



London Borough of Haringey

Statement of Accounts 2018/19

31 July 2019 (update for Corp Cttee 250719)

www.haringey.gov.uk

Haringey
LONDON

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NARRATIVE REPORT



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

THE COUNCIL'S STATEMENT OF ACCOUNTS

The Statement of Accounts for the London Borough of Haringey provides a picture of the Council's financial position as at 31st March 2019. 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 282,904 with approximately a quarter (24%) of residents aged under 20 years. Over 180 languages are spoken in the borough, and 63% 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

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diverse in the country.

The population is growing and is estimated to reach 294,829 by 2028, an increase of 4% from 2018.

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

However, as a Council we are resilient. We embrace change and transformation, are keen to engage in best practice and actively seek out opportunities to make Haringey a better place to live for our residents. There are 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 2018/19

In February the Council published its 2019-20 Budget and Borough Plan for 2019-2023, following consultation and engagement with residents (visit www.haringey.gov.uk). The Borough Plan sets out Haringey Council's priorities for the borough for the next four years, and our strategy for achieving them. The Budget has been prepared in parallel, to support the delivery of the Borough Plan.

Our priorities for the borough for the next 4 years include:

- Housing - a safe, stable and affordable home for everyone, whatever their circumstances

- People - our vision is a Haringey where strong families, strong networks and strong communities nurture all residents to live well and achieve their potential
- Place - a place with strong, resilient and connected communities where people can lead active and healthy lives in an environment that is safe, clean and green
- Economy - a growing economy which provides opportunities for all our residents and supports our businesses to thrive
- Your Council - the way the council works

The biggest challenge we face is delivering genuinely affordable housing, and we are committed to delivering 1,000 additional council homes over the next four years. We have already secured £62 million of funding from the Mayor of London for new council housing, and approved a major housing development at Tottenham Hale that includes 131 council homes.

We are undertaking a service redesign of adult social care, to ensure we are delivering the best service we possibly can. We are proud that almost 90% of those using our adult social care services say they have made them feel safe and secure, a significantly higher proportion than the London and comparable borough averages of 82%. A dedicated adult social care redesign group will look to continue delivering this quality of service while making our funding go further.

As well as looking after our adult population, in Haringey we strive to give our children the best possible start in life. 76% of pupils who attend a Haringey Early Years setting achieve a good level of development, ranking us 16th best in the country. Almost all our schools are rated outstanding or good, and we celebrated some of our best ever exam results this year, with the borough ranking above the national average in both A-Level and GCSE results. Outside of the classroom, last summer saw an extended and

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improved summer holiday activity programme, with thousands of local children and young people participating.

Our Young People at Risk Strategy, which launched in March, sets out our public health approach to preventing youth crime and exploitation of young people. We will work in partnership to deliver youth work, build young people's resilience, reduce the experiences that put them at risk and pursue enforcement against those who seek to criminally exploit children for profit. This will be supported by a £1.5 million grant from the Mayor's Young Londoners Fund, awarded to the Council and local community organisations to run the Haringey Community Gold scheme, supporting a network of programmes to help young people at risk of exclusion from school to fulfil their potential.

In Haringey, we celebrate the diversity of our population, and we welcome all who want to live here. In autumn 2018 we launched our Connected Communities programme, helping migrants settle into life in the borough through support in areas such as language and housing. In the face of uncertainty over Brexit, we have been working with partners both in and out of Haringey to ensure the rights of our 42,000 EU residents are protected.

We are committed to making the borough fairer for all who live and work here. The Haringey Fairness Commission launched in autumn 2018, hearing evidence from residents about their experiences of inequality, and identifying areas they think should be addressed as a priority. A year-long programme, the Fairness Commission will submit its recommendations to the Council later this year. Keep an eye out for future events across the borough.

We are acutely aware of the financial pressures on many residents, on families and on businesses. We are proud to be a fully accredited London Living Wage borough, and are committed to

working with suppliers and partners to encourage them to pay the London Living Wage too. In order to further support our least well-off residents, we launched our new Council Tax Reduction Scheme in April 2019, extending eligibility for Council Tax relief to 100% for people of working age who have children and are entitled to benefits. We are also committed to a Community Wealth Building approach, which means growing and sustaining the strength and resilience of local residents, businesses and communities, and working with local partners to maximise public benefit from every pound of public spend.

PERFORMANCE MONITORING

Our Corporate Plan (2015-2018) set 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 showed how we would work together with partners and with our communities to improve our borough together, and make Haringey a more successful place, and planned to deliver 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 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

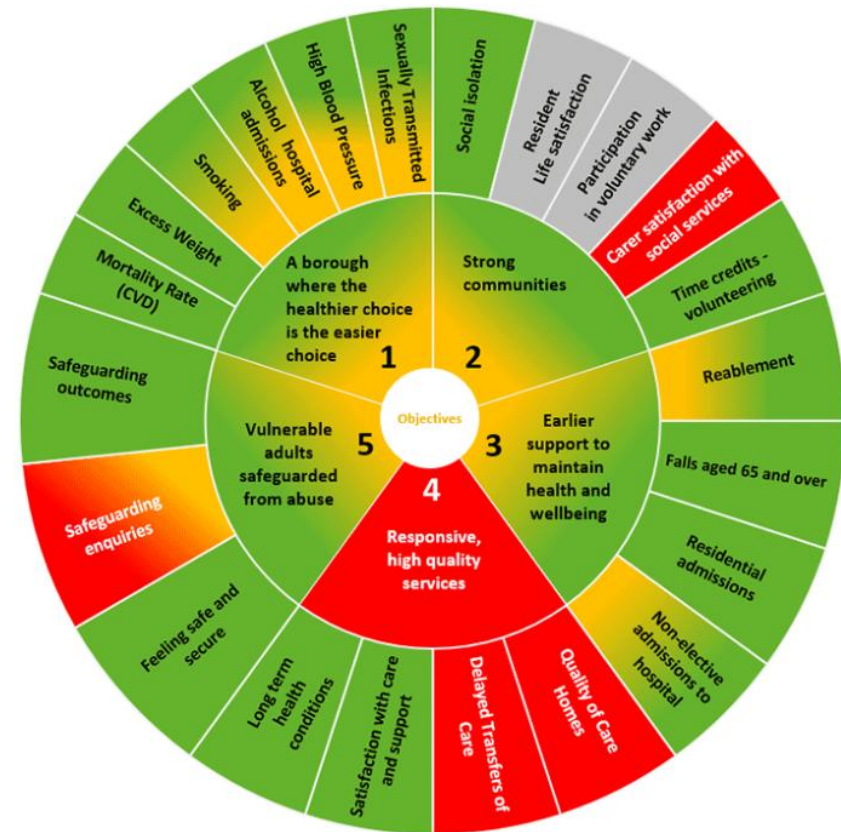
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Priority 1 - Enabling every child and young person to have the best start in life – ensuring all our schools are good or outstanding and providing young people and families with the support they need



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



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



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



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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



PX – Enabling

The Enabling Priority includes some of the Council's frontline services along with some of its main support service functions:

- Customer Services, Libraries and Corporate services (including Revenues, Benefits, Business Support, Feedback & Information governance, Accounts payable and Corporate Debt)
- Digital and IT services
- Corporate Programmes & Transformation office
- HR and Workforce
- Strategy and Communications

It is quite different to the other five Priorities and 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).

Some of the key deliverables in the last year from the Enabling priority have included:

- **Digital & IT**
 - Modernisation of our Technology Platforms - Haringey has moved forward onto modern foundations using Windows 10 and Microsoft Office 2016. Server upgrades are also now being planned.
 - Transformation of the Provision of Microsoft Tools - The provision of emails and ability to store documents in the cloud to allow more flexible access has been implemented. Staff have a more intuitive

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methods to access information from corporate or personal devices.

- End User Compute - Replacing the aged estate of laptops and desktops and providing modern and flexible new devices chosen based on extensive user engagement and assessment of requirements.
- Modernisation of Printing Facilities -The roll out of faster and more efficient Multi-Functional Devices to support photocopying and printing is almost complete.
- Economical Provision of Mobile Solutions - Haringey has moved to a new mobile contract that will save the authority circa £235k per year.
- Resilience in BAU – Data Centre Move -We have moved one of our two data centres to a state of the art centre to support our infrastructure and give Haringey a greater degree of resilience.

- **Corporate Programmes & Transformation office:**

- FOBO: Programme initiation and delivery of the Front Office Back Office Programme (stage 1), to deliver a range of improvements and benefits in the way residents and businesses access and use Council front office services. FOBO is also contributing significant savings as part of the overall MTFS.
- Community First: Feasibility and trial of a new approach for early help which is based on need, is 'service agnostic' and is aimed at prevention of

issues early on with the active involvement of residents and communities.

- New Ways of Working: Feasibility study to examine consolidating the councils existing office accommodation portfolio to create a modern, fit for purpose office workspace with a variety of facilities to enable staff to work more effectively, flexibly and collaboratively with colleagues and partners

- **HR and Workforce**

- HR Operations: The introduction of an automated payroll interface for Schools. This has led to reduced lead times and the elimination of a significant number of miscalculations due to transcription errors before payroll production. It has also seen proportionately fewer queries and the accompanying need for remedial action post payroll production.
- Learning & Development: A comprehensive leadership and management development offer is now in place, specifically targeting aspiring managers and current middle managers. Focussing on soft skills, as well as the core technical abilities needed by managers, this will ensure that we are able, as an organisation, to foster existing talent ready for future leadership and management challenges.
- HR Policy & Reward: The design of a comprehensive pay and grading framework that will not only ensure our reward programmes are fair and transparent but also reflect the career streams of people leaders and

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individual contributors. It brings with it a degree of clarity that will inform our organisation structure and development paths for individuals.

New Borough Plan

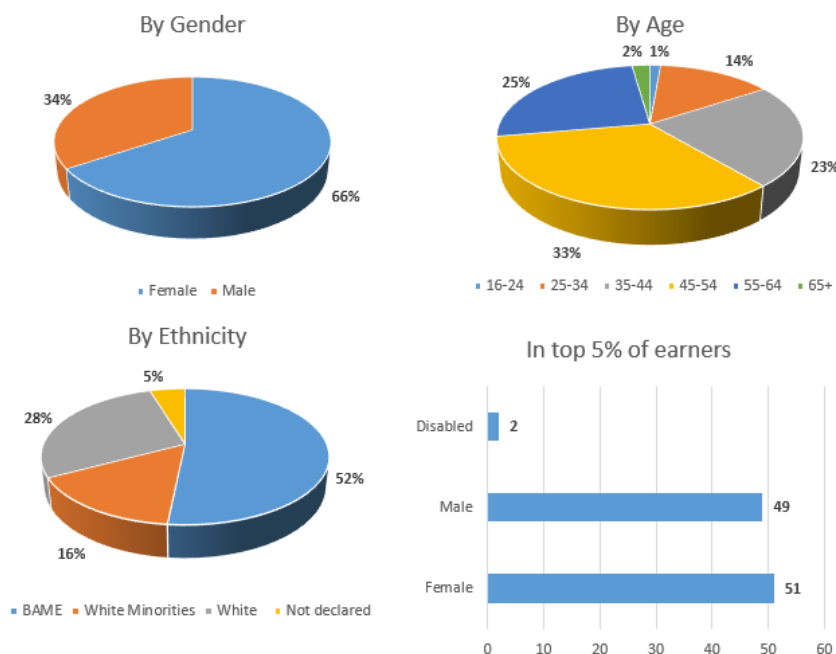
Following the May 2018 local elections, a new Borough Plan has been developed covering the period 2019-2023 which reflects the political vision and priorities for the next four years. The Plan was developed by working closely with our partners to create a common vision and strategy for the 2019-2023 period and is aligned with the Council's financial (MTFS) and workforce (People Strategy) planning. From the 2019-20 year going forwards, performance will be measured against the new borough plan priorities, including the financial reporting in the Council's Statement of Accounts.

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HARINGEY WORKFORCE

The Council employs 2,162 people (excluding schools based staff) on full and part time contracts, equating to a full-time equivalent of 1,970. This represents a 2.1% reduction in the workforce since March 2018.

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 2018/19 include:

- Gross revenue expenditure (spending on day-to-day services) of around £1bn;
- Income from fees, charges and grants of £765m;
- Billing of around £199m in council tax and business rates;
- Maintenance of fixed assets with a value of more than £2bn, including capital investment of £126m in housing, schools, highways and regeneration projects;
- Management of the £1.3bn Haringey Pension Fund.

The aim is 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 2019 was £389m.

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.

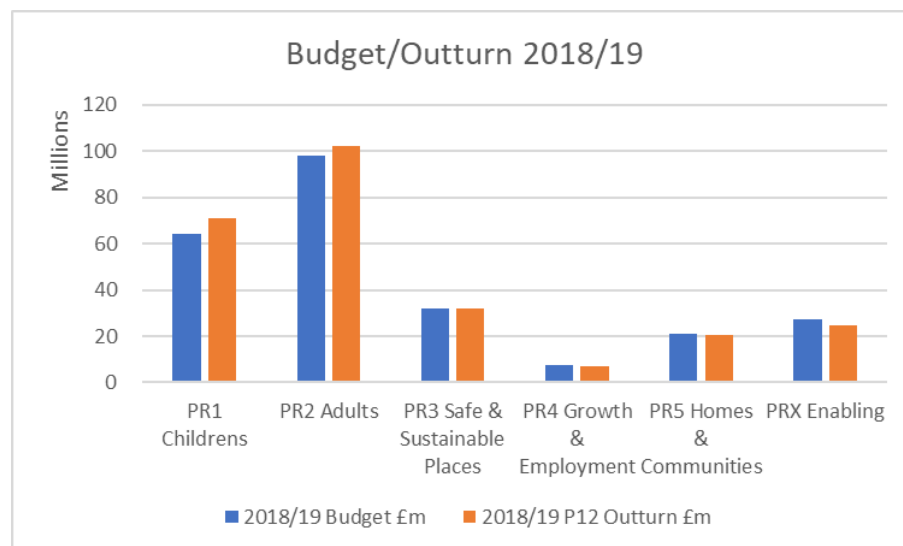
Against this backdrop, the Council has maintained sound financial stewardship whilst at the same time developed innovative and collaborative approaches to service delivery, transformation and regeneration to help ensure future financial sustainability.

