

SECTION 2

**ANNUAL GOVERNANCE STATEMENT AND
ACCOUNTING POLICIES**

2008/09

Annual Governance Statement and Accounting Policies

Annual Governance Statement 2008/09

1. Scope of responsibility

- 1.1 Haringey Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Haringey also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this, Haringey is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Authority has a framework of corporate governance in place which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. In 2008/09, the Council formally approved a local code of corporate governance which has been published on the Council's website.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can provide a reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Haringey's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Haringey for the year ended 31st March 2009 and up to the date of the approval of the annual report and accounts.

3. The governance framework

- 3.1 The key elements of the systems and processes that comprise the Authority's governance arrangements are:
 - a) **Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users**

Haringey has well established and documented aims and objectives in order to improve the quality of life for people living and working within the borough and ensure that high quality services are delivered efficiently and effectively. The Council, together with its partners, has developed the Sustainable Community Strategy 2007-2016 which sets out a joint vision and objectives. The Sustainable Community Strategy was developed after extensive consultation with residents and stakeholders through the 'Have your say Haringey – shape the future' campaign. The Community Strategy is published and is also available on the Council's website and a summary of the strategy has been translated into ten languages.

The Council Plan is linked to the Community Strategy and sets out the priorities of the Council and how these will be achieved in practice over the period 2007-10. The Council's objectives are informed by what residents and service users say and their views are captured in our annual residents' survey.

b) Reviewing the Authority's vision and its implications for the Authority's governance arrangements

The implementation of the Community Strategy is monitored through the delivery of the Local Area Agreement, which contains all the required national and local targets. In support of the Community Strategy, all the Council's business and financial planning documents reflect its vision and objectives. Delivery of these is through an integrated annual business and financial process, which are subject to full consultation and review by the Council's Overview and Scrutiny Committee, formal adoption by the Cabinet and approval by the Council.

Progress against the business plans is reviewed mid-year as part of the Council's formal pre-business plan review process. The Council's Medium Term Financial Strategy 2009-2012 sets out the three year budget for the Council. It supports the Council Plan and allocates resources over all the Council's activities, including to the Council's priorities, and is monitored on a regular basis to ensure that resources are aligned to council objectives.

c) Measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources

The Council is committed to delivering value for money. This is achieved through a variety of mechanisms including a well established business planning process and a robust performance management system. Haringey has comprehensive performance management systems, which include Business Plans, Service Improvement Plans and National and Local Performance Indicators. Performance measurement is undertaken at various levels and is subject to review both internally by managers and members and externally by the Council's external auditors. In addition, during 2008/09 an independent review of data quality arrangements was undertaken by external consultants.

The Cabinet receive regular reports highlighting key financial and performance management information, which include a corporate 'balanced scorecard' and allows them to effectively monitor compliance with all key policies and Council objectives. Cabinet agendas, reports and minutes are available on the Council's website. An independent survey of a representative sample of residents and service users is completed on an annual basis and reported to senior officers and members to ensure appropriate action can be taken in specific areas.

During 2008/09, the Council implemented a Quality Outcomes Board in order to look more widely at improving services and outcomes for stakeholders across the board. The Quality Outcomes Board will provide expert external advice, support and challenge over the next year and feedback is provided to senior managers and Members. The Quality Outcomes Board will look at key areas including child protection, housing and effective partnership working through the Haringey Strategic Partnership.

Following the inspection into safeguarding arrangements by OFSTED in November 2008, that highlighted a number of issues in relation to governance and controls, an agreed action plan was put in place. Regular reports against the identified actions are being made to the Secretary of State and other government officials.

d) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Council's Constitution sets out the policy and decision making framework of the Authority and is held in hard copy and on the council's intranet and external website. The roles and responsibilities of the whole Council, the Cabinet, other committees, all councillors including

Cabinet Members, and officers is clearly documented, and it also contains protocols governing the relationships between members and officers and job descriptions of the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Section 151 Officer). The roles and functions of all councillors in relation to governance issues are clearly documented, including their responsibilities for ward duties and the governance of the Council.

