merger with another larger London College from 1st November 2017. The college applied for a Directions order from the then Secretary of State for Ministry of Housing, Communities and Local Government to transfer all pension assets and liabilities relating to CoHENEL to the London Pension Fund Authority (LPFA) who administers the other college's pensions. This Directions Order was granted. Haringey continued to administer CoHENEL's pensions in the interim period from 1st November 2017 to 31st March 2018 until the bulk transfer concludes. All pensions benefits paid to the college's fund members during this period will be recouped in the bulk transfer of pension assets between Haringey and the LPFA Funds. The bulk transfer is likely to take place in the summer of 2018, and is estimated at circa £40m. Bulk transfers are accounted for on a cash basis as per the Pensions SoRP, and hence are not disclosed as a balance sheet item in these accounts.
- The Shared Digital Service (SDS) is a joint initiative between the London Boroughs of Haringey, Camden and Islington, to manage the IT services for all three authorities. SDS may involve a TUPE transfer of staff from Haringey to Camden Council, and as such, the pension assets attributable to any staff who transfer will transfer to Camden Pension Fund. The timing of this TUPE transfer is unknown, however the bulk transfer for this group of staff is likely to be in the range of circa £8m.

PENSION FUND

7. Contributions receivable

| 2017/18 | | 2016/17 |
|---------------|----------------------------------|---------------|
| £000 | By category | £000 |
| 9,386 | Employee contributions | 9,341 |
| | Employer contributions | |
| 23,625 | - Normal contributions | 25,469 |
| 10,267 | - Deficit recovery contributions | 10,494 |
| 1,177 | - Augmentation contributions | 1,945 |
| 35,069 | Total employers' contributions | 37,908 |
| 44,455 | Total | 47,249 |

| 2017/18 | | 2016/17 |
|---------------|---------------------------|---------------|
| £000 | By authority | £000 |
| 33,068 | - Administering authority | 33,501 |
| 10,530 | - Scheduled bodies | 11,231 |
| 856 | - Admitted bodies | 2,517 |
| 44,455 | Total | 47,249 |

8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2017/18 of £5.436 million (£2.839 million in 2016/17) and these all related to individuals.

9. Benefits payable

| 2017/18 | | 2016/17 |
|---------------|--|---------------|
| £000 | By category | £000 |
| 39,113 | - Pensions | 37,194 |
| 8,309 | - Commutation and lump sum retirement benefits | 8,040 |
| 1,748 | - Lump sum death benefits | 1,989 |
| 49,170 | Total | 47,223 |

| 2017/18 | | 2016/17 |
|---------------|---------------------------|---------------|
| £000 | By authority | £000 |
| 44,561 | - Administering authority | 42,192 |
| 3,488 | - Scheduled bodies | 3,904 |
| 1,121 | - Admitted bodies | 1,127 |
| 49,170 | Total | 47,223 |

10. Payments to and on account of leavers

| 2017/18 | | 2016/17 |
|--------------|------------------------------------|--------------|
| £000 | | £000 |
| 87 | Refunds to members leaving service | 87 |
| 6,334 | Individual transfers | 3,575 |
| 6,421 | Total | 3,662 |

11. Management expenses

| 2017/18 | | 2016/17 |
|--------------|--------------------------------|--------------|
| £000 | | £000 |
| 1,336 | Administrative costs | 865 |
| 5,457 | Investment management expenses | 3,493 |
| 332 | Oversight and governance costs | 288 |
| 7,124 | Total | 4,646 |

This analysis of the costs of managing the Haringey Pension Fund during the period has been prepared in accordance with CIPFA guidance. The oversight and governance costs category includes £21k for external audit fees in 2017/18 (£21k in 2016/17).

PENSION FUND

| 2017/18 | | 2016/17 |
|--------------|--------------------------|--------------|
| £000 | | £000 |
| 4,605 | Management Fees | 3,237 |
| 0 | Performance Related Fees | 0 |
| 57 | Custody fees | 57 |
| 795 | Transaction Fees | 199 |
| 5,457 | Total | 3,325 |

12. Investment income

| 2017/18 | | 2016/17 |
|--------------|--|--------------|
| £000 | | £000 |
| 5,836 | Pooled investments - unit trusts and other managed funds | 4,113 |
| 17 | Interest on cash deposits | 33 |
| 5,853 | Total | 4,146 |

12a. Property income

Property income from the Fund's pooled property funds is included in the above figures and totals £3.768 million in 2016/17 (£4.252 million in 2015/16). The Fund does not directly own property, and no contingent rents were recognised as income during the period.

13. Taxes on income

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

14. Investments

14a. Reconciliation of movements in investment assets and liabilities

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

| 2017/18 | Value at 1st April 2017 | Purchases at cost | Sales proceeds | Changes in market value | Value at 31st March 2018 |
|--------------------------------------|-------------------------|-------------------|------------------|-------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Pooled investment vehicles | 1,275,149 | 178,868 | (225,879) | 55,509 | 1,283,646 |
| Cash deposits | 33,907 | 118,798 | (78,695) | (131) | 73,879 |
| Other investment assets/ liabilities | 37 | 0 | (91) | 18 | (36) |
| Total | 1,309,093 | 297,665 | (304,665) | 55,395 | 1,357,489 |

| 2016/17 | Value at 1st April 2016 | Purchases at cost | Sales proceeds | Changes in market value | Value at 31st March 2017 |
|----------------------------|-------------------------|-------------------|-----------------|-------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Pooled investment vehicles | 1,022,300 | 13,310 | (22,832) | 262,371 | 1,275,149 |
| Cash deposits | 20,694 | 63,364 | (50,292) | 141 | 33,907 |
| Other investment assets | 2,583 | 5 | (2,547) | (4) | 37 |
| Total | 1,045,577 | 76,679 | (75,671) | 262,508 | 1,309,093 |

PENSION FUND

14b. Analysis of investments

| 31/03/2018 | By category | 31/03/2017 |
|------------------|---|------------------|
| £000 | | £000 |
| | Pooled Investment Vehicles | |
| 90,383 | Unit Trusts - Property - UK | 90,876 |
| 276,260 | Unitised Insurance Policies - UK | 329,747 |
| 621,877 | Unitised Insurance Policies - Overseas | 721,999 |
| 0 | Other managed funds - Property - Overseas | 0 |
| 37,687 | Other managed funds - Other - UK | 27,819 |
| 190,629 | Other managed funds - Other - Overseas | 50,467 |
| 66,774 | Private Equity | 54,278 |
| 1,283,610 | | 1,275,186 |
| | Cash Deposits | |
| 65,705 | Sterling | 29,771 |
| 8,174 | Foreign Currency | 4,136 |
| 73,879 | | 33,907 |
| 1,357,489 | Total Investments | 1,309,093 |