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Revenue spending in 2018/19

The Council's final general fund revenue outturn for 2018/19 showed a small £0.3m increase in the Council unearmarked general fund balance. As reported throughout the year, there was budget pressure in the demand led priorities, specifically Priority One Childrens (£9.1m) and Priority Two Adults (£6.1m). The Council was able to mitigate down this overspend through improved outturn figures in Priorities 3 and X as well as treasury/capital financing although by far the largest key component was the greater than budgeted £6.4m received from participating in the London business rates retention (BRR) pilot.

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



General fund balances (including schools) were £90.2m at 31 March 2019 (£83.7m as at 31 March 2018), with the unearmarked

component remaining broadly similar at £15.8m (£15.5m as at 31 March 2018)

Housing Revenue Account

- The Council owns approximately 15,100 homes which are managed by Homes for Haringey (wholly owned by Haringey Council)
- £111m was collected in rents and service charges in 2018/19 (£110m in 2017/18)
- Revenue spending on repairs, maintenance and management was £63m (£59m in 2017/18)
- Capital investment in the housing stock was £46m (£39m in 2017/18)

HRA usable reserves were £32.8m as at 31 March 2019 (usable reserves as at 31 March 2018 were £31.9m, excluding the HRA smoothing reserve which was reclassified as an unusable reserve during 2018/19)

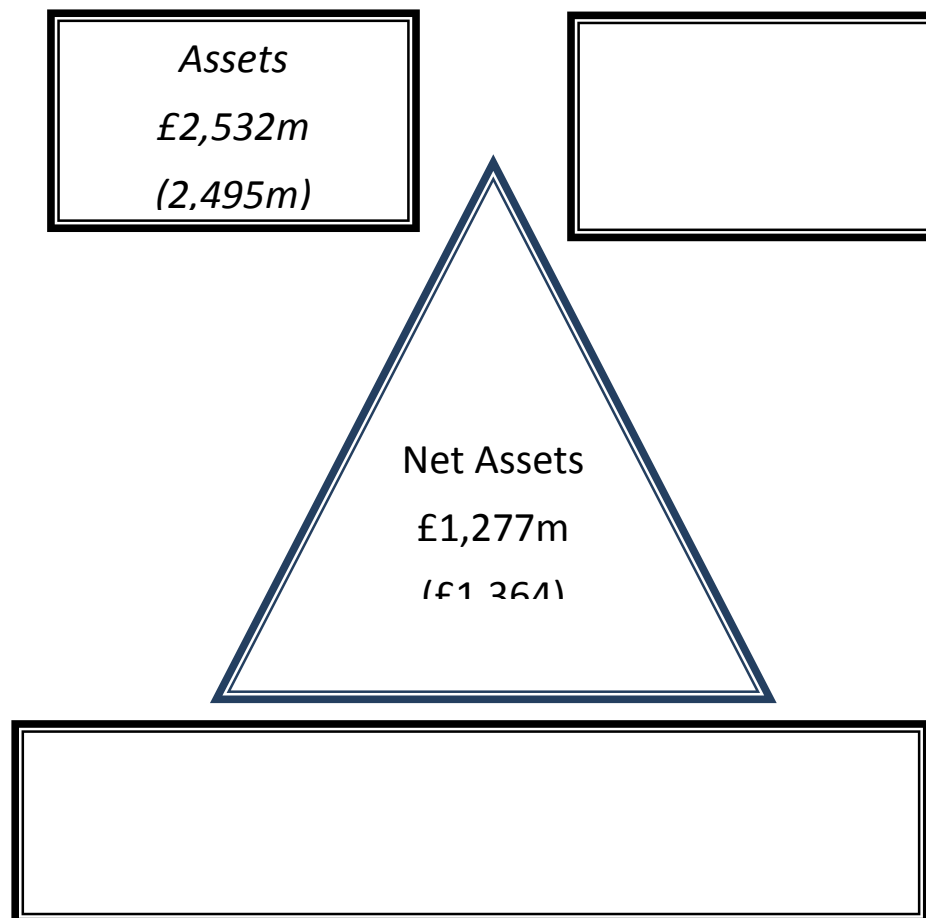
Capital Investment

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).

£126m was invested in schools, housing and regeneration during the year. Capital planning is, by its nature complex and often dependent on negotiation and external approvals. This means that the precise timing of spend is often uncertain.

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Balance Sheet Position for Single Entity 31 March 2019



Figures in brackets relate to position at 31 March 2018

Pension Liabilities

- The pension liability (£674m) represents the difference between the estimated cost of pensions payable in the future (£1,799m), and the value of assets in the pension fund (£1,125m);
- The Pension Fund is revalued every three years to set future contribution rates. The latest valuation was at 31 March 2016;
- On an actuarial basis 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 revenue cost of pensions was £30.4m for the year (£29.3m in 17/18)

Addressing future challenges in 2019/20 and beyond

Uncertainty at both national and a local level looks to continue over the short to medium term due to continued demand and a less reliable resource base. The 100% Business Rates Retention Scheme (BRRS) pilot in London for 2018/19 led to an increase in income against budget of approximately £6.4m. For 2019/20, the pilot reduces to 75% retention and the estimated implications of this have been built into the latest Medium Term Financial Strategy (MTFS) albeit as a conservative figure. Other potential national funding changes underway include the government's spending review, the fair funding review of local government and a business rates reset.

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

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our Adult Social Care budgets that Central Government funding has not adequately addressed. A similar position exists for Children's services.

The delivery of agreed savings set out in the February 2019 MTFS budget report will be critical to the Council meeting its Borough Plan objectives. The Council continues to make strategic use of its reserves as it works to develop long-term solutions and invest in the transformative activity required to improve efficiency to make our money go further. Our reserves also provide capacity to manage a level of risk associated with the delivery of our savings programme, and the budget pressures that the Council faces.

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

Whilst we recognise that we will continue to face challenging times, we will continue to focus on our key role in building strong communities, using the resources at our disposal to support economic growth and tackle inequality. The new Borough Plan clearly restates the Council's priorities for the coming 4 years: Housing, People, Place, Growth and Your Council.

KEY STRATEGIC RISKS FOR 2019/20

The Annual Governance Statement (AGS) that is incorporated into the Statement of Accounts includes the key Corporate Risks and governance issues that have been identified during 2018/19 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 2019/20, 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 2019. 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 2018/19, which in turn is underpinned by International Financial 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 year-end 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).

We also provide the **Expenditure and Funding Analysis** 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]

STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

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

The Chief Financial Officer's responsibilities

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

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

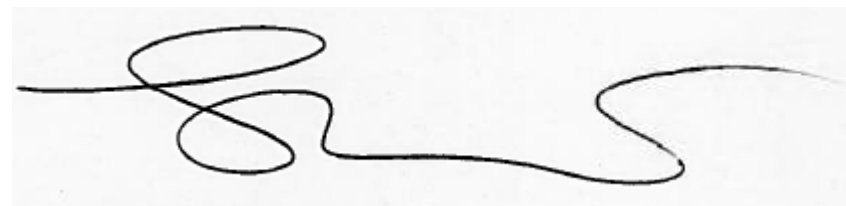
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Chief Financial Officer has also:

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

Certification by Chief Financial Officer

I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2019 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
Director of Finance (S151 Officer)

31 July 2019

EXPENDITURE AND FUNDING ANALYSIS

Single Entity	2018/19			2017/18		
	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	73,576	12,809	86,385	65,232	8,631	73,863
Priority 2 - Adults	72,790	2,062	74,852	83,960	5,086	89,046
Priority 3 - Safe and Sustainable Places	27,015	14,628	41,643	24,714	10,324	35,038
Priority 4 - Growth and Employment	7,857	10,825	18,682	11,231	13,024	24,255
Priority 5 - Homes and Communities (GF)	18,512	1,598	20,110	16,227	(290)	15,937
Priority 5 - Homes and Communities (HRA)	(31,638)	20,201	(11,437)	(31,096)	64,970	33,874
Priority X - Enabling	11,517	17,456	28,973	(5,448)	14,605	9,157
Net Cost of Services	179,630	79,579	259,208	164,820	116,350	281,170
Other income and expenditure	(187,016)	(43,226)	(230,242)	(177,868)	(11,933)	(189,801)
(Surplus) or Deficit on Provision of Services	(7,386)	36,354	28,967	(13,048)	104,417	91,369
Opening General Fund and HRA Balance	(121,900)			(108,852)		
Less/Plus deficit/(surplus) on General Fund and HRA balance in year (see Movement in Reserves Statement)	(7,386)			(13,048)		
Reclassification of HRA reserves to unusable reserves	6,339			0		
Closing General Fund and HRA Balance	(122,947)			(121,900)		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Single Entity	2018/19			2017/18		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Priority 1 - Childrens	312,487	(226,102)	86,385	310,173	(236,310)	73,863
Priority 2 - Adults	130,583	(55,731)	74,852	119,855	(30,809)	89,046
Priority 3 - Safe and Sustainable Places	85,968	(44,325)	41,643	77,198	(42,160)	35,038
Priority 4 - Growth and Employment	26,810	(8,128)	18,682	34,864	(10,609)	24,255
Priority 5 - Homes and Communities (GF)	65,166	(45,056)	20,110	61,867	(45,930)	15,937
Priority 5 - Homes and Communities (HRA)	99,296	(110,733)	(11,437)	143,381	(109,507)	33,874
Priority X - Enabling	304,208	(275,236)	28,972	314,607	(305,450)	9,157
Cost of Continuing Services	1,024,518	(765,310)	259,208	1,061,945	(780,775)	281,170
Other operating expenditure (Note 6)	20,762	(22,197)	(1,435)	34,064	(20,385)	13,679
Financing and investment income and expenditure (Note 7)	34,008	(10,584)	23,424	40,088	(7,587)	32,501
Taxation and Non-Specific Grant Income (Note 8)		(252,230)	(252,230)	0	(235,981)	(235,981)
(Surplus) or Deficit on Provision of Services			28,967			91,369
(Surplus) or deficit on revaluation of property, plant and equipment (Note 19)			(11,705)			(14,127)
Remeasurement of net defined benefit liability (Note 19,35)			69,982			(38,423)
Other Comprehensive Income and Expenditure			58,277			(52,550)
Total Comprehensive Income and Expenditure			87,244			38,819

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Group Accounts	2018/19			2017/18		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Priority 1 - Childrens	312,487	(226,102)	86,385	310,173	(236,310)	73,863
Priority 2 - Adults	130,583	(55,731)	74,852	119,855	(30,809)	89,046
Priority 3 - Safe and Sustainable Places	85,968	(44,325)	41,643	77,198	(42,160)	35,038
Priority 4 - Growth and Employment	43,894	(25,567)	18,327	47,891	(24,884)	23,007
Priority 5 - Homes and Communities (GF)	65,166	(45,056)	20,110	61,867	(45,930)	15,937
Priority 5 - Homes and Communities (HRA)	96,301	(104,191)	(7,890)	138,100	(101,368)	36,732
Priority X - Enabling	304,207	(273,741)	30,466	314,607	(305,450)	9,157
Cost of Continuing Services	1,038,606	(774,713)	263,893	1,069,691	(786,911)	282,780
Other operating expenditure	20,762	(22,197)	(1,435)	34,064	(20,385)	13,679
Financing and investment income and expenditure	34,009	(10,584)	23,425	40,121	(7,587)	32,534
Taxation and Non-Specific Grant Income		(252,230)	(252,230)		(235,981)	(235,981)
Surplus on Provision of Services			33,654			93,012
Surplus on revaluation of property, plant and equipment			(28,851)			(18,465)
Remeasurement of net defined benefit liability			80,904			(42,931)
Other Comprehensive Income and Expenditure			52,053			(61,396)
Total Comprehensive Income and Expenditure			85,707			31,616

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
2018/19										
Balance as at 31/03/2018	(83,708)	(38,192)	(37,694)	(30,044)	(229)	(189,868)	(1,174,020)	(1,363,888)	(108,907)	(1,472,795)
<u>Movement in reserves during 2018/19</u>										
Total Comprehensive Income and Expenditure	41,483	(12,516)	0	0	0	28,967	58,277	87,244	(1,537)	85,707
Adjustments between accounting basis & funding basis under regulations (note 9)	(47,972)	11,619	(1,124)	353	38	(37,086)	37,086	0	0	0
Reclassification of HRA smoothing reserve	0	6,339	0	0	0	6,339	(6,339)	0	0	0
(Increase) / Decrease in 2018/19	(6,489)	5,442	(1,124)	353	38	(1,780)	89,024	87,244	(1,537)	85,707
Balance as at 31/03/2019 carried forward	(90,198)	(32,750)	(38,818)	(29,691)	(191)	(191,648)	(1,084,996)	(1,276,644)	(110,444)	(1,387,088)
2017/18										
Balance as at 31/03/2017 Restated	(72,343)	(36,509)	(33,662)	(24,078)	(761)	(167,353)	(1,235,354)	(1,402,707)	(101,704)	(1,504,411)
<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)	(79,455)	(24,962)	(4,032)	(5,966)	532	(113,884)	113,884	0	0	0
(Increase) / Decrease in 2017/18	(11,365)	(1,683)	(4,032)	(5,966)	532	(22,515)	61,334	38,819	(7,203)	31,616
Balance as at 31/03/2018 carried forward	(83,708)	(38,192)	(37,694)	(30,044)	(229)	(189,868)	(1,174,020)	(1,363,888)	(108,907)	(1,472,795)