The Constitution is reviewed on an ongoing basis and updated to reflect functional and organisational changes to the Council. The Council's scheme of delegation is contained within the Constitution and is reviewed and communicated on a regular basis to all appropriate officers and members.

e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

Haringey has well established codes of conduct for officers and members, that are regularly reviewed and subject to approval by members. The Council requires all members to formally acknowledge receipt of their code of conduct on an annual basis. Members are provided with regular briefings on the code of conduct as part of the established induction and training programme. The council's Member Learning and Development Strategy also incorporates specific sections relating to corporate governance issues.

The Council's officer code of conduct has been reviewed and updated on a regular basis. Following the last comprehensive review in July 2006, all staff employed by the Council were required to formally acknowledge receipt of the code of conduct. All new members of staff receive training, including the code of conduct, as part of their induction processes. Regular articles are included in corporate and staff newsletters outlining expected standards of behaviour in specific areas.

f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, that clearly define how decisions are taken and the processes and controls required to manage risks

The Constitution Working Group is an established group which meets on a regular basis to monitor, review and update the Council's Constitution and associated governance arrangements, based on a rolling work programme and taking into account any new legislative and statutory requirements. The Council's Statutory Officers meet on a quarterly basis and review key areas of governance.

Haringey has a Risk Management Strategy which is reviewed and updated on an annual basis and, through a variety of processes and procedures, ensures that risk management is embedded across the organisation and its activities, including being an integral part of the business planning process. The Council has a corporate risk register and all departments and business units have risk registers in place. The corporate risk register is reviewed on a regular basis by the Chief Executive's Management Board and the Audit Committee and updated as a result of feedback received. Regular reports are provided to both the Chief Executive's Management Board and the Audit Committee detailing progress in embedding risk management throughout the Council.

g) Undertaking the core functions of an audit committee, as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'

Using CIPFA and the Institute of Public Finance guidance, the Council's Audit Committee has been assessed as meeting all good practice requirements. The Audit Committee has received reports on the outcome of the assessments and monitors compliance with best practice as part of its terms of reference.

h) Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful

The Council's Constitution contains the Financial and Contract Procedure Rules, which specify the governance framework for all its operational functions. Officer Employment Rules and a Monitoring Officer Protocol are also contained within the Constitution. The Constitution also includes the roles of key compliance officers, including the Council's Monitoring Officer and Section 151 Officer, as well as specific functional responsibilities for the Cabinet, committees, other bodies and officers.

Regular internal and external audit reviews check compliance with Financial and Contract Procedure Rules across the Council. During 2008/09, all the Council's key financial systems received a 'substantial' assurance rating from internal audit.

Financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. Key elements of the financial management system include integrated budgeting and medium term financial planning systems, regular budget monitoring reports to the Cabinet, systematic review of all key financial control processes, monitoring of key financial and other targets, and formal project management processes.

i) Whistle-blowing and for receiving and investigating complaints from the public

Haringey has a well-established and publicised anti-fraud and corruption policy and strategy, including a fraud response plan and whistle-blowing policy which complies with relevant legislation and is monitored and managed by Internal Audit. The Council also has a free-phone telephone number and email reporting facilities which are contained on the external website to receive reports of suspected frauds, that can be done anonymously. These are monitored and managed by Internal Audit and all referrals are subject to review and investigation where sufficient details are provided. Fraud and corruption policies and procedures are contained within the Employee Handbook, the Council's intranet and external website and regular staff newsletter items are published which explain how and where to report suspected fraud.

The Council also has a corporate complaints policy and agreed procedures that are subject to regular review and updates. The Council's policy and procedures are compliant with all relevant statutory requirements and are publicised on the Council's external website and at various public sites across the borough. Reports are provided to members on a regular basis, summarising the numbers and types of complaints, together with the outcome and resolution of these.

j) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

Haringey Council has implemented a Member Learning and Development Strategy. The Council was the first in London to achieve a Member Development Charter which recognises the work carried out by the Council to provide members with the support, skills and training needed to develop and manage council services and budgets effectively.

The Working at the Political Interface Programme which was launched in late 2008 delivers a programme of learning and development and service improvement activity that will improve council officers' understanding of the role, and complexity of the modern member, including the implications of the Local Government and Public Involvement in Health Act 2007 and related legislation. The programme also focuses on the difference between executive and non executive councillors and the legal framework that Councillors operate within, together with effective communication and appreciating diversity. This programme feeds into the member learning and development programme which is overseen by a cross party member working group chaired by the Cabinet Member for Community Cohesion and Involvement.