14c. Analysis by Fund Managers

| 31/03/2018 | By fund manager | 31/03/2017 |
|------------------|-----------------|-------------------------------------|
| £000 | % | £000 % |
| 5 | 0.00 | Capital International 5 0.0 |
| 951,471 | 70.1 | Legal and General 1,051,745 80.3 |
| 94,846 | 7.0 | CBRE Global Investors 113,023 8.6 |
| 38,078 | 2.8 | Allianz Global Investors 27,814 2.1 |
| 92,564 | 6.8 | CQS 50,467 3.9 |
| 60,006 | 4.4 | Pantheon 58,424 4.5 |
| 14,862 | 1.1 | BlackRock 0 0.0 |
| 98,065 | 7.2 | Ruffer 0 0.0 |
| 7,592 | 0.6 | In house cash deposits 7,615 0.6 |
| 1,357,489 | 100.0 | Total 1,309,093 100.0 |

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

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

| 31/03/2018 | Name of holding | 31/03/2017 |
|---------------|---|---------------|
| £000 % | | £000 % |
| 104,762 7.7% | Legal & General World Emerging Equity Index | 138,965 10.6% |
| 91,012 6.7% | Legal & General UK Equities Index | 151,526 11.6% |
| | Legal & General North American Equities | 222,584 17.0% |
| | Legal & General European (ex UK) Equities | 74,404 5.7% |
| 185,249 13.6% | Legal & General Index Linked Gilts | 183,837 14.0% |
| 302,573 22.3% | Legal & General Low Carbon Index | 214,432 16.4% |
| 98,065 7.2% | London CIV Ruffer Subfund | |
| 92,564 6.8% | CQS Multi Asset Credit Fund | |

15. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2017.

16. Fair Value Hierarchy

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

PENSION FUND

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

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

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

Sensitivity of assets valued at level 3

Having analysed historical data, current market trends and information received regarding the valuation techniques of the fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

| Asset | Assessed Valuation Range +/- | Valuation as at 31/03/2018 | Value on Increase | Value on Decrease |
|--------------------------------|------------------------------|----------------------------|-------------------|-------------------|
| | | £000 | £000 | £000 |
| Pooled UK property unit trusts | 2% | 90,423 | 92,232 | 88,615 |
| Private Equity | 5% | 66,771 | 70,110 | 63,433 |
| | | 157,194 | 162,341 | 152,047 |

16a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. Criteria utilised in the instrument classifications are detailed below.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

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Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments (private equity), and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. The figures below do not include the cash holdings of the fund.

| Values as at 31/03/18 | Quoted market price Level 1 | Using observable inputs Level 2 | With significant unobservable inputs Level 3 | Total |
|--|--------------------------------------|--|--|------------------|
| | £000 | £000 | £000 | £000 |
| Financial assets at fair value through profit and loss | (36) | 1,126,451 | 157,194 | 1,283,610 |
| Total | (36) | 1,126,451 | 157,194 | 1,283,610 |

| Values as at 31/03/17 | Quoted market price Level 1 | Using observable inputs Level 2 | With significant unobservable inputs Level 3 | Total |
|--|--------------------------------------|--|--|------------------|
| | £000 | £000 | £000 | £000 |
| Financial assets at fair value through profit and loss | 37 | 1,130,026 | 145,123 | 1,275,186 |
| Total | 37 | 1,130,026 | 145,123 | 1,275,186 |

16b. Transfers between Levels 1 and 2

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

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16c. Reconciliation of fair value measurements within level 3

| 2017/18 | Value at 1st April 2017 restated | Purchases in the year | Sales in the year | Unrealised gains (losses) | Realised gains (losses) | Value at 31st March 2018 |
|--------------------------------|----------------------------------|-----------------------|-------------------|---------------------------|-------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Pooled UK property unit trusts | 90,845 | 2,011 | (1,732) | (1,262) | 561 | 90,423 |
| Private Equity | 54,278 | 26,071 | (15,301) | (2,959) | 4,683 | 66,772 |
| Total | 145,123 | 28,082 | (17,033) | (4,220) | 5,243 | 157,194 |

The value of pooled UK property unit trusts as at 1st April 2016 has been restated from the previous year, as £29.286m of pooled UK property trust holdings were disclosed as level 2 investments as at 31st March 2016. The fund has taken the view that all of the pooled property holdings should be recognised as a Level 3 investments.

17. Financial Instruments

17a. Classification of financial instruments

The majority of the Fund's financial assets and liabilities are classified as "fair value through profit and loss". This means that the assets can be exchanged between parties at a market price. The Accounting Policies describe how fair value is measured. Assets which have fixed payments and are not quoted in an active market are classified as "Loans and Receivables". The only financial assets in this class held by the Fund are cash deposits and debtors. Creditors to the Fund are classified as financial liabilities at amortised cost because they are not held for trading.

| 31/03/2018 | | 31/03/2017 |
|------------------|---|---------------------|
| Fair Value | Name of holding | Fair Value restated |
| £000 | | £000 |
| | Long Term Investments | |
| 150 | - London CIV | 150 |
| 150 | | 150 |
| | Financial assets or liabilities at fair value through profit or loss | |
| 1,283,646 | - Pooled investment vehicles | 1,275,149 |
| (36) | - Other investment balances | 37 |
| 1,283,610 | | 1,275,186 |
| | Loans and receivables | |
| 73,879 | - Cash deposits | 33,907 |
| 944 | - Debtors | 1,488 |
| 74,823 | | 35,395 |
| | Financial liabilities at amortised cost | |
| (2,636) | - Creditors | (2,736) |
| (44) | - Cash overdrawn | (511) |
| (2,680) | | (3,247) |
| 1,355,903 | Net Assets | 1,307,484 |

The fair values shown above are the same as the carrying value for each line.

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17b. Net gains and losses on financial instruments

| 2017/18 | | 2016/17 |
|---------------|-----------------------------------|----------------|
| £000 | | £000 |
| | Financial Assets | |
| 55,378 | Fair value through profit or loss | 262,512 |
| 18 | Loans and receivables | (4) |
| <u>55,395</u> | | <u>262,508</u> |

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

18. Nature and extent of risks arising from Financial Instruments

The Pension Fund's investment objective is to achieve a return on Fund assets, which is sufficient, over the long term, to fully meet the cost of benefits and to ensure stability of employer's contribution rates. Achieving the investment objectives requires a high allocation to growth assets in order to improve the funding level, although this leads to a potential higher volatility of future funding levels and therefore contribution rates.

a) Management of risk

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

The majority of the Pension Fund's assets are managed by external fund managers and they are required to provide an audited internal

controls report regularly to the Council which sets out how they ensure the Fund's assets are safeguarded against loss and misstatement.