MOVEMENT IN RESERVES STATEMENT

BALANCE SHEET

	Notes	Single Entity		Group Accounts	
		31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018 Restated
		£'000	£'000	£'000	£'000
Property, Plant and Equipment	11,37	2,306,206	2,272,222	2,430,415	2,373,872
Heritage Assets		6,173	6,110	6,173	6,110
Investment Property	12	70,497	66,865	70,497	66,865
Intangible Assets		4,021	5,713	4,021	5,713
Long-term Debtors	15	8,250	8,881	4,234	4,781
Long Term Assets		2,395,147	2,359,791	2,515,340	2,457,341
Assets Held for Sale		6,447	3,070	6,447	3,070
Short-term Investments	13	10,012	10,013	10,012	10,013
Inventories		354	490	1,177	1,340
Short-term Debtors	15	86,637	80,821	89,190	90,769
Cash and Cash Equivalents	16	33,763	40,389	41,354	50,344
Current Assets		137,213	134,783	148,180	155,536
Short-term borrowing	13	(36,298)	(73,834)	(36,298)	(73,834)
Short-term Creditors	17	(128,575)	(123,639)	(136,372)	(134,021)
Grants Receipts in Advance		(4,200)	(5,163)	(4,200)	(5,163)
Provisions	18	(4,004)	(2,299)	(4,004)	(2,299)
Current Liabilities		(173,077)	(204,935)	(180,874)	(215,317)
Long-term Creditors	17	(1,512)	(1,445)	(1,512)	(1,758)
Provisions	18	(7,060)	(6,973)	(7,335)	(7,340)
Long-term Borrowing	13	(360,394)	(299,000)	(360,394)	(299,000)
Other Long-term Liabilities	32-35	(705,018)	(611,399)	(717,662)	(609,733)
Grants Receipts in Advance - Capital		(8,655)	(6,934)	(8,655)	(6,934)
Long-term Liabilities		(1,082,639)	(925,751)	(1,095,558)	(924,765)
Net Assets		1,276,644	1,363,888	1,387,088	1,472,795
Usable Reserves		(191,649)	(189,868)	(204,321)	(210,365)
Unusable Reserves	19	(1,084,995)	(1,174,020)	(1,182,767)	(1,262,430)
Total Reserves		(1,276,644)	(1,363,888)	(1,387,088)	(1,472,795)

CASH FLOW STATEMENT

		Single Entity		Group Accounts	
	Note	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Net surplus or (deficit) on the provision of services		(28,967)	(91,369)	(33,654)	(93,012)
Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	20	115,224	162,487	117,725	180,125
Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	20	(46,999)	(40,097)	(46,999)	(40,066)
Net cash flows from Operating Activities		39,258	31,021	37,072	47,047
Investing Activities	21	(62,862)	(36,199)	(62,862)	(49,934)
Financing Activities	22	16,978	16,871	16,800	16,673
Net increase or (decrease) in cash and cash equivalents		(6,626)	11,693	(8,990)	13,786
Cash and cash equivalents at the beginning of the reporting period		40,389	28,696	50,344	36,558
Cash and cash equivalents at the end of the reporting period		33,763	40,389	41,354	50,344

NOTES TO THE STATEMENTS

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19, 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.

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 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

NOTES TO THE STATEMENTS

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. The last review was done in 2017/18.

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 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)

NOTES TO THE STATEMENTS

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

i. The Local Government Pension Scheme

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

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

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

- quoted securities - current bid price
- unquoted securities - professional estimate

- unitised securities - current bid price
- property - market value

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES
- Net interest on the net defined benefit liability (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

NOTES TO THE STATEMENTS

- 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 Priority 1 - Children's Services line in the CIES is charged with the employer's contributions payable in the year. In addition, the Council is responsible for any payments relating to early retirements outside of the standard scheme. This scheme holds no assets.

Discretionary Benefits

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

1.6 Events after the Balance Sheet Date

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

- 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
- 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.

NOTES TO THE STATEMENTS

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

1.7 Fair Value Measurement

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

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

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

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

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

unobservable inputs.

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

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

1.8 Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the

NOTES TO THE STATEMENTS

amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

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

Financial Assets

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

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

1.9 Government Grants and Contributions

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

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

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

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

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

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

Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied reserve. Where it has

NOTES TO THE STATEMENTS

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 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

NOTES TO THE STATEMENTS

lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

ii. Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over

the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as lessor

Operating Leases

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

1.13 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or

NOTES TO THE STATEMENTS

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure, community assets and assets under construction

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

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

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

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

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

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down against the relevant service line(s) in the CIES.

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

Impairment

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

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

Depreciation

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

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

- Council Dwellings and operational buildings – straight-line

allocation over the useful life of the property as estimated by the Valuer, within the range of 20 to 60 years.

- Vehicles, plant and equipment – 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

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

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

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

Schools

The Council has schools in the following categories: community schools, foundation schools, voluntary controlled schools, voluntary aided schools, free schools and academies. All locally maintained schools (i.e. community, foundation, voluntary controlled, voluntary aided, 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 these schools in the financial statements.

I&E

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

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

1.14 Provisions and Contingent Liabilities

Provisions - 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

NOTES TO THE STATEMENTS

service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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.

1.15 Reserves

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

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

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

1.16 Revenue expenditure funded from capital under statute (REFCUS)

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

This expenditure is charged to the relevant service within the CIES

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

1.17 Revenue recognition

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

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

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

1.18 Service Concession Arrangements

Private Finance Initiative (PFI) and similar contracts are agreements to receive services where the responsibility for making

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

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

The amounts payable to the PFI operator consist of

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

1.19 VAT

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

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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.

The most relevant standards for local authorities are:

IFRS 16 Leases- this requires lessees to recognise most leases on their Balance Sheet as right of use assets with corresponding liabilities from 1st April 2020.

IAS 40 Investment Property Transfers- clarifies that a property should only be transferred to/from the Investment Property Category, when there is evidence of a change in use of the property. This is already being done by the council.

2. Critical judgements in applying accounting policies

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

The Council incorporates its subsidiaries, Homes for Haringey and Alexandra Palace Charitable Trust within these accounts to present group financial statements. They are consolidated on the basis of control over relevant activities.

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are:

Non-Current Assets

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

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

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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 2018/19, the Council's actuaries advised that the net pension liability had increased by £97.196m as a result of estimates being revised and the updating of the assumptions. The liability held on the balance sheet is subject to actuarial estimation; some of the detail behind the estimates used by the actuary is shown in notes 34 and 35.

4. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 31 May 2019. 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

NOTES TO THE STATEMENTS

	2018/19				2017/18			
	Adjustments for Capital Purposes (Note 1) £'000	Net change for Pensions Adjustments (Note 2) £'000	Other Differences (Note3) £'000	Total Adjustment £'000	Adjustments for Capital Purposes (Note 1) £'000	Net change for Pensions Adjustments (Note 2) £'000	Other Differences (Note3) £'000	Total Adjustment £'000
Priority 1 - Childrens	6,150	7,345	(686)	12,809	1,487	7,144		8,631
Priority 2 - Adults	774	1,310	(21)	2,062	3,695	1,391		5,086
Priority 3 - Safe and Sustainable Places	13,475	1,173	(20)	14,628	9,102	1,222		10,324
Priority 4 - Growth and Employment	9,954	882	(11)	10,825	12,797	849	(622)	13,024
Priority 5 - Homes and Communities	1,495	109	(5)	1,598	(391)	101		(290)
Priority 5 - Homes and Communities (HR	16,203	105	(2)	16,306	64,769	201		64,970
Priority X - Enabling	20,098	1,259	(6)	21,351	12,917	1,688		14,605
Net Cost of Services	68,148	12,184	(752)	79,579	104,376	12,596	(622)	116,350
Other income and expenditure	(54,222)	15,158	(4,162)	(43,226)	(28,407)	14,753	1,721	(11,933)
Difference between General Fund surplus or deficit and the CIES surplus or deficit on the provision of services	13,926	27,342	(4,915)	36,353	75,969	27,349	1,099	104,417

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

NOTES TO THE STATEMENTS

practices.

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

Note 2 – Net Change for the Pension Adjustments

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

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

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

Note 3 – Other Differences

Other differences between amounts debited/credited to the CIES

b) Income by Nature

Income Category	2018/19 £000	2017/18 £000
Fees, charges & other service income	(223,707)	(236,722)
Grants & Contributions	(575,498)	(606,703)
Income from Council Tax & NDR	(220,886)	(173,331)
Interest on investment income	(8,034)	(7,587)
Gain on disposal of assets	(22,197)	(20,385)
	<u>(1,050,321)</u>	<u>(1,044,728)</u>

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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c) Expenditure by Nature

Expenditure Category	2018/19 £000	2017/18 £000
Depreciation, amortisation, impairment	64,442	111,988
Employee Benefits expenses	280,208	276,782
Other Service Expenses	696,345	696,801
Levies	6,388	8,516
Payments to Housing Cap Receipts Pool	1,733	2,599
Interest Payments	17,530	16,461
NBV Write-off/ Disposal Costs	12,640	22,950
	<u>1,079,286</u>	<u>1,136,097</u>

(Surplus) or Deficit on Provision of Service

28,967 91,369

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:

	2018/19 £'000	2017/18 £'000
Levies - North London Waste Authority (NLWA)	5,755	7,875
Levies - Others	633	641
Payments to Govt. Housing Capital Receipts Pool	1,733	2,599
Losses / (gains) on disposal of non-current assets	(9,556)	2,564
	<u>(1,435)</u>	<u>13,679</u>

7. Financing and investment income and expenditure

Financing and investment income and expenditure includes interest receivable and payable on the Council's investment portfolio. The Council's net rental income on the properties it holds purely for

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investment purposes is also included net of fair value movements. It also includes the interest element of the pension fund liability.

	2018/19	2017/18
	£'000	£'000
Interest payable and similar charges	17,530	16,541
Net interest on the net defined benefit liability	15,158	14,846
Interest receivable and similar income	(675)	(438)
Income from investment properties	(8,688)	(484)
Other investment income and expenditure	99	2,037
	23,424	32,502

Revenue Support Grant being received from central government in 2018/19, (the Council instead receives a greater level of business rates income via the London business rates pool).

The non-domestic rates income under the Governments business rates retention arrangement consists of £49.491 million (£21.047 million in 2017/18) collected locally and a 'top-up' of £66.663 million (£54.549 million in 2017/18), re-distributed from a national pool.

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:

	2018/19	2017/18
	£'000	£'000
Council tax income	(104,732)	(97,735)
Non domestic rates	(116,154)	(75,596)
Non-ringfenced government grants	(9,004)	(48,466)
Capital grants and contributions	(22,340)	(14,184)
	(252,230)	(235,981)

The decrease in non-ring fenced government grants is due to no

NOTES TO THE STATEMENTS

9. Adjustments between accounting basis and funding basis under regulation

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

General Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Capital Receipts Reserve (CRR)

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

Capital Grants Unapplied Account (CGUA)

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

Major Repairs Reserve (MRR)

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

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Movement during 2018/19	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)	(27,247)	(95)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	224	0	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	3,975	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	750	2	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	(34,200)	(38,226)	0	0	(24,802)
Total Adjustments to Revenue Resources	(56,498)	(38,319)	0	0	(24,802)
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the CRR	6,487	15,710	(22,197)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(258)	(214)	472	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(1,733)	0	1,733	0	0
- Posting of HRA resources from revenue to the MRR	0	17,211	0	(17,211)	0
- Statutory provision for the repayment of debt (transfer from the CAA)	4,029	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	0	17,231	0	0	0
Total Adjustments between Revenue and Capital Resources	8,525	49,938	(19,992)	(17,211)	0
Adjustments to Capital Resources					
- Use of the CRR to finance capital expenditure	0	0	19,108	0	0
- Use of the MRR to finance capital expenditure	0	0	0	17,249	0
- Application of capital grants to finance capital expenditure	0	0	0	0	25,155
- Cash payments in relation to deferred capital receipts	0	0	(240)	0	0
Total Adjustments between Revenue and Capital Resources	0	0	18,868	17,249	25,155
Total Adjustments	(47,972)	11,619	(1,124)	38	353

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Movement during 2017/18	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)	(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)	(56,929)	(77,131)	0	0	(17,712)
Total Adjustments to Revenue Resources	(87,007)	(77,252)	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)		2,599	0	0
- Posting of HRA resources from revenue to the MRR		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)	1,963	22,397	0	0	0
Total Adjustments between Revenue and Capital Resources	7,552	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	13,188	16,000	11,746
Total Adjustments	(79,455)	(24,962)	(4,032)	532	(5,966)

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 2018/19.

	Note	Balance at 31/03/17 £'000	Transfer In 2017/18 £'000	Transfer Out 2017/18 £'000	Balance at 31/03/18 £'000	Transfer In 2018/19 £'000	Transfer Out 2018/19 £'000	Balance at 31/03/19 £'000
General Fund Reserve	i	(15,897)	0	404	(15,493)	(346)	0	(15,839)
General Fund earmarked reserves:								
Schools reserve	ii	(7,876)	0	169	(7,707)	(2,675)	0	(10,382)
Transformation reserve	iii	(10,339)	(584)	2,848	(8,075)	(3,345)	5,325	(6,095)
Services reserve	iv	(8,313)	(2,549)	4,442	(6,420)	(7,809)	6,351	(7,878)
PFI lifecycle reserve	v	(9,016)	(1,408)	660	(9,764)	(3,920)	0	(13,684)
Treasury reserve	vi	(5,103)	(1,404)	1,094	(5,413)	0	367	(5,046)
Insurance reserve	vii	(4,862)	(1,769)	1,470	(5,161)	(751)	0	(5,912)
Unspent grants reserve	viii	(3,513)	(5,700)	722	(8,491)	(9,235)	10,387	(7,339)
Community infrastructure reserve	ix	(3,000)	0	0	(3,000)	0	3,000	0
Labour market growth resilience reserve	x	(1,578)	(465)	788	(1,255)	0	550	(705)
Financing reserve	xi	(880)	(6,544)	1,133	(6,291)	0	0	(6,291)
IT infrastructure reserve	xii	(838)	0	0	(838)	(2,162)	0	(3,000)
Resilience reserve	xiii	0	(5,074)	0	(5,074)	(2,229)	0	(7,303)
Other reserves	xiv	(1,126)	0	400	(726)	0	0	(726)
GF earmarked reserves:		(56,446)	(25,497)	13,726	(68,215)	(32,126)	25,981	(74,359)
Total General Fund Usable Reserves		(72,343)	(25,497)	14,130	(83,708)	(32,472)	25,981	(90,198)
Housing Revenue Account		(29,540)	(2,298)	1,286	(30,552)	(897)	124	(31,325)
Housing Revenue Account earmarked Reserves:								
HRA Smoothing reserve		(6,339)	0	0	(6,339)	0	6,339	0
Homes for Haringey		(629)	(672)	0	(1,301)	(124)	0	(1,425)
HRA earmarked reserves		(6,968)	(672)	0	(7,640)	(124)	6,339	(1,425)
Total HRA Usable Reserves		(36,508)	(2,970)	1,286	(38,192)	(1,021)	6,463	(32,750)

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 services may request funds to be carried forward, 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. This reserve also includes the Dedicated Schools Grant (DSG) balance which is currently a negative £2.2m balance for 2018/19. The Council is instigating recovery planning.