The Council also delivers a Leadership Programme for all managers, which includes a variety of training courses, workshops and work-related projects. All staff within the Council receive an annual performance review and appraisal, which is linked to the council's competency framework, and results in individual work targets and development plan. Every year, the

Council provides a programme of learning events for managers and staff based on the council's vision and values, aims and objectives, and key service delivery requirements.

k) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

The Council publishes a resident's magazine, Haringey People, ten times per year containing information on council activities. Hard copies are delivered to all residential addresses and the magazine is also available via the Council's intranet and external website. Once a year this includes a summarised annual report and set of financial statements.

The Council also runs seven Area Assemblies, which are informal, and discussions take place on issues which are important to the residents of the area. The Assemblies are open to everyone; are held in local community buildings in all parts of the borough; and are attended by council officers and members. Details of meetings are published on the Council's website and Assembly Newsletters are produced after each meeting.

The Council joined with local public agencies, community groups and businesses to create the Haringey Strategic Partnership (HSP) in April 2002. The shared vision for the future of Haringey and the HSP priorities are set out in the Sustainable Community Strategy which is published and available on the Council's website. All agendas and minutes from HSP Board and Theme Board meetings are also publicly available and are accessible via the Council's website.

The Joint Area Review report into Haringey's Children Services identified the need to improve governance of children safeguarding arrangements. The Council has recognised the need to address key governance issues but in addition, the action plan in response to the Joint Area Review also includes actions to address and improve operational practices and corporate culture within the Children and Young People's Service. The meeting of the Children and Young People Strategic Partnership Board in December 2008 proposed to move towards a Children's Trust model to take ownership of Children and Young People's issues.

At a full Council meeting on December 2008, the Leader of the Council also announced the establishment of a Corporate Parenting Working Group and a Children's Safeguarding Policy and Practice Panel. Both forums are cross-party and will provide an advisory and oversight role. Periodic updates will be provided to the Cabinet and Cabinet member for Children & Young People, including any recommendations that should be considered to improve police practice and member development activity.

l) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.

The Council has identified its key partnerships, based on the Audit Commission's definition, and has reviewed the governance arrangements and structures within these. The Council has collated corporate governance assurances in the form of terms of reference and/or the Constitution of the partnership. Governance arrangements within the Haringey Strategic Partnership, the Council's key partnership, are clearly identified and defined. The Council's member services division provides secretariat support to the HSP to ensure that its governance arrangements are robust and in accordance with the agreed arrangements. During 2008/09, the HSP adopted a local code of corporate governance which complements the Council's own internal control and governance arrangements.

The Council has been working with Alexandra Palace and Park to provide additional support and resources were provided to Alexandra Palace during 2008/09 to ensure that improvements in governance and controls were implemented. Independent reviews of governance and control issues were completed and reported to appropriate officers and members. Agreed action plans are in place and subject to follow up to ensure that key risks are appropriately managed.