The listed equity and index linked portfolios held within pooled investment vehicles, representing 66% of the fund's investment strategy (this mandate is currently overweight in actual terms as newer investment mandates are funded from the passive portfolios), are managed on a passive basis to minimise the volatility of returns compared with market indices and to reduce the fees and governance requirements.

b) Market price risk

The key risk for the Pension Fund is market risk, which is the risk that the values of the investments fluctuate due to changes in market prices. The majority of the Fund is invested in pooled funds with underlying assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years.

| As at 31/03/2018 | Value | % change | Value on increase | Value on decrease |
|---------------------|-------------------------|----------|-------------------------|-------------------------|
| | £000 | % | £000 | £000 |
| UK equities | 91,011 | 13.9 | 103,682 | 78,340 |
| Overseas equities | 621,877 | 18.3 | 735,617 | 508,137 |
| UK bonds | 185,249 | 12.0 | 207,428 | 163,070 |
| Cash | 73,879 | 0.0 | 73,879 | 73,879 |
| Property | 90,383 | 4.6 | 94,551 | 86,215 |
| Alternatives | 295,090 | 8.4 | 319,824 | 270,356 |
| Total Assets | <u>1,357,489</u> | | <u>1,534,981</u> | <u>1,179,997</u> |

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| As at 31/03/2017 | Value | % change | Value on increase | Value on decrease |
|---------------------|------------------|----------|-------------------|-------------------|
| | £000 | % | £000 | £000 |
| UK equities | 145,910 | 13.2 | 165,214 | 126,606 |
| Overseas equities | 721,999 | 17.4 | 847,696 | 596,301 |
| UK bonds | 183,837 | 11.4 | 204,715 | 162,959 |
| Cash | 33,907 | 0.0 | 33,907 | 33,907 |
| Property | 90,876 | 5.5 | 95,836 | 85,917 |
| Alternatives | 132,564 | 5.3 | 139,565 | 125,563 |
| Total Assets | 1,309,093 | | 1,486,933 | 1,131,253 |

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 (2016/17: eight) investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. Funds had been invested with the new fund manager appointed in 2017/18 as at 31st March 2018, however investment had not yet commenced with two of the previously appointed fund managers, meaning that as at 31st March 2018 there were actual investments with seven different fund managers.

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 56% of the Fund value on 31st March 2017, equivalent to £761 million (2016/17: £793 million). These arise from

passive pooled equities, private equity, property and cash. From 2017/18 going forwards, foreign currency exposures are hedged in the equity asset class only, via the purchase of units in hedged versions of index tracking funds. No current exposure was hedged in 2016/17.

The main non-sterling currency exposures at 31st March 2017 was the US dollar. Other major exposures were the Euro, and Asian and emerging market countries.

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

| As at 31/03/2018 | Value | % change | Value on increase | Value on decrease |
|---------------------|----------------|-------------|-------------------|-------------------|
| | £000 | % | £000 | £000 |
| Overseas equities | 621,877 | 10.0 | 684,065 | 559,689 |
| Multi-sector credit | 92,564 | 10.0 | 101,820 | 83,308 |
| Private equity | 38,198 | 10.0 | 42,018 | 34,378 |
| Cash | 8,174 | 10.0 | 8,991 | 7,356 |
| Total Assets | 760,813 | 10.0 | 836,894 | 684,732 |

| As at 31/03/2017 | Value | % change | Value on increase | Value on decrease |
|---------------------|----------------|-------------|-------------------|-------------------|
| | £000 | % | £000 | £000 |
| Overseas equities | 721,999 | 10.0 | 794,198 | 649,799 |
| Multi-sector credit | 50,467 | 10.0 | 55,514 | 45,420 |
| Private equity | 16,116 | 10.0 | 17,727 | 14,504 |
| Cash | 4,136 | 10.0 | 4,550 | 3,723 |
| Total Assets | 792,718 | 10.0 | 871,989 | 713,446 |

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The cash balances managed internally are only permitted to be in sterling.

d) Interest Rate risk

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

| | Interest earned 2017/18 | Interest rate if 1% higher | Interest rate if 1% lower |
|---------------|----------------------------|-------------------------------|------------------------------|
| | £000 | £000 | £000 |
| Cash deposits | 17 | 86 | (52) |
| Total | 17 | 86 | (52) |

| | Interest earned 2016/17 | Interest rate if 1% higher | Interest rate if 1% lower |
|---------------|----------------------------|-------------------------------|------------------------------|
| | £000 | £000 | £000 |
| Cash deposits | 33 | 127 | (61) |
| Total | 33 | 127 | (61) |

e) Credit risk and counterparty risk

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

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table below shows the split of the bond investments by credit rating at 31st March 2017 and 31st March 2016.

The majority of bonds (2018: £185 million, 2017 £184m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

| | Market value 31/03/2018 | AA | A | BBB | Below BBB |
|---|----------------------------|-----------|----------|----------|--------------|
| | £000 | % | % | % | % |
| Bond exposure in pooled investment vehicles | 185,249 | 67 | 2 | 2 | 29 |
| Total / Weighted Average | 185,249 | 67 | 2 | 2 | 29 |

| | Market value 31/03/2017 | AA | A | BBB | Below BBB |
|---|----------------------------|-----------|----------|----------|--------------|
| | £000 | % | % | % | % |
| Bond exposure in pooled investment vehicles | 183,837 | 79 | 0 | 1 | 20 |
| Total / Weighted Average | 183,837 | 79 | 0 | 1 | 20 |

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

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| 31/03/2018 | | | 31/03/2017 | | |
|------------|---------------|--------------------|------------|---------------|--|
| Exposure | Credit rating | | Exposure | Credit rating | |
| £000 | | | £000 | | |
| 66,287 | AA- | Northern Trust | 26,292 | AA- | |
| 3,147 | A | Barclays Bank Plc | | | |
| 4,445 | AAAm | Money Market Funds | 7,615 | AAAm | |

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

f) Liquidity risk

Liquidity risk is the risk that monies are not available to meet the Pension Fund's obligation to pay pension benefits on time. Maintaining a level of internally managed cash balances enables the Pension Fund to ensure liquidity is not an issue. All of the internally managed cash held on 31st March 2017 was in money market funds and bank accounts with the main bank or custodian, ensuring cash is available as required. Monitoring of the cashflow position daily assists with maintaining this position.

The majority of the Council's non cash investments are in pooled funds whose underlying holdings are listed equities or bonds. These funds have regular (at least monthly) trade dates, which ensure it is possible to realise the investments easily if necessary.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2016. The next valuation will take place as at 31st March 2019.

The key elements of the funding policy are:

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

The market value of the Fund at the time of the last triennial valuation as at 31st March 2016 was £1,046 million. Against this sum liabilities were identified of £1,323 million equivalent to a funding deficit of £277 million. The movement in the actuarial deficit between 2013 and the last valuation in 2016 is analysed below:

| Reason for change | £m |
|--|-----------|
| Interest on deficit | (53) |
| Contributions greater than cost of accrual | 13 |
| Investment returns higher than expected | 67 |
| Change in demographic assumptions | 6 |
| Change in base mortality assumptions | 17 |
| Actual membership higher than expected | 57 |
| Experience items | 1 |
| Change in financial assumptions | (17) |
| Total | 91 |

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

At the 2016 actuarial valuation, the fund was assessed as 79% funded (70% at the 31st March 2013 valuation). This corresponds to a deficit of £277m (2013 valuation: £369m) at that time.

Contribution increases or decreases may be phased in over the three-year period ending 31 March 2020 for scheme employers, or changes may take immediate effect from 1 April 2017. The actuary agreed that the Council's contribution rate could increase by 1.5% over a three year period from April 2017, from 24.9% of pensionable salaries to 26.4% in March 2019. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit.

Individual employer's rates will vary depending on the demographic and actuarial factors particular to each employer in the Fund. Full details of contribution rates payable can be found in the 2016 actuarial valuation report.