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

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

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. These reserves monies have been reallocated to other reserves upon review.

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 2018/19 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 and other budget risks contained within the MTFS. It will provide additional robustness and financial resilience for the Council.

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

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 2018	1,349,870	795,717	250,661	18,556	20,089	5,798	4,322	2,445,012	133,625
Additions	33,993	33,235	18,468	4,286	454	13,317	0	103,753	1,084
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,179)	(33,529)	0	0	0	0	4,324	(30,384)	38,773
Revaluation increases / (decreases) recognised in SDPOS	28,558	(8,760)	0	0	0	0	(214)	19,584	(1,062)
Derecognition - disposals	(5,614)	(4,837)	0	0	0	0	0	(10,451)	0
Reclassifications and transfers	0	(2,948)	0	0	0	0	254	(2,694)	
Other movements in cost or valuation	0	(2,804)	0	0	0	0	2,822	18	
At 31 March 2019	1,405,628	776,074	269,128	22,842	20,543	19,115	11,507	2,524,839	172,421
Accumulated Depreciation and Impairment at 1 April 2018	(54,426)	(5,663)	(94,759)	(13,289)	(1,438)	(3,239)	0	(172,814)	(492)
Depreciation charge	(17,045)	(11,149)	(9,116)	(1,304)	0	0	0	(38,614)	(2,305)
Accumulated Depreciation written out	19,016	11,538	0	0	0	0	8	30,562	2,619
Acc Imp WO - no Bal	0	0	0	0	0	0	0	0	
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	(3,415)	0	0	(90)	0	0	(3,504)	(359)
Impairment (losses)/reversals recognised in surplus/deficit on the provision of services	(29,376)	(2,866)	0	(4)	(363)	(1,822)	0	(34,430)	
Derecognition - disposals	126	42	0	0	0	0	0	168	0
Other movements in depreciation & impairment	0	8	0	0	0	0	(8)	0	
At 31 March 2019	(81,705)	(11,505)	(103,875)	(14,597)	(1,892)	(5,061)	0	(218,633)	(537)
Net Book Value at 31 March 2019	1,323,923	764,568	165,253	8,245	18,651	14,054	11,507	2,306,206	171,885

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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 April 2017 Restated	1,369,696	778,360	240,948	18,942	19,303	5,578	9,924	2,442,750	133,603
Additions	39,766	15,253	9,712	112	786	1,165	15	66,811	727
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(36,587)	7,761	0	0	0	0	1,531	(27,294)	11,327
Revaluation increases / (decreases) recognised in SDPOS	(16,591)	6,833	0	0	0	0	(2,827)	(12,585)	2,101
Derecognition - disposals	(6,181)	(15,536)	0	(499)	0	0	(2,071)	(24,287)	(14,133)
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	0
At 31 March 2018	1,349,870	795,716	250,661	18,556	20,089	5,798	4,322	2,445,011	133,624
Accumulated Depreciation at 1 April 2017	2	(24,176)	(85,868)	(11,615)	(651)	0	(917)	(123,225)	(2,957)
Depreciation charge	(15,301)	(11,078)	(8,891)	(2,060)	0	0	(0)	(37,330)	(2,603)
Accumulated Depreciation written out	12,516	18,958	0	0	0	0	29	31,503	4,652
Impairment (losses)/reversals recognised in the Revaluation Reserve	(2,870)	4,885	0	0	0	0	0	2,015	(122)
Impairment (losses)/reversals recognised in surplus/deficit on the provision of services	(48,776)	5,905	0	(112)	(786)	(3,239)	109	(46,900)	0
Derecognition - disposals	15	538	0	499	0	0	0	1,052	538
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	(54,414)	(5,650)	(94,759)	(13,289)	(1,438)	(3,239)	(0)	(172,789)	(492)
Net Book Value at 31 March 2018	1,295,456	790,066	155,902	5,267	18,651	2,559	4,322	2,272,222	133,132

The above note includes the figures from Single Entity only. Group Entity Property, Plant and Equipment assets total £124.2m as at 31 March 2019 (£103.0m as at 31 March 2018). Further details are at Note 37.

NOTES TO THE STATEMENTS

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 year-end market reviews as at 31 March on the whole of the Council's property portfolio. The full valuation for 2018/19 was performed as at 31 January 2019. 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 2019, the Council has entered into several contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years, budgeted to cost £20 million (£10 million as at 31 March 2018). The major commitments at 31 March 2019 were:

- Decent Homes Programme – £3.1 million
- Fire Protection Works - £4.3 million
- HRA Mechanical and electrical works - £3.7 million
- HRA Lift renewals - £5.5 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.

	31/03/19	31/03/18
	£'000	£'000
Office units	3,127	2,476
Commercial units	49,541	44,010
Land	11,775	10,837
Other investment property	6,054	9,542
Total	70,497	66,865

There were no transfers between any of the three levels during 2018/19 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.

	2018/19	2017/18
	£'000	£'000
Rental income from investment property	(8,169)	(7,408)
Direct operating expenses arising from investment property	4,051	2,768
Net (gain)	(4,118)	(4,640)

NOTES TO THE STATEMENTS

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

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

	2018/19	2017/18
	£'000	£'000
Balance at start of the year	66,865	70,163
Additions - Purchases	239	115
Disposals	0	(237)
Net gain / (losses) from FV adjustments	4,570	(4,156)
Transfers to/from AHFS & PPE	(1,177)	980
Balance at the end of the year	70,497	66,865

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

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

Financial liabilities

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

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

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

NOTES TO THE STATEMENTS

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

	Long Term		Short Term	
	31/03/19	31/03/18	31/03/19	31/03/18
Financial liabilities at amortised cost:	£'000	£'000	£'000	£'000
Borrowing (including accrued interest)	(360,394)	(299,000)	(36,298)	(73,835)
PFI liabilities	(19,071)	(22,013)	(2,942)	(2,798)
Finance lease liabilities	(11,485)	(11,981)	(1,244)	(942)
Payables	(1,512)	(1,445)	(63,327)	(54,173)
Total Financial Liabilities	(392,462)	(334,438)	(103,812)	(131,748)

The short-term creditors line in the Balance Sheet includes £60.5 million (31 March 2018 £65.6million) of items that do not meet the definition of a financial liability and are therefore not included in the above table. See note 17 for further information.

Financial assets

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

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

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

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

	Long Term		Short Term	
	31/03/19	31/03/18	31/03/19	31/03/18
Financial assets at amortised cost:	£'000	£'000	£'000	£'000
Cash and cash equivalents	0	0	33,763	40,389
Short Term Investments	0	0	10,012	10,013
Loans made for service purposes	3,463	3,663	0	0
Trade receivables	4,787	5,218	63,774	61,791
Total Financial Assets	8,250	8,881	107,549	112,193

The short-term debtors line in the Balance Sheet includes £22.9 million (31 March 2018 £19 million) of items that do not meet the

NOTES TO THE STATEMENTS

definition of a financial asset and are therefore not included in the above table.

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

Income, expense, gains and losses

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

	Financial Liabilities measured at amortised cost	Financial Assets carried at amortised cost	Financial Liabilities measured at amortised cost	Financial Assets carried at amortised cost
2018/19	£'000	£'000	£'000	£'000
	2018/19	2018/19	2017/18	2017/18
Interest expense	17,530		16,541	
Total expense in SDPOS	17,530	0	16,541	0
Interest and investment income		(675)		(438)
Total income in SDPOS	0	(675)	0	(438)
Net (gain) / loss for the year	17,530	(675)	16,541	(438)

Financial instruments – fair values

Financial assets and liabilities are carried in the Balance Sheet at amortised cost. The fair values for all financial assets are the same as the carrying values, reported earlier in this note to the accounts. Fair values for financial liabilities are estimated by calculating the present values of remaining contractual cash flows as at 31 March 2019, 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

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carrying amount

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

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

		31/03/19	31/03/18	31/03/19	31/03/18
		£'000	£'000	£'000	£'000
PWLB loans	2	(290,361)	(229,108)	(243,378)	(184,533)
LOBO loans	2	(221,818)	(227,307)	(130,222)	(130,259)
Lease payables	2	(19,023)	(16,658)	(12,729)	(12,923)
PFI liability	2	(25,064)	(24,880)	(22,013)	(24,811)
Total		(556,266)	(497,953)	(408,342)	(352,526)
Liabilities for which fair value is not disclosed				(87,931)	(113,660)
Total financial liabilities				(496,273)	(466,186)
Recorded on balance sheet as:					
- short term creditors				(67,514)	(57,913)
- short term borrowing				(36,298)	(73,834)
- long term creditors				(1,512)	(1,445)
- long term borrowing				(360,394)	(299,000)
- other long term liabilities				(30,555)	(33,994)
Total financial liabilities				(496,273)	(466,186)

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	
		31/03/19	31/03/18	31/03/19	31/03/18
		£'000	£'000	£'000	£'000
Cash and Cash Equivalents	2	20,618	35,946	20,615	35,945
Short Term Investments	2	10,010	9,997	10,012	10,013
Total		30,628	45,943	30,627	45,958
Assets for which fair value is not disclosed				85,172	75,116
Total financial assets				115,799	121,074
Recorded on balance sheet as:					
- short term debtors				63,774	61,791
- short term investments				10,012	10,013
- long term debtors				8,250	8,881
- long term investments				0	0
- cash and cash equivalents				33,763	40,389
Total financial assets				115,799	121,074

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.

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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 2018/19 Treasury Management Strategy can be found on the Council's website www.haringey.gov.uk.

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

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

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

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies (nil value at 31 March 2019) 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 2019 that this was likely to happen, hence no loss allowance is made.

The nominal value of the Council's investment portfolio at 31 March 2019 was £30.615 million with nil deposit with UK commercial banks (£45.945 million and nil respectively at 31 March 2018). 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

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

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 60% of the Council's borrowing matures in any one financial year.

The maturity analysis of the nominal value of the Council's debt at 31 March 2019 was as follows:

Maturing within (years)	31/03/2019	31/03/2018
	£'000	£'000
Public Works Loans Board	461,402	337,105
Market debt	372,825	378,762
Local government	23,115	58,073
Total	857,342	773,940
Less than 1 year	51,213	86,511
Between 1 and 2 years	20,916	22,635
Between 2 and 5 years	69,769	55,424
Between 5 and 10 years	63,583	72,183
Between 10 and 20 years	151,585	120,225
Between 20 and 30 years	153,655	144,630
Between 30 and 40 years	178,439	157,258
Between 40 and 50 years	168,182	115,074
	857,342	773,940

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

Market Risk

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

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would have the following effects:

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

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 60% on external debt that can be subject to variable interest rates. At 31 March 2019, 99.7% of the debt portfolio was held in fixed rate instruments and 0.3% in variable rate instruments.

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

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

	31/03/2019
	£'000
Increase in interest receivable on variable rate investments	797
Increase in interest payable on variable rate borrowings	(10)
Impact on Surplus or Deficit on Provision of Services	788
Decrease in fair value of fixed rate borrowing liabilities	81,001

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

15. Debtors

The following tables provide an analysis of money owed to the Council by other bodies as at 31 March 2019 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	
	31/03/19	31/03/18	31/03/19	31/03/18
	£'000	£'000	£'000	£'000
Central Govt bodies			12,971	13,826
Other local authorities			10,144	6,865
NHS bodies			12,292	11,548
Public corporations and trading funds				894
Other entities and individuals:	52,699	52,724	141,728	139,515
Less Impairment	(44,449)	(43,843)	(90,498)	(91,826)
Total	8,250	8,881	86,637	80,821

NOTES TO THE STATEMENTS

	Single Entity		Group Amounts	
	31/03/19	31/03/18	31/03/19	31/03/18
	£'000	£'000	£'000	£'000
Central Govt bodies	12,971	13,826	12,971	13,826
Other local authorities	10,144	6,865	10,144	6,865
NHS bodies	12,292	11,548	12,292	11,548
Public corporations and trading funds		894		894
Other entities and individuals:	194,427	192,239	149,839	154,661
Less Impairment	(134,947)	(135,669)	(91,821)	(92,243)
Total	94,887	89,702	93,425	95,550

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.

15a Debtors for Local Taxation

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

Council Tax	31/03/19	31/03/18
	£'000	£'000
One year or less than one year	5,223	5,403
More than one year	16,090	16,196
Less Impairment	(14,841)	(17,802)
	6,472	3,797

Non-Domestic Rates	31/03/19	31/03/18
	£'000	£'000
One year or less than one year	2,181	876
More than one year	4,392	1,925
Less Impairment	(3,292)	(1,572)
	3,281	1,229

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	
	31/03/19	31/03/18	31/03/19	31/03/18
	£'000	£'000	£'000	£'000
Cash in hand and at bank	13,136	4,432	20,727	14,387
Short-term deposits	20,627	35,957	20,627	35,957
Total	33,763	40,389	41,354	50,344

NOTES TO THE STATEMENTS

17. Creditors

The following tables provide an analysis of money owed by the Council as at 31 March 2019.