4. Review of effectiveness

- 4.1 Haringey has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Annual performance and self-assessment processes are in place for Children and Young People's Services, Adult Social Care and Housing Benefits. From 2009/10, the Audit Committee will review reports from external assessments and actions taken by management to address any recommendations made on a six-monthly basis.
- 4.2 Under the Comprehensive Performance Assessment (CPA) Haringey achieved a rating of one star (out of four), as a result of weaknesses identified in Safeguarding within the Children and Young People's Service. In the CPA Use of Resources assessment, Haringey achieved a rating of 3 (out of 4) overall. During 2008/09, the Audit Commission report on the council's Housing Allocations was finalised and a zero star rating was awarded. A project team has been working towards implementing the recommendations of the housing allocations inspection during 2008/09.
- 4.3 As part of the Council's overall improvement programme, a new electronic performance management system was implemented during 2008/09. Information on performance indicators, risk registers, business plans and governance will be held within the system and enable data quality and governance to be managed and reviewed more effectively.
- 4.4 Risk management is an area which is continuously under review and the Council's Risk Management Strategy has drawn together the various elements of risk management, including risk registers, health and safety, business continuity and emergency planning and project management into a process which is aligned to the Council's business planning cycle.
- 4.5 During 2008/09, the council implemented a new performance management system, which will be further developed to incorporate risk management and provide improved links between risk and performance issues. All managers and officers responsible for managing risk and maintaining risk registers are aware of their roles and responsibilities and this is affirmed by Directors and Assistant Chief Executives in their annual assurance statements. The new performance management system, which has been implemented in line with the Council's data quality strategy, will enable the validation of data across the council. Internal and external audit will review data quality arrangements during 2009/10 to ensure the system is robust and information is accurate.
- 4.6 Directors have submitted a statement of assurance covering 2008/09 which is informed by work carried out by internal audit, external assessment and risk management processes. The statements provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. Key governance issues which have been identified and which remain outstanding have been incorporated into the action plan.
- 4.7 The Head of Audit and Risk Management provided an Annual Audit Report and opinion for 2008/09, which concluded that in most areas across the council there are sound internal financial control systems and corporate governance arrangements in place. All of the council's key financial systems received a 'substantial' assurance rating and the follow up programme concluded that all high priority recommendations had been appropriately addressed. The internal audit plan also includes reviews of all the key non-financial systems, which are identified from risk registers, business plans and internal audit assessment.
- 4.8 The Cabinet undertakes regular monthly reviews of financial and service performance, based on a range of key performance indicators and financial and budget management information. Cabinet also review the delegated decisions and significant actions undertaken by council officers, or urgent actions taken in consultation with Cabinet members, to ensure they comply

with the scheme of delegation. Minutes of sub-bodies are also reviewed by Cabinet, including procurement decisions and actions.

- 4.9 The Council's Audit Committee has responsibility for internal and external audit, risk management and corporate governance issues included within its terms of reference. The Committee receive regular reports throughout the year detailing progress made against the internal and external audit plans, highlights of any significant control weaknesses, together with the outcome of the follow up programme of audit reviews. The Audit Committee also specified deadlines for implementation of high priority internal audit recommendations to ensure key governance and control issues were addressed in a timely manner.
- 4.10 Key governance issues, including treasury management, were also reported to the Audit Committee during 2008/09 including the recommendations made by the Council's independent review of treasury management arrangements and the generic recommendations made by the Audit Commission. Additional oversight on all external inspection reports will be provided by the Audit Committee during 2009/10, including reviewing progress on implementing recommendations. The Audit Committee provides an annual report on the work it has undertaken to full Council.
- 4.11 The Council's Standards Committee is chaired by an independent person and received reports from the Monitoring Officer on the referrals received from the Standards Board for England. An annual report on its work is presented to full Council for information.
- 4.12 The Overview and Scrutiny Committee undertakes a planned programme of work. Reports on the outcome of the reviews, together with any recommendations are presented. The Cabinet respond to the recommendations presented by the Overview and Scrutiny Committee. The Overview and Scrutiny Committee also provide challenge to the Cabinet's budget proposals.
- 4.13 The Leader of the Council and the Chief Executive have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to implement enhancements and ensure continuous improvement of the system is in place.

5. Significant governance issues

- 5.1 In 2007/08, a number of actions were reported in the AGS to deal with outstanding governance issues. Some of these have been incorporated into the body of the AGS as actions have been completed. The summary below highlights what the council has done to address those issues for which work has been ongoing during 2008/09 and where further work will be carried forward into 2009/10:
- The Housing Improvement Board has been working towards implementing the recommendations made by the Audit Commission review and this will be continued in 2009/10; and
 - Further work will be done in 2009/10 to fully embed governance arrangements in respect of the Haringey Strategic Partnerships
- 5.2 The Council proposes over the coming year to take steps to further improve governance arrangements in key areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

Issue	Action	Responsibility	Due date
External assessment - Joint Area Review (JAR)	Ensure that the recommendations in the JAR action plan are implemented in accordance with the agreed timetable.	Director of Children and Young People's Service	December 2009
Performance management –	Implementation of recommendations following	Chief Financial Officer	July 2009