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

| Future assumed rates as at 31st March 2016 | % |
|--|-----|
| Discount rate (annual nominal return rate) | 4.0 |
| Pay increase (annual change) | 2.8 |
| Pay increase - Pension (annual change) | 2.1 |
| Retail Price Index (RPI) | 3.3 |

*An allowance is also made for promotional pay increases.

20. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions from those used for funding purposes. The actuary has also used valued ill health and death benefits in line with IAS 19.

| 31/03/18 | | 31/03/17 |
|--------------|---|--------------|
| £m | | £m |
| (1,906) | Present Value of promised retirement benefits | (1,849) |
| 1,356 | Fair Value of scheme assets | 1,307 |
| (550) | Net Liability | (542) |

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Please see Annex 1 to these accounts for more information.

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21. Current assets

| 31/03/18 | 31/03/17 |
|-------------------------------------|--------------|
| £000 | £000 |
| Debtors | |
| 77 - Contributions due - employees | 89 |
| 783 - Contributions due - employers | 1,351 |
| 84 - Sundry debtors | 48 |
| 944 Total | 1,488 |

The below is an analysis of debtors.

| 31/03/18 | 31/03/17 |
|--|--------------|
| £000 | £000 |
| 26 Central government bodies | 48 |
| 47 Public corporations and trading funds | 165 |
| 871 Other entities and individuals | 1,275 |
| 944 Total | 1,488 |

22. Current liabilities

| 31/03/18 | 31/03/17 |
|--------------------------|----------------|
| £000 | £000 |
| (1,751) Sundry creditors | (1,260) |
| (885) Benefits payable | (1,476) |
| (44) Bank overdraft | (511) |
| (2,680) Total | (1,590) |

The below is an analysis of creditors.

| 31/03/18 | 31/03/17 |
|---|----------------|
| £000 | £000 |
| (353) Other local authorities | (92) |
| (477) Public corporations and trading funds | (745) |
| (1,850) Other entities and individuals | (2,410) |
| (2,680) Total | (3,247) |

23. Additional Voluntary Contributions ("AVCs")

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

Movements by provider are summarised below:

| 31/03/2018 | Equitable Life Assurance Society | 31/03/2017 |
|---------------------------------------|----------------------------------|------------|
| £000 | | £000 |
| 246 Value as at 6 April | | 257 |
| 0 Contributions received | | 0 |
| (22) Retirement benefits and changes | | (30) |
| 6 Changes in market value | | 19 |
| 231 Value as at 5 April | | 247 |
| 110 Equitable with profits | | 121 |
| 0 Equitable with deposit account fund | | 0 |
| 121 Equitable unit linked | | 126 |
| 231 Total | | 247 |

| | | |
|----|---|----|
| 1 | Number of active members | 2 |
| 30 | Number of members with preserved benefits | 32 |

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| 31/03/2018 | Prudential Assurance | 31/03/2017 |
|------------|---|------------|
| £000 | | £000 |
| 721 | Value as at 1 April | 754 |
| 143 | Contributions received | 213 |
| (26) | Retirement benefits and changes | (281) |
| 17 | Changes in market value | 35 |
| 855 | Value as at 31 March | 721 |
| 514 | Prudential with profits cash accumulation | 483 |
| 154 | Prudential deposit fund | 85 |
| 187 | Prudential unit linked | 153 |
| 855 | Total | 721 |
| 73 | Number of active members | 73 |
| 21 | Number of members with preserved benefits | 23 |

| 31/03/2018 | Clerical and Medical | 31/03/2017 |
|------------|---|------------|
| £000 | | £000 |
| 49 | Value as at 1 April | 42 |
| 2 | Contributions received | 2 |
| (23) | Changes in market value | 5 |
| 28 | Value as at 31 March | 49 |
| 6 | Clerical Medical with profits | 6 |
| 22 | Clerical Medical unit linked | 43 |
| 28 | Total | 49 |
| 2 | Number of active members | 2 |
| 2 | Number of members with preserved benefits | 3 |

24. Agency Services

There were no agency services provided by the fund in the year.

25. Related party transactions

Haringey Council

In 2017/18 the Pension Fund paid £0.672 million to the Council for administration and legal services (£0.571 million in 2016/17). As at 31st March 2018 an amount of £0.242 million was due from the Council to the Fund (£0.858 million in 2016/17).

Governance

During 2017/18 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 post was filled by agency staff members in 2017/18 who did not have the right to join Haringey Pension Fund. More details regarding the remuneration for this post can be found in the Council's statement of accounts.

26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £149.9 million (£35.9 million with Pantheon – Private Equity, £9.7 million with Allianz – Infrastructure debt, £18.1 million with Blackrock, and £36.2m with Copenhagen Infrastructure Partners and £50m with Aviva Property at 31st March 2018 (2017: £122.7 million). The commitments relate

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to outstanding call payments due in relation to the private equity, renewable energy infrastructure, property and infrastructure debt portfolios.

27. Contingent assets

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

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Annex 1 to the Financial Statements

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund ("the Fund").

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

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

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

Present value of promised retirement benefits

| Present value of Promised Retirement Benefits | Year ended 31/03/2018 | Year ended 31/03/2017 |
|---|-----------------------|-----------------------|
| Active members | 736 | 666 |
| Deferred pensioners | 523 | 515 |
| Pensioners | 647 | 668 |
| Total | 1,906 | 1,849 |

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are the same as at 31 March 2018 and 31 March 2017. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

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Financial assumptions

| Year ended | 31 Mar 2018 % p.a. | 31 Mar 2017 % p.a. |
|----------------------------------|-----------------------|-----------------------|
| Inflation/Pensions Increase Rate | 2.4 | 2.4 |
| Salary Increase Rate | 3.0 | 3.0 |
| Discount Rate | 2.6 | 2.6 |

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 21.8 years | 24.1 years |
| Future Pensioners* | 23.8 years | 26.0 years |

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

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

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

| Change in assumptions for the year ended 31 March 2016 | Approximate % increase to liabilities | Approximate monetary amount (£m) |
|--|---------------------------------------|----------------------------------|
| 0.5% decrease in discount rate | 10 | 186 |
| 0.5% increase in salary increase rate | 2 | 22 |
| 0.5% increase in pensions increase rate | 8 | 155 |

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 2018 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.



Douglas Green FFA

27 April 2018

For and on behalf of Hymans Robertson LLP

GLOSSARY

Accounting Policies are those principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are to be reflected in financial statements. Accounting policies define the process whereby transactions and other events are reflected in the financial statements.

Amortisation is the loss in value of an intangible asset due to age, wear and tear, deterioration or obsolescence through technological or other changes.

Assets are all items of significant economic value owned by the Council, including those which can be converted to cash and those held for cultural and other reasons (heritage assets).

Capital expenditure is expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital financing describes the method of financing capital expenditure, the principal methods now being loan and revenue financing and government grants.

Creditors are amounts owed by the Council for goods and services supplied, but for which payment has not been made at the end of the financial year

Debtors are amounts owed to the Council but not received at the end of the financial year.