	Long Term		Short Term	
	31/03/19 £'000	31/03/18 £'000	31/03/19 £'000	31/03/18 £'000
Central Govt bodies	0	0	(8,726)	(26,546)
Other local authorities	0	0	(17,695)	(3,698)
NHS bodies	0	0	(2,939)	(1,159)
Public corporations / trading funds	0	0	0	(11)
Other entities and individuals	(1,512)	(1,445)	(99,216)	(92,225)
Total	(1,512)	(1,445)	(128,575)	(123,639)

	Single Entity		Group Amounts	
	31/03/19 £'000	31/03/18 £'000	31/03/19 £'000	31/03/18 £'000
Central Govt bodies	(8,726)	(26,546)	(8,726)	(26,546)
Other local authorities	(17,695)	(3,698)	(17,695)	(3,698)
NHS bodies	(2,939)	(1,159)	(2,939)	(1,159)
Public corporations / trading funds	0	(11)	0	(11)
Other entities and individuals	(100,728)	(93,670)	(108,523)	(104,365)
Total	(130,088)	(125,084)	(137,883)	(135,779)

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 £'000	NDR appeals £'000	Other £'000	Total £'000
Balance at 1 April 2018	(5,646)	(3,029)	(597)	(9,272)
Provisions made in 2018/19	(999)	(2,966)	(112)	(4,077)
Amounts used in 2018/19	1,463	612	210	2,285
Balance at 31 March 2019	(5,182)	(5,383)	(499)	(11,064)
Of which:				
Long Term	(3,717)	(3,231)	(112)	(7,060)
Short Term	(1,465)	(2,152)	(387)	(4,004)

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

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

NOTES TO THE STATEMENTS

19. Unusable reserves

	31/03/19	31/03/18 Restated
	£'000	£'000
Financial Instruments Adjustment	4,322	4,547
Collection Fund Adjustment	(8,050)	(4,075)
Accumulated Absences	6,217	6,969
Revaluation Reserve	(675,655)	(677,792)
Capital Adjustment Account	(1,086,265)	(1,080,901)
Pensions Reserve	674,463	577,267
Deferred Capital Receipts	(27)	(35)
Total	(1,084,995)	(1,174,020)

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 £124m as at 31 March 2019 (£103m at 31 March 2018).

	2018/19	Restated 2017/18
	£'000	£'000
Balance as at 1 April	(677,791)	(672,586)
(Surplus) or deficit on revaluation of property, plant and equipment	(11,705)	(14,127)
Difference between fair value depreciation and historical cost depreciation	6,734	6,386
Revaluation balances on disposed assets	7,107	2,535
Balance as at 31 March	(675,655)	(677,791)

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

NOTES TO THE STATEMENTS

	2018/19	2017/18
	£'000	£'000
Balance as at 1 April	(1,080,901)	(1,155,656)
<i>Reversal of items relating to capital expenditure debited or credited to CIES</i>		
- charges for depreciation and impairment of NCA	73,045	93,185
- revaluation losses and reversals of losses on PPE	(12,653)	12,814
- amortisation of intangible assets	1,803	1,833
- REFCUS	20,617	17,532
- amounts of NCA written off on disposal or sale as part of the gain/loss on disposal to CIES	12,169	22,384
	94,981	147,748
Adjusting amounts written out of Revaluation Reserve	(13,841)	(8,921)
Net written out amount of the cost of NCA consumed in the year	81,141	138,827
<i>Capital financing applied in the year</i>		
- Capital Receipts	(19,108)	(13,357)
- Major Repairs Reserve	(17,249)	(16,000)
- Capital Grants	(25,155)	(11,746)
- Revenue Contributions	(17,231)	(24,360)
- Minimum revenue provision	(4,029)	(2,793)
	(82,772)	(68,256)
Movements in the market value of Investment Properties debited or credited to CIES	(4,570)	4,156
Other adjustments	837	28
Balance as at 31 March	(1,086,265)	(1,080,901)

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.

	2018/19	2017/18
	£'000	£'000
Balance as at 1 April	577,267	588,341
Remeasurements recognised in Other Comprehensive Income and Expenditure	69,854	(38,423)
Reversal of items relating to retirement benefits debited or credited to SDPOS	27,342	27,349
Balance as at 31 March	674,463	577,267

NOTES TO THE STATEMENTS

20. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

	2018/19	2017/18
	£'000	£'000
Interest received	675	425
Interest paid	(17,054)	(16,496)

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

	2018/19	2017/18
	£'000	£'000
Depreciation	38,614	37,345
Impairment, downward revaluations (including revaluation gains reversing previous losses)	30,597	69,398
Amortisation	1,803	1,833
Increase/(decrease in impairment for bad Debts)	606	
Movement in creditors	10,220	2,286
Movement in debtors	(3,447)	(156)
Movement in inventories	136	(178)
Movement in pension liability	27,342	27,349
Carrying amount of non-current assets	12,169	22,384
Other non-cash items charged to SDPOS	(2,815)	2,226
Total	115,225	162,487
Adjustments for intra-group transactions	(3,192)	1,612
Homes For Haringey	(786)	3,047
Alexandra Park and Palace Charitable Trust	6,478	12,979
Group Total	117,725	180,125

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	2018/19	2017/18
	£'000	£'000
Net adjustments from the sale of short term investments		
Proceeds from the sale of PPE, investment property and intangible assets	(22,197)	(20,385)
Capital grants credited to SDPOS	(24,802)	(19,712)
Total	(46,999)	(40,097)

21. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2018/19	2017/18
	£'000	£'000
Purchase of PPE, investment property and intangible assets	(109,341)	(66,080)
Purchase of investments		(10,000)
Proceeds from the sale of PPE, investment property and intangible assets	22,204	22,394
Capital grants and other investments received	24,274	17,487
Total	(62,863)	(36,199)

22. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

NOTES TO THE STATEMENTS

	2018/19	2017/18
	£'000	£'000
Cash receipts from borrowing	61,431	38,381
Other receipts from financing activities	(3,410)	(106)
Cash payments for the reduction of finance lease and PFI outstanding liabilities	(2,993)	(3,004)
Repayments of borrowing	(38,050)	(18,400)
Total	16,978	16,871

23. Members allowances

The total of Members' allowances paid in 2018/19 was £1.106 million compared to £1.126 million in 2017/18. 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.

	2018/19	2017/18
	£'000	£'000
Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the year	159	207
Fees to BDO for HB subsidy claims audit	38	38
Fees payable to BDO in respect of grant claims and other services provided during the year	7	7
Additional Fees	20	0
Total	224	252

25. Pooled budgets

In 2018/19, Haringey Council (the Council) entered into 2 pooled budget arrangements with Haringey Clinical Commissioning Group (the CCG) established under Section 75 (s75) of the NHS Act 2006:

- Better Care Fund which provides the financial support to jointly plan and deliver local services.
- Commissioning and provision of integrated learning disabilities services.

2018-19 Section 75 Pooled Budget

NOTES TO THE STATEMENTS

	Gross Expenditure 2018/19	CCGS Contribution 2018/19	Haringey Contribution 2018/19	TOTAL Contribution 2018/19
	£'000	£'000	£'000	£'000
Adult Learning Disabilities Support	34,988	(7,586)	(27,402)	(34,988)
Adults Mental Health	56,730	(39,199)	(17,531)	(56,730)
Better Care Fund (BCF)	20,174	(17,621)	(2,553)	(20,174)
Improved Better Care fund (iBCF)	7,100	0	(7,100)	(7,100)
Child and adolescent mental health services (CAMHS)	5,293	(4,231)	(1,062)	(5,293)
Violence Against Women and Girls (VAWG)	272	(51)	(221)	(272)
Children & Young Persons (CYP)	6,446	0	(6,446)	(6,446)
TOTAL	131,003	(68,688)	(62,315)	(131,003)

	Gross Expenditure 2017/18	CCGS Contribution n 2017/18	Haringey Contribution n 2017/18	TOTAL Contribution n 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)

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

2017-18 Section 75 Pooled Budget

NOTES TO THE STATEMENTS

In 2018/19, the Council and the CCG continued the expanded and unified partnership agreement, under Section 75 of the NHS Act 2006, to support the implementation of strategic plans for more integrated commissioning and provide for:

- a) Lead commissioning and the establishment and maintenance of pooled fund for the commissioning of learning disability services for eligible adults resident in Haringey;
- b) Lead commissioning and the establishment and maintenance of a pooled fund for the commissioning of mental health services for eligible adults resident in Haringey;
- c) Joint commissioning and the establishment and maintenance of a pooled fund for the commissioning of older people's services, including those services identified in the Better Care Fund 2017/18, for eligible adults resident in the London Borough of Haringey;
- d) Joint commissioning and the establishment and maintenance of a pooled fund for the commissioning of child and adolescent mental health services for the residents of the London Borough of Haringey;
- e) Lead commissioning and the establishment and maintenance of a pooled fund for the commissioning of the Independent Domestic Violence Advocacy Service and the Identification and Referral to Increase Safety Service for eligible adults resident in Haringey.
- f) Lead commissioning and the establishment and maintenance of a pooled fund for the commissioning of a range of young people's health and wellbeing services for eligible young people resident in Haringey.

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

The gross expenditure of the Better Care Fund (not including Improved Better Care Fund) was £20.2mil in 2018.19 to which the council's contribution was £2.6mil and £17.6mil was the contribution of Haringey CCG. In relation to the improved Better Care Fund the Council utilised the entire amount of £7.1mil.

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	Salary, Fees and Allowances		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£	£	£	£	£	£	£	£
Chief Executive - Z Etheridge	191,199	181,877	191,199	181,877	47,609	45,265	238,808	227,142
Deputy Chief Executive- T Evans (left 31.03.2018)	0	157,259	0	157,259	0	0	0	157,259
CEO Gladesmore and Crowloand Schools - AM Hartney	205,622	177,718	205,622	177,718	0	18,126	205,622	195,844

NOTES TO THE STATEMENTS

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

Post Holder Details	Salary, Fees and Allowances		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
	2018/19 £	2017/18 £	2018/19 £	2017/18 £	2018/19 £	2017/18 £	2018/19 £	2017/18 £
Director of Housing & Regeneration Planning	133,000	133,470	133,000	133,470	33,117	32,880	166,117	166,349
Director of Adults & Health	131,561	128,557	131,561	128,557	32,703	32,088	164,264	160,645
Director of Childrens Services (Start Date - 26/03/2018)*	130,065	55,212	130,065	55,212	32,386	13,481	162,451	68,693
Director of Customers, Transformation & Resources	130,138	127,666	130,138	127,666	32,404	31,789	162,542	159,455
Director of Finance (Start Date 22 Oct 2018)	69,194	-	69,194	-	17,229	-	86,423	-
Director of Environment & Neighbourhoods	125,000	114,800	125,000	114,800	31,125	28,662	156,125	143,462
Assistant Director of Corporate Governance (Monitoring Officer)	103,824	106,039	103,824	106,039	25,852	26,404	129,676	132,443

*The Director of Children's Services position was filled by a permanent staff member during 2017/18 until 20/08/17, it was then filled by an interim staff member until the position was filled permanently on 26/03/18

NOTES TO THE STATEMENTS

27. Termination benefits

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

2018/19	No of compulsory redundancies	No of other agreed departures	Total number	Total cost
£0 - £20,000	26	4	30	298,245
£20,001 - £40,000	11	10	21	548,023
£40,001 - £60,000	1	4	5	254,416
£60,001 - £80,000	4	1	5	335,978
£80,001 - £100,000				
£100,001 - £150,000		1	1	118,541
£150,001 - £200,000	1		1	152,474
	43	20	63	1,707,677

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
£150,001 - £200,000	0	1	1	165,910
Total	180	54	234	3,483,569

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):

	2018/19	2017/18
	No. of employees	No. of employees
£50,000 - £54,999	261	222
£55,000 - £59,999	154	127
£60,000 - £64,999	68	70
£65,000 - £69,999	50	37
£70,000 - £74,999	32	28
£75,000 - £79,999	26	28
£80,000 - £84,999	20	19
£85,000 - £89,999	15	16
£90,000 - £94,999	9	1
£95,000 - £99,999	7	6
£100,000 - £104,999	5	9
£105,000 - £109,999	8	1
£110,000 - £114,999	2	5
£115,000 - £119,999	4	0
£120,000 - £124,999	1	3
£125,000 - £129,999	0	4
£130,000 - £134,999	1	1
£135,000 - £139,999	1	0
£140,000 - £144,999	2	1
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	1
Total	666	579

NOTES TO THE STATEMENTS

28. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded by DSG, a specific grant provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget (ISB), which is divided into a budget share for each school. Details of the deployment of DSG receivable for 2018/19 are as follows.

	Central Expenditure	ISB	Total
	£'000	£'000	£'000
Final DSG for 2018/19 before Academy recoupment			254,150
Academy figure recouped for 2018/19			66,896
Total DSG after academy recoupment for 2018/19			187,254
Brought forward from 2017/18			1,419
Carry forward to 2019/20 agreed in advance			(1,419)
Agreed initial budget distribution in 2018/19	49,270	137,984	187,254
In year adjustments	0	97	97
Final budgeted distribution for 2018/19	49,270	138,081	187,351
Less actual central expenditure	52,918		52,918
Less actual ISB deployed to schools		138,081	138,081
Plus Council contribution for 2018/19			
Carry forward to 2019/20	(3,648)	0	(2,229)

29. Grant income

The Council credited the following grants, contributions and donations to the CIES in 2018/19.

	2018/19 £'000	2017/18 £'000
Credited to Services		
Benefit Subsidy	(247,551)	(249,837)
Dedicated Schools Grant	(187,351)	(188,888)
Local Taxation Admin Grants	(2,221)	(2,308)
Pupil Premium	(9,988)	(10,694)
Public Health	(20,209)	(20,742)
PFI Revenue	(5,669)	(5,669)
Flexible Housing Grant	(8,307)	(8,631)
Universal Infant Free School Meals	(2,919)	(2,773)
Better Care Fund (Dept of Health via CCG)	(7,097)	(5,426)
Discretionary Housing Payments	(1,594)	(1,729)
Adult Social care New Burdens	(1,870)	(1,660)
Adult Learning & 6th Form Grant	(6,056)	(5,378)
Tackling Troubled Families	(1,422)	(1,237)
Ministry of Housing, Communities and Local Government grants	(3,216)	(2,363)
Department for Education grants	(6,410)	(2,244)
Home Office miscellaneous grants	(2,174)	(2,184)
TFL Grants	(4,312)	(782)
Other miscellaneous revenue grants	(2,878)	(2,656)
Capital Grants treated as revenue	(2,463)	(3,710)
Contributions- NHS Bodies	(15,601)	(14,019)
Other contributions and reimbursements	(5,408)	(9,350)
Total	(544,717)	(542,279)

NOTES TO THE STATEMENTS

	2018/19	2017/18
	£'000	£'000
Credited to Taxation and Non-Specific Income		
Business Rates - top-up	(66,663)	(54,549)
Revenue Support Grant	0	(38,590)
New Homes Bonus Grant	(3,058)	(5,776)
Education Services Grant	0	(800)
Business Rate and Retail Relief Grants	(5,880)	(2,928)
Local Services Support Grant	(20)	(19)
Other miscellaneous general grants	(46)	(353)
Capital Grants	(22,340)	(14,184)
Total	(98,007)	(117,199)

30. Related Parties

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

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.