Issue	Action	Responsibility	Due date
treasury management	independent review of treasury management arrangements and revised CIPFA guidance		
External assessment – Adult Services	Ensure that any recommendations arising out of the independent inspection of the Adult Services function are fully addressed.	Director of Adults Culture and Community Services	March 2010
External assessment – Housing Allocations	Ensure that all recommendations arising out of the independent inspection of the Housing Allocations Service function are fully addressed.	Director of Urban Environment	March 2010
Performance Management – data quality	Implementation of Information Governance Board project timetable and actions	ACE – PPP&C	March 2010
Performance Management – data quality	Ensure that the new performance management IT system is embedded across the council for performance, risk and projects to maximise its effectiveness	ACE – PPP&C	March 2010

<p>Councillor Claire Kober Leader of the Council</p>	<p>Dr. Ita O'Donovan Chief Executive</p>
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Statement of Accounting Policies

The accounting policies set out below apply to the Financial Statements of the Authority and the Pension Fund.

General Principle

These accounts have been prepared in accordance with the Accounting Code of Practice on Local Authority Accounting in Great Britain (ACOP) and the Best Value Accounting Code of Practice (BVACOP), as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These codes have been approved as a Statement of Recommended Practice (SORP). Details of the Pension Fund and accounting policies used can be found in section 5 of these accounts.

Accruals of Income and Expenditure

The Council's accounts are prepared on an accruals basis in that, income and expenditure is accounted for in the year in which it arises, by the creation of material debtors and creditors, including estimates where appropriate.

Treatment of Debtors

The Authority undertakes to recover all outstanding debts. However, where doubts exist over the recoverability of these debts a provision is made. Once a debt is deemed irrecoverable it is written off.

Government Grants and Other Contributions

Government grants and other contributions are accounted for on the accruals basis and in accordance with the matching principle. This means that income must be matched to its corresponding expenditure and will therefore remain on the balance sheet as a liability until the equivalent expenditure is incurred. They are shown in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution is to be received.

Grants and contributions relating to fixed assets are credited to the Government Grants Deferred Account and released to the revenue account in line with depreciation. Where a grant is not associated with a specific asset it is written-down to the income and expenditure account in the year of use.

Cost of Support Services

The cost of support functions have been allocated to services on a variety of bases, reflecting the level of work provided by these support functions.

Lease arrangements

Finance Leases – Under the Statement of Standard Accounting Practice (SSAP) 21, assets acquired under finance leases are treated as being in the ownership of the lessee. Therefore the outstanding liability of the Council is recorded on the balance sheet as a capital sum outstanding and written down every year, over the life of the lease, with the annual interest element being charged to the Council's revenue account.

Operating Leases - Rentals payable under operating leases are charged to revenue on an accruals basis and on a straight-line basis.

Private Finance Initiative

The Council has a PFI financing arrangement for its secondary schools. The ownership of these assets are with the Council and therefore they are contained within the balance sheet and valued in accordance with the fixed assets accounting policies.

In addition the total value of the liability that is due to the PFI partner is contained on the balance sheet and is written down each year as payment is made. This liability is split between a long-term liability and short term creditor, for the sum due within the next 12 months.

Valuation of Stock

Stocks have been valued at net current replacement value. This is not compliant with SSAP 9 which states stock should be valued at the lower of cost and net realisable value. The divergence from normal accounting standards is due to the minimal levels of stock held and the additional costs involved with full compliance.

Capital Receipts

These arise from the sale of long-term assets. The receipts arising from the sale of General Fund assets are 100% usable by the Authority on capital expenditure. For the sale of HRA assets the Local Government and Housing Act 1989 requires those generated from the sale of council housing to be split between a retained and usable element of 25% and a pooled element that is paid across to the government of 75%, any receipts generated from the sale of other housing land and buildings are split 50%/50%. The usable part is used to finance capital expenditure.

Deferred Capital Receipts

When the Authority disposes of long-term assets such as council dwellings and advances a mortgage to the purchaser, the mortgage is shown in the balance sheet as a long-term debt and an equal amount is shown as a deferred capital receipt. The long-term debt and deferred capital receipt are both written down as the principal is repaid by mortgagees.