Defined benefit pension scheme is a type of pension scheme which promises a certain level of retirement income to its members. The amount of retirement income is usually a fraction of the worker's

yearly earnings for each year they have been a member of the scheme. For example, it might be 1/49th of final pay for each year.

Defined contribution pension scheme is a type of pension scheme where the retirement income a member gets depends on how much has been contributed, investment returns and the amount of charges over time.

Depreciation is the loss in value of a tangible asset due to age, wear and tear, deterioration or obsolescence through technological or other changes. Depreciation is a 'non-cash' charge as it merely reflects accounting assessments of the loss in value.

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Finance and Operating Leases are financing arrangements with a third party. A finance lease substantially transfers all of the risks and rewards of ownership of a fixed asset to the lessee. Such assets have been valued and included under non-current assets in the Balance Sheet. With an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the relevant service account.

General Fund is the Council's main revenue account that covers the net cost of all services other than the provision of Council housing for rent.

Impairment describes a reduction in the value of a non current asset below its carrying amount on the Balance Sheet.

International Financial Reporting Standards (IFRS) are the accounting standards adopted by the International Accounting Standards Board (IASB). Councils are required to produce their

GLOSSARY

accounts using IFRS.

Materiality of an item is determined by whether its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

Medium Term Financial Strategy (MTFS) is the Council's document which sets out the estimated financial impact of changes to our resources and costs of service provision, taking into account agreed principles and priorities. Typically spanning 3 to 5 years it allows the Council to adopt a strategic approach to planning its finances in the context of significant change.

Minimum Revenue Provision (MRP) is the minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

Non-Domestic Rate (NDR) is a levy on businesses, based on a national rate in the pound set by the Government, multiplied by the 'rateable value' of the premises they occupy. It is also known as 'business rates'. The new Business Rate Retention Scheme allows Council's to retain a proportion of the income received.

OFSTED is the Office for Standards in Education, Children's Services and Skills.

Outturn is the actual income and expenditure in a financial year.

Precept is an amount which the Council is required to collect from the Council Tax on behalf of other (non-billing) authorities, such as the Greater London Authority in London, to finance their net expenditure.

Provision is an amount, which is set aside for a liability or loss in respect of a past event, which is likely to be incurred, but where the exact amount and date on which it will arise is uncertain.

Reserves (Unusable) are reserves that cannot be released to spend on services. For example, the Revaluation Reserve records the effect of revaluing fixed assets and is not available for general use in the financing of capital expenditure.

Reserves (Usable) are those reserves that can be released to spend on services or added to for future spending on services.

Soft Loans are loans made by the Council at less than the prevailing market rate of interest.

Weighted Average an average resulting from the multiplication of each component by a factor reflecting its impo

ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement 2017/18

1. Scope of responsibility

- 1.1 Haringey is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Haringey also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, with regard to a combination of economy, efficiency and effectiveness.
- 1.1 In discharging this, Haringey is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.2 The authority has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Haringey Council's local code of corporate governance is published on the Council's website and a copy can be obtained from the Council's Monitoring Officer. This statement explains the Council's commitments as part of the Local Code of Corporate Governance, together with how it gets assurance that these commitments are in place and effective; it also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to the publication of an Annual Governance Statement.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled. The framework also comprises the activities through which it accounts to, engages with and leads the community. Through the framework, the authority is able to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, but it can provide a reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Haringey's policies, aims and objectives. The system of controls also allows for the evaluation of the likelihood of risks being realised and the impact should they be realised, ensuring that we are able to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Haringey for the year ended 31st March 2018 and up to the date of the approval of the annual report and accounts

ANNUAL GOVERNANCE STATEMENT

- 2.4 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 Haringey Council meets 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 2019.