Pension Fund

The pension fund accounts are set out elsewhere in the Statement of Accounts. The pension fund operates a separate bank account and makes investments separately from the Council. The Council owed the pension fund £0.161m as at 31 March 2019 and the Council charged the fund £0.651m for administration in 2018/19 (£0.216m and £0.616m respectively in 2017/18).

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 2018/19 were £61.0million and £6.8 million respectively (£60.0 million and £8.1 million in 2017/18).

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 2018/19 is shown in note 23. Members of the Council and senior officers participate in and are members of

NOTES TO THE STATEMENTS

a variety of other public bodies and community groups either in a personal capacity or appointment by the Council.

In 2018/19 Haringey has provided financial support to, or purchased services from 17 charitable or voluntary organisations (17 in 2017/18) in which 27 members have declared an interest (29 in 2017/18). 20 of these instances were as a representative of the Council and 7 in a personal capacity (24 and 5 respectively in 2017/18). In 2018/19 the total value of payments made was £1.720 million (£1.814 million in 2017/18) and the total value of receipts was £0.690 million (£0.731 million in 2017/18).

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 £0.340m. 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.

31. Capital expenditure and capital financing

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

NOTES TO THE STATEMENTS

	£'000	£'000
Opening CFR	591,940	574,640
<i>Capital investment</i>		
- Property, Plant and Equipment	103,544	67,890
- Investment Properties	239	115
- Intangible Assets	111	
- REFCUS	20,617	17,551
- Assets acquired under finance leases	1,145	
	125,656	85,556
<i>Sources of finance</i>		
- Capital receipts	(19,108)	(13,357)
- Government grants and other contributions	(25,155)	(11,746)
- Major Repairs Allowance	(17,249)	(16,000)
- Direct revenue contributions	(17,231)	(24,360)
- Minimum Revenue Provision	(4,029)	(2,793)
	(82,772)	(68,256)
Closing CFR	634,824	591,940
Explanation of movements in year		
Increase / (decrease) in underlying need for supported borrowing	41,739	17,300
Assets acquired under finance leases	1,145	
Increase / (decrease) in CFR	42,884	17,300

32. Leases

Authority as Lessee - Finance leases

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

	31/03/19	31/03/18
	£'000	£'000
Other Land and Buildings	6,587	5,375
Vehicles, Plant, Furniture and Equipment	3,939	3,840
Total	10,526	9,215

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.

	31/03/19	31/03/18
	£'000	£'000
Finance lease liabilities (NPV of minimum lease payments)		
- current	1,244	942
- non-current	11,485	11,981
Finance costs payable in future years	21,330	21,605
Total	34,059	34,528

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Less than one year	1,797	1,515	1,244	942
Between one and five years	4,269	4,327	3,264	2,539
Later than five years	28,298	28,685	8,221	9,442
Total	34,364	34,527	12,729	12,923

NOTES TO THE STATEMENTS

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:

	31/03/19	31/03/18
	£'000	£'000
Not later than one year	1,241	781
Later than one year and not later than five years	2,616	1,411
Later than five years	6,662	1
Total	10,519	2,193

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 - 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.

	31/03/19	31/03/18
	£'000	£'000
Not later than one year	1,967	1,188
Later than one year and not later than five years	6,188	4,199
Later than five years	47,376	27,402
Total	55,531	32,789

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

33. Service Concession Arrangements

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

The remaining contract 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 £4.268 million in 2018/19 (£4.261 million in 2017/18). The PFI arrangement ends in September 2025.

NOTES TO THE STATEMENTS

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

Future payments to be made

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

	Payment for Services	Reimbursement of Capital Exp	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 1 year	153	2,942	1,129	4,224
Payable within 2 to 5 years	614	13,356	2,928	16,898
Payable within 6 to 10 years	230	5,714	392	6,336
Total	997	22,012	4,449	27,458

34. Pension schemes accounted for as defined contribution schemes

Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. The Scheme provides teachers with specified benefits upon their

retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2018/19 the Council paid £10.544 million (£10.779 million in 2017/18) to Teachers' Pensions in respect of teachers' pension costs which represented 16.48% of teachers' pensionable pay. Expected contributions for 2019/20 are £10.556 million. The Council is responsible for additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 35.

35. Defined benefit pension schemes

Participation in the Local Government Pension Scheme (LGPS)

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

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

Where appropriate, the following disclosures include group amounts in respect of Homes for Haringey and some employees of

NOTES TO THE STATEMENTS

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 £18.521 million (£18.631 million in 2017/18) in respect of Teachers unfunded pensions. At 31st January 2018 the Scheme had 1,096 members in respect of LGPS and 400 members in respect of Teachers unfunded pensions (1,136 and 424 respectively as at 31st January 2018).

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	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Cost of Services				
- current service cost	41,537	40,588		
- past service cost	1,065	1,099		
Total	42,602	41,687	0	0
Net Interest Expense	13,883	13,558	1,275	1,288
Total Charged to SDPOS	56,485	55,245	1,275	1,288
Other Comprehensive Income and Expenditure				
- return on plan assets	(27,051)	(8,890)		
- actuarial gains/losses (changes in financial assumptions)	95,336	(28,917)	421	(164)
- other	0	0	1,019	115
Total	68,285	(37,807)	1,440	(49)

	Group	
	2018/19	2017/18
	£'000	£'000
Cost of Services		
- current service cost	48,852	47,755
- past service cost	1,283	1,161
Total	50,135	48,916
Financing and Investment Income and Expenditure		
Total	14,881	14,881
Other Comprehensive Income and Expenditure		
- return on plan assets	(31,176)	(10,110)
- actuarial gains/losses (changes in financial assumptions)	110,804	(32,369)
- other	1,019	115
Total	80,647	(42,364)

NOTES TO THE STATEMENTS

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

	2018/19 £'000	2017/18 £'000
Reversal of net IAS 19 charges	(57,760)	(56,333)
Actual amount charged for pensions in the year	30,418	29,184

Pension assets and liabilities recognised in the Balance Sheet

	LGPS		Unfunded	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Present value of obligation	(1,749,265)	(1,605,788)	(49,906)	(50,890)
Fair value of plan assets	1,124,708	1,079,411		
Net liability	(624,557)	(526,377)	(49,906)	(50,890)

	Single Entity		Group Amounts	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	(1,799,171)	(1,656,678)	(1,992,217)	(1,824,313)
Fair value of plan assets	1,124,708	1,079,411	1,305,110	1,248,712
Net liability	(674,463)	(577,267)	(687,107)	(575,601)

Reconciliation of Movement in Fair Value of Scheme Assets

Scheme Assets	LGPS		Unfunded	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Opening fair value	1,079,411	1,053,556		
Interest income	27,920	26,206		
Remeasurement gain / (loss)				
- the return on plan assets	27,051	8,890		
Employer contributions	26,590	26,043	3,699	3,708
Contributions from employees into the scheme	7,262	6,724		
Benefits paid	(43,526)	(42,008)	(3,699)	(3,708)
Closing fair value	1,124,708	1,079,411	0	0

	Single Entity		Group Accounts	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Opening fair value of scheme assets	1,079,411	1,053,556	1,248,712	1,215,044
Interest income	27,920	26,206	32,516	30,428
Remeasurement gain / (loss)				
- the return on plan assets	27,051	8,890	31,176	10,110
Employer contributions	30,289	29,751	34,435	34,038
Contributions from employees into the scheme	7,262	6,724	8,559	7,967
Benefits paid	(47,225)	(45,716)	(50,288)	(48,875)
Closing fair value of scheme assets	1,124,708	1,079,411	1,305,110	1,248,712

NOTES TO THE STATEMENTS

Reconciliation of Present Value of Defined Benefit Obligation

Scheme Liabilities	LGPS		Unfunded	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,605,788)	(1,588,538)	(50,890)	(53,359)
Current service cost	(41,537)	(40,588)		
Past service cost	(1,065)	(1,099)		
Interest cost	(41,803)	(39,764)	(1,275)	(1,288)
Contributions from scheme participants	(7,262)	(6,724)		
Remeasurement gain / (loss)				
- demographic assumptions				
- financial assumptions	(95,336)	28,917	(421)	164
- other experience changes			(1,019)	(115)
Benefits paid	43,526	42,008	3,699	3,708
Balance as at 31st March	(1,749,265)	(1,605,788)	(49,906)	(50,890)

Balance as at 1st April	(1,656,678)	(1,641,897)	(1,824,313)	(1,803,250)
Current service cost	(41,537)	(40,588)	(48,852)	(47,755)
Past service cost	(1,065)	(1,099)	(1,283)	(1,161)
(Losses) on curtailments				
Interest cost	(43,078)	(41,052)	(47,675)	(45,309)
Contributions from scheme participants	(7,262)	(6,724)	(8,559)	(7,967)
Remeasurement gain / (loss)				
- demographic assumptions				
- financial assumptions	(95,757)	29,081	(110,804)	32,369
- other experience changes	(1,019)	(115)	(1,019)	(115)
Benefits paid	47,225	45,716	50,288	48,875
Balance as at 31st March	(1,799,171)	(1,656,678)	(1,992,217)	(1,824,313)

Analysis of Scheme Assets: Single Entity

NOTES TO THE STATEMENTS

2018/19 - Quoted Prices:	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	16,980		16,980	2
Private equity		74,036	74,036	7
Debt securities	109,903		109,903	10
Real estate: UK property		82,695	82,695	7
Investment funds and unit transfers			0	
- equities	646,709		646,709	58
- bonds	158,624		158,624	14
- infrastructure		35,761	35,761	3
Sub-total	805,333	35,761	841,094	75
Total assets	932,216	192,492	1,124,708	100

2017/18	Quoted - active markets	Not quoted - no active markets	Total	Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	22,223		22,223	2
Private equity		48,056	48,056	4
Debt securities	71,580		71,580	7
Real Estate: UK Property		72,481	72,481	7
Investment funds and unit transfers			0	
- equities	694,057		694,057	64
- bonds	143,908		143,908	13
- infrastructure		27,106	27,106	3
Sub-total	837,965	27,106	865,071	80
Total assets	931,768	147,643	1,079,411	100

Group Accounts

2018/19 - Quoted Prices:	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	19,704		19,704	2
Private equity		85,911	85,911	7
Debt securities	127,531		127,531	10
Real estate: UK property		95,959	95,959	7
Investment funds and unit transfers			0	
- equities	750,440		750,440	58
- bonds	184,067		184,067	14
- infrastructure		41,497	41,497	3
Sub-total	934,507	41,497	976,004	75
Total assets	1,081,742	223,368	1,305,110	100

NOTES TO THE STATEMENTS

2017/18	Quoted - active markets	Not quoted - no active markets	Total	Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	25,709		25,709	2
Private equity		55,593	55,593	4
Debt securities	82,807		82,807	7
Real Estate: UK Property		83,849	83,849	7
Investment funds and unit transfers				
- equities	802,917		802,917	64
- bonds	166,479		166,479	13
- infrastructure		31,357	31,357	3
Sub-total	969,396	31,357	1,000,754	80
Total assets	1,077,912	170,799	1,248,712	100

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Liabilities are discounted to their value at current prices using a discount rate of 2.4% (2.6% in 2017/18).

The Council's Pension Scheme liabilities as at 31st March 2019 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.

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	3.1%	3.0%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	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.

NOTES TO THE STATEMENTS

on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The impact on the liability of these changes would be as follows.

	Approximate increase to liability	Approximate value
	%	£'000
0.5% decrease in real discount rate	10	173,534
0.5% increase in salary increase rate	1	18,245
0.5% increase in pension increase	8	152,855

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.

To mitigate the existing funding deficit, the Council anticipates paying contributions of £28.2 million for the period to 31st March 2020. The weighted average duration of the funded defined benefit obligation for scheme members is 17.0 years for 2018/19, (17.0 2017/18).

NOTES TO THE STATEMENTS

36. 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. The worst case estimate for this liability would be approximately £2.3m.

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 14 and 15. 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.

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.

Haringey Development Vehicle (HDV)

In deciding not to proceed with the HDV, the Council delegated authority to one of its directors to approve payments to Lendlease of the Council's share of agreed costs. This was settled during the 2018/19 financial year, so there is no further contingent liability outstanding in relation to this.

NOTES TO THE STATEMENTS

McCloud pensions legal challenge

The McCloud case relates to age discrimination in the judges public sector pension scheme. This ruling will be applicable to all other public sector schemes, such as the LGPS, teachers and NHS schemes, of which Haringey has staff members who participate in. When the public service pension schemes moved from final salary to Career Average Revalued Earnings (CARE), members approaching retirement were given protected benefits, which has been challenged due to the differential treatment based on the age of members in the scheme. The Government's appeal of this ruling, was refused in June 2019, and the government has confirmed that the remedy to this ruling when determined by the courts will apply to all public service schemes. The precise remedy has yet to be determined by the courts, but Haringey Pension Fund's actuary has calculated that the ruling could increase the Council's pension liabilities by around £6m in total. This is a source of uncertainty nationally, and the Council will follow developments closely.

Contractor Dispute with a Council subsidiary

One of the Council's subsidiaries which are incorporated into the group position within these accounts has dispute with a contractor over the value of works completed. The subsidiary is taking professional advice in relation to this matter.

37. Adjustments between group and single entity accounts

The Council uses different forms of service delivery and in some cases it has created separate companies with its partners to deliver those services. The use of separate companies and Trusts means that the Council's single entity financial statements on their own may not fully reflect the assets and liabilities or income and expenditure associated with all 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.