Capital Expenditure

Expenditure is charged to capital where it meets the definition of capital as per the SORP and is greater than £10,000. This includes staffing costs where they are directly attributable to a capital project, e.g. architects costs, and non-enhancing expenditure where it is being directly used to maintain the value of the asset and ensuring it remains fit for purpose. Any non-enhancing capital expenditure is written down to the income and expenditure account in the year it is incurred and this is then reversed out through the STMGFB into the capital adjustment account (CAA).

Fixed Assets

Fixed assets are included in the Balance Sheet on the following basis:

- (a) specialist operational land and properties are valued based on depreciated replacement cost (DRC), and non-specialist land and properties are valued based on DRC, existing use or market value as appropriate;
- (b) council housing is valued at existing use valuation (EUV) and then has a social housing percentage applied to arrive at the valuation;
- (c) non-operational assets in the form of investment properties and surplus assets are valued on the basis of their open market value with other non-operational assets valued at net current replacement value;
- (d) infrastructure assets are included in the balance sheet at historical cost basis net of depreciation;
- (e) community assets such as parks are recorded at a nominal value; and
- (f) intangible assets are valued at cost and amortised over their lifetime, normally 5 years.

All valuations are subject to review as part of a five year rolling programme.

The Authority has a process for identifying impairments that have incurred on fixed assets, e.g. where fire damage has occurred to an asset resulting in a reduced valuation, and have applied this in accordance with Financial Reporting Standard (FRS) 11.

Deferred Charges

Deferred charges relate to expenditure on assets that do not belong to the Authority, for example improvement grants, but the expenditure still falls within the definition of capital expenditure. The treatment of these costs is:

- (a) expenditure recorded in the balance sheet is written out to the income and expenditure account in the year in which the expenditure is incurred and then reversed through the Statement of Movement in General Fund Balances;
- (b) financing costs for deferred charges are accounted for corporately after net expenditure has been disclosed; and
- (c) no asset is shown within the Authority's balance sheet.

Depreciation

The value of assets is written out to revenue, in the form of a depreciation charge, using the straight-line method over the following periods:

Vehicles Plant & Equipment	- 5 years
Infrastructure	- 30 years
Buildings	- 20 to 60 years
Council Dwellings	- No depreciation charge is made but the Housing Major Repairs Allowance (MRA) is used as a proxy to depreciation.
Intangibles	- Amortised over 5 years

Depreciation is charged on all assets except non-operational investment assets, community assets and surplus assets, held for disposal. For community assets and awaiting disposal assets this is a departure from SORP as the amounts involved are deemed to be immaterial. Newly acquired assets are not depreciated in the year of acquisition and assets in the course of construction are not depreciated until they are brought into use. The MRA that is used as a proxy for council dwellings depreciation is a lower figure than if a straight line depreciation method were to be used. Depreciation is calculated on the opening balance of an asset and any revaluation is done as at the 31 March and will only be taken into account for depreciation purposes in the following year.

When assets are revalued the accumulated depreciation to date is written out of the balance sheet to the revaluation reserve, in accordance with proper accounting practice. In addition, adjustments are made to historical depreciation which may result in additional charges being made to the Income and Expenditure account. Where this occurs the adjustment is reversed back out through the Statement of Total Movement on General Fund Balances.

Where an asset disposal has occurred the cumulative depreciation is written down in the year of disposal.

Minimum Revenue Provision

In accordance with the requirements of the Local Government and Housing Act 1989, the Authority has set aside a minimum revenue provision for repayment of debt of 4% of the Council's capital financing requirement. In addition the Authority has set aside a voluntary revenue provision (VRP) to cover debt repayments where it is deemed more prudent to set aside over a shorter period of time.

Provisions

The Authority has made a number of provisions for liabilities that are probable to occur, but the timing and amounts are uncertain. These have been applied in accordance with Financial Reporting Standard (FRS) 12.

Reserves

A reserve contains funds that have been set aside for a future earmarked purpose that may arise. Expenditure is charged to revenue and not directly to any reserve. For each reserve established, the purpose, usage and basis of transactions are identified in the notes to the Authority's financial statements. The general fund reserve is not earmarked and is to allow for any future unknown contingencies that may arise. This reserve is set by the Chief Financial Officer at what is deemed to be a prudent level and in accordance with the reserves policy agreed at Full Council.