| 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 | |
| <p><u>Behaving with Integrity</u></p> <p>a) The Council’s Member Code of Conduct (July 2017) 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</p> <p>b) Induction is provided for all new Members when they are elected on expected standards of behaviour.</p> <p>c) Officer Code of Conduct (February 2012). Published on the internal website. The Code requires officers to declare all potential conflicts of interests and is provided to all new employees. Regular reminders are issued via internal staff newsletters on expected standards of behaviour.</p> <p>d) Haringey Values updated in 2015 (Human, Ambitious, Accountable, and Professional). Published on the internal website and internet: http://www.haringey.gov.uk/local-democracy/our-standards</p> <p>e) Decision-making practices for member decisions follow legal and transparency requirements. Officer decisions are also recorded and published on Modern.gov: http://www.minutes.haringey.gov.uk/mgDelegatedDecisions.aspx?DS=2&bcr=1</p> | |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|---|
| <p>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</p> <p>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: http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests For officers, declaration forms are retained in Human Resources.</p> <p>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.</p> <p>i) Anti-fraud and corruption strategy is in place, including the Whistle blowing policy (July 2015). The Head of Audit and Risk Management reports on actions, effectiveness and outcomes (and use of the whistle blowing policy) to Corporate Committee and provides awareness presentations to Corporate Management Group. Copies of the policies are on the internet: http://www.haringey.gov.uk/sites/haringeygovuk/files/anti-fraud_and_corruption_policy_july_2015_-_appendix_2_whistleblowing_policy.pdf http://www.haringey.gov.uk/sites/haringeygovuk/files/anti-fraud_and_corruption_policy_july_2015.pdf</p> | |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|---|
| <p>k) Corporate and service specific complaints policies are in place and published on the website. Level of complaints upheld at Stage 1 and 2 is monitored and reported regularly to the Council's Statutory Officers Group (latest report 19/09/17). Following the transfer of Feedback and Information Governance (FIG) Team to the Shared Service Centre (SSC) there has been an overhaul of reporting with an emphasis on learning from complaints. More information is being published and made easily accessible to customers – as part of this we are also conducting a review of the Publication Scheme. Training sessions have been developed looking at examples of best practice in responses and getting it right first time. http://www.haringey.gov.uk/contact/council-feedback/complaints-about-council</p> <p>l) Local Code of Corporate Governance (2013) in place and is published on the website: http://www.haringey.gov.uk/local-democracy/our-standards</p> <p><u>Demonstrating strong commitment to ethical values</u></p> <p>m) The Standards Committee, along with the Council's Monitoring Officer, establishes monitors and maintains the organisation's ethical standards and performance, reporting to full Council as necessary. The committee deals with allegations of breaches of the Member Code and issue (or require Groups to issue) reminders/advice notes to Members where issues of conduct cause concern. http://www.haringey.gov.uk/local-democracy/our-standards/standards-committee</p> <p>n) The Council is incorporating the Social Value Act requirements into all procurement and contracts; including a standard clause referring to 'PREVENT' in all contracts, as well as safeguarding and health and safety. The Council has various human resources policies and procedures in place; a process to review these was agreed by Staffing and Remuneration Committee in 2016/17: http://www.minutes.haringey.gov.uk/documents/g7721/Agenda%20frontsheet%20</p> | <p>1) Local Code of Corporate Governance to be finalised in 2018 to incorporate the best practice requirements in the 2016 'Delivering Good Governance' CIPFA/SOLACE publication. This work commenced in 2017/18 and will be completed in 2018.</p> |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|---|---|
| <p>07th-Jun-2016%2019.00%20Staffing%20and%20Remuneration%20Committee.pdf?T=0</p> <p>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</p> <p>In procurement: http://www.haringey.gov.uk/business/selling-council/council-contracts</p> <p><u>Respecting the rule of law</u></p> <p>p) Statutory officers are appointed by full Council. Their discipline/dismissals are dealt with in line with legal requirements that take account of the need to fulfil their responsibilities in accordance with legislative and regulatory requirements.</p> <p>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 and updated regularly and published on the internet: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</p> | |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|---|---|
| <p>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 2017/18.</p> <p>s) Statutory officers are available at meetings of the Council/Cabinet to advise and ensure law and regulations are not breached.</p> | |
| B. Ensuring openness and comprehensive stakeholder engagement | |
| <p><u>Openness/ Implementing good practice in transparency</u></p> <p>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</p> <p>b) Member decisions are rarely taken in the private (Part 2) section of meetings. One decision has been taken in Part 2 in 2017/18, with 23 reports relating to procurement having part 2 appendices covering the commercially confidential information. Member delegated decisions are also taken at meetings advertised and open to the public. The constitution allows for deputations and petitions and a call in procedure for cabinet key decisions is in place. The local and statutory requirements are set out in the Council Constitution: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</p> <p>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-</p> | <p>2) The Council is actively implementing the EU's General Data Protection Regulation (GDPR) for go live in May 2018; the implementation process has identified other areas within information governance that will require updating post the implementation date of May 2018.</p> |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|---|
| <p>democracy/have-your-say-haringey. http://www.haringey.gov.uk/local-democracy/have-your-say-haringey/our-commitments-you http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18/your-haringey-your-future</p> <p>The Council publishes 'Performance Wheels' on Corporate Plan objectives and outcomes on the website; feedback on our performance is encouraged through this route: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</p> <p><u>Engaging comprehensively with institutional stakeholders</u></p> <p>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. Co-production is being widely used across the Council's Corporate Plan Priority 2 to redesign services and deliver outcomes; the processes encompass full engagement with stakeholders and service users.</p> <p>e) Formal and informal partnerships allow for resources to be used more efficiently and outcomes achieved more effectively; the Corporate Plan incorporates key partnership working across all its priorities, including the Local Safeguarding Children's Board (LSCB), Safeguarding Adults Board (SAB), Multi-Agency Risk Assessment Conference (MARAC) and the Community Safety Partnership (CSP). Agendas and minutes for the CSP are published on the website: http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=444&Year=0 Examples where the Council participates in partnership include the Joint Health & Wellbeing Partnership with Islington; the shared information technology service with Camden and Islington; delivering the STEM commission recommendations; working with our schools to improve outcomes for children.</p> <p>f) Resident engagement also occurs in formal consultation and engagement processes; examples include between October and December 2017 on service priorities which was reported to the full Council and Cabinet:</p> | |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|--|
| <p>http://www.minutes.haringey.gov.uk/documents/s99920/MTFS%20cover%20report.pdf</p> <p>Agenda for Cabinet on Tuesday 13th February 2018</p> <p>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.</p> | |
| <p>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</p> | |
| <p><u>Defining actions/outcomes and sustainable economic, social and environmental benefits</u></p> <p>a) The Corporate Plan sets out how the Council might work with partners and with communities to improve the borough and make Haringey a more successful place, while delivering around £33 million savings by 2023. The plan has seven core priority areas, each under-pinned by a series of ambitious targets. It considers and balances the economic, social and environmental impact of policies, plans and decisions. The Plan includes a challenging set of performance measures. Programme planning and management require focus on outcomes and benefits identification and tracking as part of project implementation. There is a clear and consistent approach to the reporting of outcomes, benefits, risks and issues across Priority Boards. The Plan is published on the website: http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18</p> | <p>3) The Council identified a shortfall in delivering its proposed revenue savings of £9.6m in 2017/18, as reported to Cabinet in February 2018. The shortfall has been captured in the savings proposal for 2018/19.</p> |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|---|
| <p>a) The Council publishes updates on its website to show how the Council and partners are achieving against specific targets every three months. The outcome targets specify the intended impact on service users, residents and other stakeholders.</p> <p>b) 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. Quarterly reports are provided to the Cabinet: http://www.minutes.haringey.gov.uk/mgAi.aspx?ID=40179#mgDocuments http://minutes.harinet.haringey.gov.uk/ieListMeetings.aspx?Committeeld=118</p> <p>c) Robust planning and control cycles cover strategic and operational plans, priorities and targets. A new internal governance process was implemented in 2016/17 to provide regular monitoring and scrutiny of the achievement of the corporate plan and resources applied. For each priority, three new governance Boards were introduced: Finance Sub-groups and Operational Boards attended by senior officers and Strategic Boards attended by the relevant Cabinet Members. Performance against objectives is published on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</p> <p>d) A five year capital programme was approved by Full Council on 26 February 2018, which sets out the Council's longer term investment requirements linked to policy objectives : http://www.minutes.haringey.gov.uk/documents/s99920/MTFS%20cover%20report.pdf</p> <p><u>Determining actions and optimising achievement of intended outcomes</u></p> <p>e) 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.</p> | |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|---|
| E. Developing the entity's capacity, including the capability of its leadership and the individuals within it | |
| <p><u>Developing the entity's capacity</u></p> <p>a) The Council's workforce plan runs from 2015-2018 and aims to ensure the Council has the right people in the right places with the appropriate skill to deliver the Council's priorities. The plan is published on the website: http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18 Workforce expectations also form a clear part of contracting and commissioning processes, as our workforce is not limited to employed staff, including complying with minimum and London Living Wage requirements.</p> <p><u>Developing the capability of the entity's leadership and other individuals</u></p> <p>b) 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</p> <p>c) The Council's Constitution sets out the leader and chief executive roles to ensure the respective responsibilities are defined in accordance with decision-making accountabilities. These comply with relevant statutory requirements. It also includes the general scheme of delegation. Each service area also has a service area scheme of authorisation for officers, currently published on the intranet.</p> <p>d) Members who sit on the Corporate and Regulatory Committees are provided with training specific to their responsibilities for these committees. Training sessions during 2017/18 included planning, licensing, audit, finance, pensions and treasury.</p> | |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|---|
| <p>e) The Council provides a programme of training for all members, and members have access to the Council's corporate training and development programme, which is published on the internal website.</p> <p>f) During 2016/17 the Council rolled out 'My Conversation', a new performance management process, to all staff, which focuses on personal and organisational development and performance; the Staffing and Remuneration Committee receives regular reports on people management issues in line with the Workforce Plan objectives. Guidance and templates for all staff are published on the internal website.</p> <p>g) The Council's Workforce Health and Wellbeing Strategy 2015-18 focuses on ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. The Council's corporate Health, Safety and Wellbeing Board monitors all key aspects of statutory and local requirements and has an action plan in place to address any identified gaps in compliance. Health and Wellbeing Fairs have been run to promote employee health.</p> <p>h) The Council has protocols in place which govern how the operational and working relationships between officers and members are managed and forms part of the Constitution: http://www.haringey.gov.uk/local-democracy/about-council/council-constitution</p> <p>i) The Council reviews operations, performance and use of assets on a regular basis to ensure their continuing effectiveness; the Corporate Plan highlights key performance objectives, targets and outcomes, which are monitored and reported via the Council website. The performance reporting also compares current performance with statistical neighbours, London and England averages in most</p> | |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|---|---|
| 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 | |
| <p>Managing risk</p> <p>a) Haringey has a corporate Risk Management Policy and Strategy in place. It was updated to incorporate changes to the Council's structure and reporting arrangements and was presented at the Council's Corporate Committee meeting held 30th January 2018. Through a variety of processes and procedures, ensures that risk management is embedded across the organisation and its activities, including business planning and project management processes.</p> <p>http://minutes.harinet.haringey.gov.uk/documents/s99176/12.%20Corporate%20Risk%20Management%20Policy%20and%20risk%20register%20-%20covering%20report%20final%20180119.pdf</p> <p>b) The Council's key risks are managed via corporate risk and Priority Boards risk registers; each is regularly reviewed via strategic and operational board meetings. Responsibility for individual risks and issues identified is clearly set out in risk registers. Internal audit reviews of key risks are undertaken as part of the annual audit programme. Performance objectives and outcomes are reported on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</p> <p>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-</p> | |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|---|
| <p>wide Business Continuity Plan. No significant business continuity issues were reported during the year. In 2017/18, the Council participated in Exercise Safer City 2018, a pan London test of how councils respond to a simulated threat.</p> <p><u>Managing performance</u></p> <p>d) The Council monitors service delivery effectively including planning, specification, execution and independent post implementation review which is set out in the Corporate Plan and outcome objectives: http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18</p> <p>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</p> <p><u>Strong public financial management and robust internal control</u></p> <p>f) The Medium Term Financial Strategy (MTFS) outlines the overall financial strategy for achieving the Council's priorities. The MTFS identifies a total of £33m of savings for delivery, plus a further £7.9m savings as yet to be identified, to deliver a balanced budget position each year between 2018 and 2023. The savings proposals were consulted on with residents, before being approved by Full Council in February 2018. Each Priority Board considers finance and budgets at every meeting, looking at both the budget and savings</p> | |