NOTES TO THE STATEMENTS

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 £122.339 million (£82.189 million as at 31 March 2018) in Property Plant and Equipment in respect of this asset. The basis of valuation is mainly Depreciated Replacement Cost with some elements using the Existing Use Value method.

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

Homes for Haringey Ltd (Registered Company No. 05749092)

HfH Limited is an 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:

	£000	£000
Turnover	(58,581)	(56,487)
Deficit for the year	3,548	2,860
Accumulated deficit/ (Surplus)	12,999	(1,388)

The accumulated deficit was a result of losses on Pension Scheme of £10.839 million (£4.422 million surplus in 2017/18).

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

NOTES TO THE STATEMENTS

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:

	2018/19	2017/18
	£000	£000
Turnover	(20,071)	(18,169)
(Surplus) / Deficit for the year	(272)	(1,334)
Reserves:		
Usable Reserves	(25,668)	(19,109)
Unusable reserves	(97,772)	(88,410)
	(123,440)	(107,519)

APPCT Property, Plant and equipment consolidated in Group Accounts:

	Palace & Park	Asset Under Construct	Vehicles, plant and equipm't	Total
	£000	£000	£000	£000
Cost at 1 April 2018	82,189	18,455	2,146	102,790
Additions	614	6,493	746	7,853
Revaluations	16,240			16,240
Disposals	(53)		(225)	(278)
Transfers	24,625	(24,948)	281	(42)
At 31 March 2019	123,615	0	2,948	126,563

Depreciation

At 1 April 2018			995	995
Charge for the year	1,276		274	1,550
Disposals			(191)	(191)
At 31 March 2019	1,276	0	1,078	2,354

NBV as 31 March 2019	122,339	0	1,870	124,209
NBV as 31 March 2018	82,189	18,455	1,006	101,650

During the year the assets under construction (The East Wing Restoration and West Yard Storage) were completed and the amount of £24.9m has been transferred into assets in use.

In 2015-16, this project was funded by the lottery fund (£18.9m), the Council (£6.8m) and from fund raising (£1m). This funding was

NOTES TO THE STATEMENTS

recognised in accordance with the Statement of Recommended Practice for Charities (SORP 2015) 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, London N22 7AY. The accounts are audited by Haysmacintyre LLP.

HOUSING REVENUE ACCOUNT

2017/18	HRA Income & Expenditure Statement	2018/19	
£'000		£'000	£'000
	Expenditure		
21,159	Repairs and maintenance	21,105	
38,077	Supervision and management	41,703	
1,754	Rents, rates, taxes and other charges	1,767	
15,468	Depreciation and impairment of non-current assets	17,211	
64,756	Revaluation losses / (gains)	14,784	
19	Debt Management Costs	18	
2,148	Movement in the allowance for bad debts	2,137	
143,381	Total Expenditure		98,725
	Income		
(84,039)	Dwelling rents	(82,712)	
(752)	Non-dwelling rents	(761)	
(23,634)	Charges for services and facilities	(26,410)	
(1,083)	Contributions towards expenditure	(851)	
(109,508)	Total Income		(110,734)
33,873	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(12,009)
765	HRA service share of Corporate and Democratic Core		572
34,638	Net expenditure or (income) for HRA Services		(11,437)
	HRA share of operating income and expenditure included in the Comprehensive I&E Statement		
(14,634)	Gain on sale of HRA non-current assets	(10,008)	
10,545	Interest payable and similar charges	10,577	
(1,357)	Interest and net investment income	(1,067)	
93	Net interest on the net defined benefit liability	95	
(6,007)	Capital grants and contributions receivable	(676)	
			(1,079)
23,278	(Surplus) or deficit for the year on HRA services		(12,516)

HOUSING REVENUE ACCOUNT

2017/18	Movement on the HRA Statement	2018/19
£'000		£'000
(29,541)	Balance on the HRA at the end of the previous year	(30,553)
23,278	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(12,516)
	Adjustments between accounting basis and funding basis under the legislative framework	
(28)	- 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	
(61,662)	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(15,525)
14,424	- Gain on sale of HRA non-current assets	10,008
(93)	- HRA share of contributions to or from the Pensions Reserve	(95)
22,397	- Capital expenditure funded by the HRA	17,231
15,468	- Transfer to/(from) Major Repairs Reserve	17,211
(15,468)	- Transfer to/(from) Capital Adjustment Account	(17,211)
(1,684)	Net increase before transfers to or from reserves	(897)
	Transfers to or (from) reserves	
672	- Homes for Haringey Reserve	124
(1,012)	Increase in year on the HRA	(773)
(30,553)	Balance on the HRA at the end of the year	(31,326)

HOUSING REVENUE ACCOUNT

1. Vacant possession

As at 1st April 2018, the vacant possession value of dwellings within the HRA was £5,282 million (£5,479 million as at 1st April 2017). 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

	2019	2018
Hostels	127	127
Houses and bungalows	5,024	5,037
Flats and maisonettes	9,928	10,167
Shared ownership	7	4
Affordable rent housing	18	15
Total	15,104	15,350

3. Value of assets held on the balance sheet

	31 March 2019	31 March 2018
Value of assets	£'000	£'000
Dwellings	1,323,934	1,309,374
Other land and buildings	12,618	10,471
Investment properties	5,147	5,170
Total	1,341,699	1,325,015

4. Capital expenditure

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

	2018/19 £'000	2017/18 £'000
Expenditure on dwellings	45,848	39,022
<i>Funded by</i>		
Borrowing	1,171	
Usable capital receipts	2,392	595
Revenue contributions	17,231	22,397
Grants and contributions	7,805	30
Major Repairs Reserve	17,249	16,000
	45,848	39,022

5. Capital receipts

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

	2018/19 £'000	2017/18 £'000
Dwellings	(14,485)	(14,000)
Land and other property	(1,287)	(862)
	(15,772)	(14,862)

6. Depreciation

HOUSING REVENUE ACCOUNT

	2018/19	2017/18
	£'000	£'000
Operational assets		
Dwellings	17,045	15,301
Other land and buildings	166	161
	17,211	15,462

7. Major repairs reserve

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

	2018/19	2017/18
	£'000	£'000
Balance at 1st April	(229)	(735)
Amount transferred to Major Repairs Reserve during financial year	(17,211)	(15,494)
Capital expenditure on dwellings during financial year	17,249	16,000
Balance at 31st March	(191)	(229)

8. Rent Arrears

The rent arrears as at 31st March 2019 are set out below.

	2018/19	2017/18
	£'000	£'000
Type of tenancy		
Permanent (including licences)	11,610	10,979
Temporary	816	766
Total arrears	12,426	11,745
Less Provision for bad and doubtful debts	(9,703)	(9,077)
Net Arrears	2,723	2,668

The average rent for permanent tenants was £103.06 per week in 2018/19, a decrease of £0.86 (-0.8%) over the 2017/18 average rent of £103.92 per week.

The total provision included in the Balance Sheet in respect of all HRA uncollectable debts is £11.12 million (£10.88 million as at 31st March 2018).

COLLECTION FUND

2017/18					Note	2018/19			
£000 Council Tax	£000 NDR	£000 BRS	£000 Total			£000 Council Tax	£000 NDR	£000 BRS	£000 Total
(121,033)	(65,842)		(186,875)	Amounts required by statute to be credited to the Collection Fund		(126,701)	(70,256)		(196,957)
				Council Tax & Business Rate Income (net of benefits, discounts and transitional relief)					
				Income collectable in respect of Business Rate					
		(1,521)	(1,521)	Supplements				(1,554)	(1,554)
				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					
93,773	21,633		115,406	- London Borough of Haringey		98,800	46,576		145,376
21,104	26,681		47,785	- Greater London Authority		22,683	26,199		48,882
	23,797		23,797	- Central Government					
	(6,541)		(6,541)	Non-domestic rates transitional protection payments			(4,221)		(4,221)
				Business Rates Supplement - Payment to levying authorities revenue account				1,467	1,467
		1,434	1,434	Business Rates Supplement - Administration costs				6	6
		8	8	Charge to General Fund for allowable collection costs			308		308
	309		309	Impairment of debts and appeals		(2,107)	(1,226)	81	(3,252)
1,299	1,917	80	3,296	Contribution towards previous year's estimated surplus - Council Tax					
8,077	1,501		9,578			4,957	(1,374)		3,583
3,219	3,456	0	6,675	Movement on fund balance		(2,367)	(3,994)	0	(6,362)
(9,035)	(1,222)	0	(10,257)	Accumulated balance brought forward at 1st April	1	(5,816)	2,234	0	(3,582)
(5,816)	2,234	0	(3,582)	Accumulated balance at 31st March	1	(8,183)	(1,761)	0	(9,943)

COLLECTION FUND

1. Income from Business Rates

Under the Business Rates Retention Scheme the business rates collected by the Council are distributed so that the London Pool receives 64% and the GLA receives 36% (2017/18- Council 30%; GLA 37%; central government 33%).

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

- (i) The small business multiplier was 48.0 pence (46.6 pence in 2017/18); and
- (ii) The standard multiplier was 49.3 pence (47.9 pence in 2017/18).

The total business rateable value for the Council at 31 March 2019 was £195.161 million (£194.699 million in 2017/18) of which £54.369 million (£49.922 million in 2017/18) 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.

2. Council Tax

In 2018/19, the tax base for Haringey was 77,093 properties (75,365 in 2017/18) which was used to calculate the Band D Council Tax of £1,575.80 (£1,524.27 in 2017/18), 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	2018/19	2017/18		2018/19	2017/18
	£	£					
A	up to	40,000	4,336	4,247	0.67	2,891	2,831
B	40,001	52,000	11,721	11,521	0.78	9,117	8,961
C	52,001	68,000	24,404	24,073	0.89	21,692	21,398
D	68,001	88,000	19,991	19,734	1.00	19,992	19,734
E	88,001	120,000	8,875	8,644	1.22	10,848	10,565
F	120,001	160,000	4,745	4,712	1.44	6,854	6,807
G	160,001	320,000	4,405	4,362	1.67	7,341	7,271
H	320,001	and above	681	674	2.00	1,362	1,349
			<u>79,158</u>	<u>77,967</u>		<u>80,097</u>	<u>78,916</u>
Collection rate after allowance for non-collection						96.3%	95.5%
Council Tax base used to calculate Band D						<u>77,093</u>	<u>75,365</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

2018/19	Pension Fund Account	Note	2017/18
£000			£000
	Dealings with members, employers and others directly involved in the fund		
44,194	Contributions	7	44,455
3,738	Transfers in from other pension funds	8	5,436
47,932			49,891
(49,774)	Benefits	9	(49,145)
(44,409)	Payments to and on account of leavers	10	(6,421)
(94,183)			(55,566)
(46,250)	Net withdrawals from dealings with members		(5,675)
(7,448)	Management expenses	11	(7,124)
(53,698)	Net withdrawals including fund management expenses		(12,799)
	Returns on Investments:		
7,236	Investment Income	12	5,853
(11)	Taxes on income	13	(5)
73,337	Profit and losses on disposal of investments and changes in market value of investments	14a	55,370
80,562	Net return on investments		61,218
26,864	Net increase in the net assets available for benefits during the year		48,419
1,355,903	Opening net assets of the scheme		1,307,484
1,382,767	Closing net assets of the scheme		1,355,903

31/03/19	Net Asset Statement	Note	31/03/18
£000			£000
	Long Term Investments		
150	London CIV	1	150
150			150
	Current Investments		
1,365,784	Investment assets	14	1,283,610
18,384	Cash deposits	14	73,879
1,384,168			1,357,489
822	Current assets	21	944
(2,373)	Current liabilities	22	(2,680)
1,382,767	Net assets of the fund available to fund benefits at the period end		1,355,903

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 2019

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 2018/19

Fund as at 31st March 2019.

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 made no significant changes to its Investment Strategy in 2018/19.

Fund administration and membership

At 31st March 2019, there were 6,445 (2018: 6,716) active fund memberships with employees contributing to the Fund and 7,794 (2018: 7,742) pensioner and dependent memberships with individuals receiving benefits. There were also 8,733 (2018: 8,719) deferred pensioner memberships. Some individuals have multiple memberships due to having had multiple contracts of employment with fund employers.

Employees in the following organisations, in addition to Council staff

PENSION FUND

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 (three school contracts)
- Absolutely Catering
- Cooperscroft Care Home
- ISS Catering
- K M Cleaning
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Amey Community Limited
- Pabulum (nine school contracts)
- Hillcrest Cleaning (two school contracts)
- Ategi Ltd
- Hertfordshire Catering Ltd
- Haringey Education Partnership

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- Homes for Haringey
- 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
- The Grove School

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.

The College of Haringey, Enfield & North East London was previously a scheduled body participating in the fund, however, it merged with another larger college and transferred from Haringey Fund in November 2018.

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

PENSION FUND

participate in the Fund and details of these are set out above. The Fund's income is derived contributions from employees, contributions from employing organisations and income from investments.

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board. Details of the individuals who served on the Pensions Committee and Board during 2018/19 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 2018/19). 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 2018/19 year was:

Cllr Matt White	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Khaled Moyeed	-	Member
Cllr Kaushika Amin	-	Member
Cllr Viv Ross	-	Member
Cllr Paul Dennison	-	Member
Randy Plowright	-	Employee representative
Ishmael Owarish	-	Employee representative
Keith Brown	-	Employer representative

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2018/19 financial year and its position at year-end as at 31st March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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

PENSION FUND

basis.

Benefits

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

Taxation

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

Management expenses

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

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

Financial assets and liabilities

Financial assets and liabilities are included in the net assets statement and carried at fair value or amortised cost on the reporting date. A financial asset or liability is recognised in the net assets statement on the date the fund became party to the

contractual acquisition of the asset or party to the liability. From this date any gains or losses from changes in the fair value of the asset or liability are recognised by the Fund. 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

PENSION FUND

change in value. These are used in the day-to-day cash management of the Fund.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and a roll forward approximation is applied in the intervening years. This is done in accordance with the requirements of IAS 19 and relevant actuarial standards.