Pension Costs

Under Financial Reporting Standard 17 (FRS 17) the Council is required to account for retirement benefits when it is committed to pay them, even if the actual payment will be many years into the future. In line with the requirements of the SORP the Council's actuary uses the AA Corporate Bond rate (6.9% for 2008/09) to calculate future liabilities.

▪ Classification of Schemes

The Council participates in two different pension schemes, one for teachers, an unfunded scheme administered by the Department for Children Schools and Families (DCSF) and the Local Government Pension Scheme for other staff. The schemes provide members with a defined benefit pension related to pay and service. For the purposes of FRS17 pension schemes are classified into two categories, defined benefit or defined contribution. The Haringey scheme is classified as defined benefit. The teachers' schemes of the DCSF, although a defined benefit scheme, is treated as defined contribution scheme because it does not allow the allocation of its liabilities and assets consistently and reliably to participant authorities.

▪ Pension Reserve

The pension reserve is the financial accounting mechanism to ensure that FRS17 has no impact on council tax. The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the scheme. Where the payments made for the year do not match the change in the Authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This difference is removed by an appropriation to or from the pension's reserve, which equals the net change in the pension's liability recognised in the Income and Expenditure Account.

▪ Defined Benefit Schemes

The attributable assets of the scheme are measured at fair value and include current assets and investments. The attributable liabilities are measured on an actuarial basis using the projected unit method. Scheme liabilities are discounted at the AA Corporate Bond Rate. The surplus or deficit in the scheme is the excess or shortfall of the value of the assets in the scheme above or below the present value of the scheme liabilities. The change in the defined benefit asset or liability is shown in the STRGL and analysed into the following components, current service costs, interest cost, expected return on assets and actuarial gains and losses, past service costs and gains and losses on settlements and curtailments.

▪ Defined Contribution Schemes

The teachers pension scheme, whilst being a defined benefit scheme is treated as a defined contribution scheme as explained above. This means that the pension costs reported for any year are equal to the contributions payable for the scheme for the same period. The costs are recognised within net cost of services.

▪ Pensions

Further information on pension costs and the pension fund appear in the individual statements within the accounts.

Value Added Tax

VAT is included within the accounts only where it is irrecoverable. Any recoverable amounts due from HMRC are included in the balance sheet as a debtor.

Contingent Liability or Asset

Where the Authority has a potential future liability, or a potential future gain, but cannot say with any certainty whether it will come about or the value of this liability, it is disclosed by way of a note to the accounts.

Associated and Subsidiary Companies (FRS2)

The Authority has a financial relationship with a number of companies. Details are contained in the notes to the Authority's Financial Statements. The SORP requires authorities to produce group accounts where group relationships occur with associated and subsidiary companies. All the companies with which Haringey has a relationship have been assessed against the group account requirements and only Homes for Haringey is deemed to be within the Haringey group. Homes for Haringey Ltd is a wholly owned subsidiary and therefore group accounts have been prepared in accordance with the accounting standards. These have been produced using the acquisition method and all intra-group transactions have been removed.

Exceptional items, extraordinary items and prior period adjustments

Where applicable and relevant, exceptional items and extraordinary items are disclosed in the income and expenditure account with full supporting notes. The majority of prior period adjustments arise from corrections and adjustments and are accounted for in the year they are identified.

Material adjustments applicable to prior years arising from changes in accounting policy or correction of fundamental errors are accounted for by restating comparative figures for the preceding year in the statement of accounts and notes and adjusting the opening balance of reserves for the cumulative effect. More details and full explanations are given in the individual relevant financial statements where these occur.

Post balance sheet events

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements were authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

Financial Instruments

These are categorised as either financial assets or financial liabilities, which the accounting policies for both are stated below.

Financial Assets

Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of

classification or accounting treatment is available. The Council only holds loans and receivables.

All financial assets are recognised when an entity becomes a party to the contractual provisions of the instrument.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade debtors, long term borrowing and cash are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income and expenditure account.

Provision against trade debtors is made when there is objective evidence that the group/company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group/company becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income and expenditure account. All other financial liabilities are recorded initially at fair value, net of direct issue costs. Liabilities valued on an amortised costs basis are done so using the effective interest rate (EIR) method.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.