ANNUAL GOVERNANCE STATEMENT

| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|---|
| <p>positions and tracking progress on both. Transformation and delivery of outcomes are strongly aligned to achieving savings and remaining within budget limits; the performance outcomes are reported on the website.</p> <p>g) The Council's financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. Managers submit monthly budget forecasts and the Cabinet receives quarterly budget management information. The implementation of the new fortnightly Finance Sub-groups in 2016/17 has allowed for greater senior officer scrutiny of the budget forecasts at an early stage.</p> <p>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 2017/18, the Council investigated and recovered 55 illegally sublet properties; and prevented 83 potentially fraudulent Right to Buy applications in line with the anti-fraud policy. Referrals made using the whistle blowing policy were all reviewed, investigated and reported to the Corporate Committee, copies of the reports are on the website: http://minutes.harinet.haringey.gov.uk/ieListDocuments.aspx?CId=730&MId=7896&Ver=4 http://minutes.harinet.haringey.gov.uk/ieListDocuments.aspx?CId=730&MId=7734&Ver=4</p> | |
| <p>i) The Council's internal and external auditors produce annual audit reports and the Annual Audit Letter, which were both reported to the Corporate Committee. External audit reported that the council had provided a good set of financial statements and working papers for 2016/17. No significant governance issues were raised by either report; recommendations were made to address some identified control weaknesses.</p> <p>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</p> | |

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| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|--|---|
| <p>in relation to audit functions; and reported positive outcomes in relation to pro-active counter-fraud activities in 2016/17.</p> <p>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.</p> <p><u>Managing data</u></p> <p>l) The Council has policies dealing with various aspects of data management including security and data protection; Freedom of Information Act; information asset registers; and general records management. These and supporting guidance are all published on the intranet. Data quality policy is published on the website: http://www.haringey.gov.uk/sites/haringeygovuk/files/data_quality_policy_2013.pdf</p> <p>m) The Statutory Officers Group in August 2016 agreed a new protocol for the development of and accountability for data sharing protocols with partners.</p> <p><u>Implementing good practices in reporting</u></p> <p>n) The Council produces an annual report to accompany its statement of accounts; for 2016/17, this received an unqualified opinion from the external auditor in 2017/18, who confirmed that the accounts provided a true and fair view of the Council's financial position; and the arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. Under the Local Accountability Act, the Council is responsible for appointing its external auditors from 2018/19; approval for the preferred appointment process was obtained from Corporate Committee in November 2016 and Full Council in February 2017. The Council chose to participate in a sector led procurement exercise using Public Sector Audit Appointments (PSAA) as the Appointing Person. Councilhttp://minutes.harinet.haringey.gov.uk/ieListDocuments.aspx?CId=730&MIId=7896&Ver=4</p> | |

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| Documentation demonstrating compliance with the governance principles | Identified gaps in compliance, or further action required |
|---|---|
| <p>http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=143&MId=7868&Ver=4</p> <p>o) The Council's Annual Governance Statement (AGS) is produced in accordance with required guidance and included in the statement of accounts; the AGS is reviewed by the Statutory Officers Group and Corporate Committee to ensure that any gaps in assurance or compliance issues are identified and addressed. Significant issues reported in 2016/17 are being addressed.</p> <p>p) As part of the Corporate Plan delivery arrangements, five Priority Boards are responsible for delivering the Corporate Plan with a responsible manager allocated as owner for each corporate priority. Outcomes and performance against all the priorities' objectives are published on the website: http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance</p> <p><u>Assurance and effective accountability</u></p> <p>q) Internal and external audit provide assurance on the Council's system of internal control to support the section 151 officer requirements, including reporting compliance with financial and contract procedure rules across the Council. The outcomes of 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 2017/18.</p> <p>r) The Head of Audit and Risk Management and the internal audit service fully complied with the requirements of the mandatory UK Public Sector Internal Audit Standards, as evidenced by peer review and self-assessment. Access to officers, members and information is provided by the Constitution.</p> | |

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4. Significant governance issues

- 4.1 Following its review of governance in 2016/17, the Council identified some key areas where work would be undertaken in 2017/18 to ensure governance arrangements were in place and effective. An action plan was drawn up and progress as at 31 March 2018 on this is set out below.

| Issue | Agreed Action/ Deadline (as at 30 June 2017) | Progress update (as at March 2018) |
|--|--|--|
| Delivery of the MTFS savings targets – significant budget overspends in 2016/17. | Ensure the demand-led budgets within Children’s and Adult Social Services and Temporary Accommodation are managed effectively in 2017/18 to deliver a balanced budget. Where MTFS savings targets cannot be met, the services will need to identify alternative savings plans to deliver a balanced budget. Regular reports on progress will be made to Cabinet. March 2018 | Complete. |
| Recommendations were made by external audit to address some identified control weaknesses. | An action plan is in place to address the recommendations. Reports on progress will be made to Corporate Committee during 2017/18. March 2018 | Complete. |
| Schools performance; significant deterioration in audit assurance outcomes and financial balances. | The Council’s Senior Leadership Team, in conjunction with the Schools Forum, is developing an action plan to address financial and control weaknesses. Audit follow-ups and action plans will be reported to the Schools Forum and Corporate Committee. March 2018 | In Progress and updated for action in 2018/19. |
| Preparing for the new EU General Data Protection Regulations in 2018. | An action plan is in place, which includes other key information governance requirements including Freedom of Information/Environmental Information Regulations; Transparency Code; and data sharing requirements. March 2018 | In Progress and updated for action in 2018/19. |