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

Additional Voluntary Contributions ("AVCs")

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

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

4. Critical judgements in applying accounting policies

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

Private Equity valuations – the value of the Fund's private equity

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

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

PENSION FUND

5. Assumptions made about the future and other major sources of estimation uncertainty (as shown in the CIPFA example accounts).

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, Pension increase 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% decrease in the discount rate would result in a increase in the pension liability of £208m (10%) - 0.5% increase in assumed salary earnings would increase the value of the liabilities by approximately £24m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £173m (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 £90m. There is a risk that this may be over or understated. Further detail is shown in Note 16 regarding the sensitivity of this valuation.

6. Events after the reporting date

The McCloud case relates to age discrimination in the judges public sector pension scheme, this ruling will be applicable to all other public sector schemes, including the LGPS and Haringey Pension Fund. When the public service pension schemes moved from final salary benefit structures to career average revalued earnings (CARE), members approaching retirement were given protected benefits, which has been challenged due to the differential treatment based on the age of members in the scheme. The Government intends to appeal this ruling in relation to the judges scheme, however, should it stand, this has the potential to increase the liabilities in any of the public service pension schemes, potentially increasing the costs for employers, and worsening the funding positions of employers who participate in the fund. The precise size and scale of such liabilities are as yet unknown, and this is a source of uncertainty nationally, as such, no provision is made for such potential liabilities within the actuarial disclosures within these accounts.

The precise timing of any legal judgment to clarify this situation is unknown, any remedy would be extremely complex and could take years to rectify. The Fund's Officers will follow developments closely.

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7. Contributions receivable

2018/19		2017/18
£000	By category	£000
9,619	Employee contributions	9,386
	Employer contributions	
24,392	- Normal contributions	23,625
9,488	- Deficit recovery contributions	10,267
695	- Augmentation contributions	1,177
34,575	Total employers' contributions	35,069
44,194	Total	44,455

2018/19		2017/18
£000	By authority	£000
33,789	- Administering authority	33,069
9,549	- Scheduled bodies	10,530
856	- Admitted bodies	856
44,194	Total	44,455

8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2018/19 of £3.738 million (£5.436 million in 2017/18) and these all related to individuals.

9. Benefits payable

2018/19		2017/18
£000	By category	£000
40,446	- Pensions	39,088
7,916	- Commutation and lump sum retirement benefits	8,309
1,412	- Lump sum death benefits	1,748
49,774	Total	49,145

2018/19		2017/18
£000	By authority	£000
45,473	- Administering authority	44,536
3,069	- Scheduled bodies	3,488
1,232	- Admitted bodies	1,121
49,774	Total	49,145

10. Payments to and on account of leavers

2018/19		2017/18
£000		£000
92	Refunds to members leaving service	87
40,436	Bulk Transfers	0
3,881	Individual transfers	6,334
44,409	Total	6,421

For further details regarding the bulk transfer above refer to Note 1.

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11. Management expenses

2018/19		2017/18
£000		£000
1,306	Administrative costs	1,335
5,814	Investment management expenses	5,457
328	Oversight and governance costs	332
7,448	Total	7,124

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 £16k for external audit fees in 2018/19 (£21k in 2017/18).

2018/19		2017/18
£000		£000
5,590	Management Fees	4,605
0	Performance Related Fees	0
71	Custody fees	57
154	Transaction Fees	795
5,815	Total	5,457

12. Investment income

2018/19		2017/18
£000		£000
7,200	Pooled investments - unit trusts and other managed funds	5,836
36	Interest on cash deposits	17
7,236	Total	5,853

12a. Property income

Property income from the Fund's pooled property funds is included in the above figures and totals £3.369 million in 2018/19 (£3.515

million in 2017/18). 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.

2018/19	Value at 1st April 2018	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2019
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,283,646	153,682	(149,748)	73,162	1,360,742
Cash deposits	73,879	49,025	(104,755)	235	18,384
Other investment assets/liabilities	(36)	5,140	(1)	(60)	5,043
Total	1,357,489	207,847	(254,504)	73,337	1,384,168

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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	(225,854)	55,483	1,283,646
Cash deposits	33,907	118,798	(78,695)	(131)	73,879
Other investment assets	37	0	(91)	18	(36)
Total	1,309,093	297,666	(304,640)	55,370	1,357,489

14b. Analysis of investments

31/03/2019	By category	31/03/2018
£000		£000
Pooled Investment Vehicles		
96,717	Unit Trusts - Property - UK - quoted	90,383
195,856	Unitised Insurance Policies - UK - quoted	276,260
655,352	Unitised Insurance Policies - Overseas - quoted	621,877
0	Other managed funds - Property - Overseas - quoted	0
43,611	Other managed funds - Other - UK - quoted	37,687
283,846	Other managed funds - Other - Overseas - quoted	190,629
90,403	Private Equity - unquoted	66,774
1,365,784		1,283,610
Cash Deposits		
14,367	Sterling	65,705
4,017	Foreign Currency	8,174
18,384		73,879
1,384,168	Total Investments	1,357,489

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14c. Analysis by Fund Managers

31/03/2019	By fund manager	31/03/2018
£000		£000
5	Capital International	5
854,075	Legal and General	951,471
99,657	CBRE Global Investors	94,846
44,216	Allianz Global Investors	38,078
126,935	CQS	92,564
67,718	Pantheon	60,006
22,488	BlackRock	14,862
158,286	Ruffer	98,065
3,538	CIP	0
7,250	In house cash deposits	7,592
1,384,168	Total	1,357,489

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

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

31/03/2019		Name of holding	31/03/2018	
£000	%		£000	%
99,382	7.2%	Legal & General World Emerging Equity Index	104,762	7.7%
0	0.0%	Legal & General UK Equities Index	91,012	6.7%
195,855	14.1%	Legal & General Index Linked Gilts	185,249	13.6%
281,914	20.4%	Legal & General Low Carbon Index	302,573	22.3%
152,887	11.0%	London CIV Ruffer Subfund	98,065	7.2%
126,267	9.1%	CQS Multi Asset Credit Fund	92,564	6.8%
274,055	19.8%	Multi Factor Global	0	0.0%

15. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2019.

16. Fair Value Hierarchy

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

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled equity and index linked gilts (unitised insurance policies)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset credit fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
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

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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.

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

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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 2019.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2019	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	96,717	98,652	94,783
Private Equity	5%	90,403	94,923	85,882
		187,120	193,574	180,666

16a. Fair Value Hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

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

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Values as at 31/03/19	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss	5,042	1,173,623	187,120	1,365,784
Total	5,042	1,173,623	187,120	1,365,784

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

16b. Transfers between Levels 1 and 2

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

16c. Reconciliation of fair value measurements within level 3

2018/19	Value at 1st April 2018	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2019
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	90,422	14,922	(6,702)	(3,864)	1,939	96,717
Private Equity	66,772	26,640	(12,663)	88	9,565	90,403
Total	157,194	41,562	(19,365)	(3,776)	11,504	187,120

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.

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31/03/2019		31/03/2018
Carrying Value	Name of holding	Carrying Value restated
£000		£000
	Long Term Investments	
150	- London CIV	150
150		150
	Financial assets or liabilities at fair value through profit or loss	
1,360,743	- Pooled investment vehicles	1,283,646
5,042	- Other investment balances	(36)
1,365,785		1,283,610
	Financial assets at amortised cost	
18,383	- Cash deposits	73,879
822	- Debtors	944
19,205		74,823
	Financial liabilities at amortised cost	
(2,373)	- Creditors	(2,636)
0	- Cash overdrawn	(44)
(2,373)		(2,680)
1,382,767	Net Assets	1,355,903

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

17b. Net gains and losses on financial instruments

2018/19		2017/18
£000		£000
	Financial Assets	
73,162	Fair value through profit or loss	55,483
174	Financial assets and liabilities at amortised cost	(113)
73,336		55,370

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

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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 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	0	12.6	0	0
Overseas equities	655,353	15.1	754,101	556,604
UK bonds	195,855	11.1	217,682	174,028
Cash	18,384	0.0	18,384	18,384
Property	96,717	4.2	100,766	92,669
Alternatives	417,859	8.7	454,368	381,350
Total Assets	1,384,168		1,545,301	1,223,035

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	1,357,489		1,534,981	1,179,997

A number of controls have been put in place to minimise this risk. A key method to reduce risk is to diversify the Pension Fund's investments. This is achieved through the setting of a benchmark, which incorporates a wide range of asset classes and geographical areas. Nine investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. Funds had been invested with eight of these fund managers as at 31st March 2019.

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 62% of the Fund value on 31st March 2019, equivalent to £853 million (2017/18: £761 million). These arise from passive pooled equities, private equity, property and cash. From 2017/18 going forwards, foreign currency exposures are hedged in

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the equity asset class only, via the purchase of units in hedged versions of index tracking funds.

The main non-sterling currency exposures at 31st March 2019 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 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	655,353	10.0	720,888	589,818
Multi-sector credit	126,935	10.0	139,629	114,242
Private equity	90,401	10.0	99,441	81,361
Cash	4,017	10.0	4,419	3,615
Total Assets	876,706	10.0	964,377	789,035

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	684,731

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 2018/19	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	36	178	(107)
Total	36	178	(107)

	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)

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 2019 and 31st March 2018. The majority of bonds (2019: £196 million, 2018 £185m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

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	Market value 31/03/2019	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	322,790	61	3	2	34
Total / Weighted Average	322,790	61	3	2	34

	Market value 31/03/2018	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	277,813	67	2	2	29
Total / Weighted Average	277,813	67	2	2	29

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

31/03/2019			31/03/2018	
Exposure	Credit rating		Exposure	Credit rating
£000			£000	
11,133	AA-	Northern Trust	66,287	AA-
5	A	Barclays Bank Plc	3,147	A
7,245	AAAm	Money Market Funds	4,445	AAAm
18,384			73,879	

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 2019 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

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March 2019, (this valuation will be finalised prior to 31st March 2020).

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	68
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	92

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

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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.

31/03/19		31/03/18
£m		£m
(2,088)	Present Value of promised retirement benefits	(1,906)
1,383	Fair Value of scheme assets	1,356
(705)	Net Liability	(550)

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

21. Current assets

31/03/19		31/03/18
£000		£000
	Debtors	
95	- Contributions due - employees	77
639	- Contributions due - employers	783
88	- Sundry debtors	84
822	Total	944

The below is an analysis of debtors.

31/03/19		31/03/18
£000		£000
33	Central government bodies	26
40	Public corporations and trading funds	47
749	Other entities and individuals	871
822	Total	944

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22. Current liabilities

31/03/19		31/03/18
£000		£000
(1,922)	Sundry creditors	(1,751)
(451)	Benefits payable	(885)
0	Bank overdraft	(44)
(2,373)	Total	(2,680)

The below is an analysis of creditors.

31/03/19		31/03/18
£000		£000
(210)	Other local authorities	(353)
(555)	Public corporations and trading funds	(477)
(1,608)	Other entities and individuals	(1,850)
(2,373)	Total	(2,680)

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:

31/03/2019	Equitable Life Assurance Society	31/03/2018
£000		£000
231	Value as at 6 April	247
0	Contributions received	0
(36)	Retirement benefits and changes	(22)
9	Changes in market value	6
204	Value as at 5 April	231
83	Equitable with profits	110
0	Equitable with deposit account fund	0
121	Equitable unit linked	121
204	Total	231
1	Number of active members	1
28	Number of members with preserved benefits	30

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31/03/2019	Prudential Assurance	31/03/2018
£000		£000
856	Value as at 1 April	721
168	Contributions received	143
(32)	Retirement benefits and changes	(26)
28	Changes in market value	17
1,020	Value as at 31 March	855
564	Prudential with profits cash accumulation	514
210	Prudential deposit fund	154
246	Prudential unit linked	187
1,020	Total	855
77	Number of active members	73
19	Number of members with preserved benefits	21

31/03/2019	Clerical and Medical	31/03/2018
£000		£000
28	Value as at 1 April	49
2	Contributions received	2
1	Changes in market value	(23)
31	Value as at 31 March	28
6	Clerical Medical with profits	6
25	Clerical Medical unit linked	22
31	Total	28
2	Number of active members	2
2	Number of members with preserved benefits	2

24. Agency Services

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

25. Related party transactions

Haringey Council

In 2018/19 the Pension Fund paid £0.651m to the Council for administration and legal services (£0.616 million in 2017/18). As at 31st March 2019 an amount of £0.161m was due from the Council to the Fund (£0.216 million in 2017/18).

Governance

During 2018/19 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 an agency staff members for the first half of 2018/19 who did not have the right to join Haringey Pension Fund, for the second half of the year the Section 151 Officer was a permanent member of staff who was a member of the fund.

26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £182.4m (£81.4m with Pantheon – Private Equity, £6.0m with Allianz – Infrastructure debt, £13.1m with Blackrock, and £31.9m with Copenhagen Infrastructure Partners and £50.0m with Aviva Property at 31st March 2019 (2018: £149.9m). The commitments

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

There McCloud pensions ruling will potentially create additional liabilities for the fund, the size of which cannot yet be measured, and the probability of these materialising is uncertain. The Government Actuary's Department has estimated the potential additional liabilities in relation to this to amount to up to 1% of existing liabilities, which would imply additional liabilities for the fund of £21m. Should these liabilities materialise, employer contribution rates will be adjusted accordingly in future valuations of the fund. Further details of this matter are detailed in note 6 of these accounts.

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

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 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 31/03/2019	Year ended 31/03/2018
Active members	877	736
Deferred pensioners	568	523
Pensioners	643	647
Total	2,088	1,906

The promised retirement benefits at 31 March 2019 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 2019 and 31 March 2018. 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 2019 % p.a.	31 Mar 2018 % p.a.
Inflation/Pensions Increase Rate	2.5	2.4
Salary Increase Rate	3.1	3.0
Discount Rate	2.4	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 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	10	208
0.5% increase in salary increase rate	1	24
0.5% increase in pensions increase rate	8	173

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 2019 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

7 May 2019

For and on behalf of Hymans Robertson LLP

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement is presented as a separate agenda item at this meeting, the final version will be inserted into the statement of accounts once approved