ANNUAL GOVERNANCE STATEMENT

| Issue | Agreed Action/ Deadline (as at 30 June 2017) | Progress update (as at March 2018) |
|---|--|--|
| Updating the Local Code of Corporate Governance to reflect the new CIPFA/SOLACE guidance. | Revise the Council's Local Code of Corporate Governance: ensure that it reflects the new Priority Boards' governance structures and the 2016 guidance. March 2018 | In Progress and updated for action in 2018/19. |
| The Council's Accounts Payable Manager identified that corporate payment control processes had broken down within Parks and Leisure Services. | A reconciliation of expenditure was undertaken to ensure that payments to authorised suppliers in Parks and Leisure Services had been made in accordance with agreed processes. New corporate processes were implemented in 2016/17; Internal Audit will review the new control processes to confirm they are operating effectively in 2017/18. March 2018. | Complete. |

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4.2 The Council has identified the following significant governance issues during 2017/18. It is proposed over the coming year to take steps to address the governance issues in these areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

| Issue | Action | Responsibility | Due date |
|--|---|--|-------------------|
| Delivery of MTFS Savings | The Council has developed a savings programme to respond to the reduction in funding. During 2017/18, £9.6 million of savings were carried forward into 2018/19 that will form part of the £16 million to be delivered in 2018/19. Notwithstanding all of the Council's delivery and monitoring arrangements, the Quarter 3 Monitoring report to Council and the MTFS report to Full Council both recognised that there would be a significant underachievement of the 2017/18 planned savings (an estimated shortfall of £9.6m against a £20.7m target. These reports described how this position would be funded for 2017/18 and they being carried forward into the 2018/19 budget. | Director of Finance / Interim Chief Finance Officer (S151 Officer) | 31 March 2019 |
| Schools performance; significant deterioration in audit assurance outcomes and financial balances. | During the financial year 2017/18, there has been an improvement in the assurances assigned by internal audit as part of the schools' audit programme. This area will continue to be monitored to ensure the positive trend continues. | Director of Children's Services | 31 December 2018 |
| Examine the safety of two social housing buildings at Broadwater Farm. | Two residential tower blocks on Broadwater Farm (Northolt and Tangmere) did not pass structural survey tests. Work is underway to assess the issues highlighted by independent specialists and consider next steps. | Director of Housing, Regeneration and Planning | 30 September 2018 |
| Ensuring compliance with the EU's General Data Protection Regulations in May 2018. | The Council is actively implementing the EU's General Data Protection Regulation (GDPR) for go live in May 2018; the implementation process has identified other areas within information governance that will require updating post the implementation date of May 2018. | Director for Customers, Transformation and | 31 December 2018 |

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| Issue | Action | Responsibility | Due date |
|---|---|--|-------------------|
| | | Resources | |
| Enhance arrangements for the provision of IT infrastructure in conjunction with LBs of Camden and Islington. | The Council has entered into a partnership with Camden and Islington for shared digital and IT services. It is envisaged the three councils working together will enhance the service for residents and save costs. Current arrangements need to be enhanced to ensure the benefits outlined in the business case are delivered. | Director for Customers, Transformation and Resources | 31 December 2018 |
| Improve management and care of residents of Osborne Grove Nursing Home. | Following an internal audit of the Nursing Care Home, the regularity audit of the establishment was assigned "Nil" assurance indicting significant weaknesses in the governance arrangements. Further, a review by Care Quality Commission (CQC) raised concerns over social care practice at the establishment. Steps have been taken to safeguard the welfare of the residents and further consideration is now being given to determine the future of the residential unit and all internal audit recommendations have been implemented. | Director Adults and Health | 31 December 2018 |
| Improvements within Children's Services following a joint targeted area inspection of the multi-agency response to abuse and neglect of children. | In December 2017, Ofsted, the Care Quality Commission, HMI Constabulary and Fire & Rescue Services and HMI Probation undertook a joint inspection of the multi-agency response to abuse and neglect of children. The review identified areas of good practice but also highlighted areas for improvement. The Director of Children's Services will respond setting out a proposed course of action in relation to the findings outlined in the report. | Director of Children's Services | 31 December 2018 |
| Updating the Local Code of Corporate Governance to reflect the new CIPFA/SOLACE guidance. | The Council's Local Code of Corporate Governance is being updated to ensure that it reflects the new Priority Boards' governance structures and the 2016 guidance. The document, once updated will be formally ratified and published on the intranet. | Assistant Director Corporate Governance | 30 September 2018 |

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5. Review of effectiveness

- 5.1 Haringey Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the statements of assurance and annual governance self-assessments by each director and assistant director, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Risk Management's annual report, and also by comments made by the Council's external auditors and other review agencies and inspectorates.
- 5.2 The 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 2017/18. Their comments on the key governance issues are as follows:
- Director of Finance: The Council identified in Quarter 3 of this year how it would address the 2017/18 forecast service overspend (lower than previous years) and maintain its General Fund Balance. The outturn position has confirmed this, along with some strengthening of the Balance Sheet to manage key financial risks. The "structural" funding difficulty of the Council remains however, with the Medium Term Financial Strategy refresh being a key process for the Council, along with the delivery of its savings plans.
 - Assistant Director of Corporate Governance: No significant governance issues were identified during the year in relation to Monitoring Officer functions.
 - Head of Audit and Risk Management: The work of the internal audit team provided satisfactory levels of assurances in the majority of council business but also identified weaknesses in some areas. In particular, the review of Osbourne House raised concerns over the governance, risk management and internal controls operating at the establishment and I am pleased to note the prompt action of management to make improvements. The audit of schools raised significant concerns last year and internal audit continues to monitor in implementing improvements. There is evidence to suggest improvements are underway and internal audit continues to monitor progress. A number of reviews highlighted the need for strategies, policies and procedures to be updated and the need for enforcing compliance with agreed practice. A report highlighting the work of internal audit and all its findings and conclusions will be presented to the Corporate Committee on 24 July 2018. A high-level summary of the report is provided below.
- 5.3 The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2017/18. 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.

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- 5.4 Priority Owners have completed a statement of assurance covering 2017/18 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 2017/18, 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 officers at the Statutory Officers' Group meetings on 1 May 2018; and will be considered by the Council's Corporate Committee on 24 July 2017. 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 and the Statutory Officers' Group are committed to implementing the action plan, strengthening and improving controls and keeping the effectiveness of the Council's corporate governance arrangements under review during the year.

Signed by:

Councillor Joseph Ejiofor
Leader of the Council

Zina Etheridge
Chief Executive

Date: