

**Appendix I – Annual Financial Report  
(Including Statement of Accounts)**



# London Borough of Haringey Statement of Accounts 2011/12

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**2011/12**



## **Explanatory Foreword**

This document sets out the financial statements for Haringey Council, the Pension Fund and the group accounts together with the purposes of each of the main financial statements. This explanatory forward provides a review of the financial year 2011/12, setting out the Authority's spending in the year on both capital and revenue across all services. Also set out are the major changes in this year's accounts and further details of my responsibilities, as the Authority's Chief Financial Officer.

### **The Statement of Accounts**

The Authority's financial statements are set out in the pages following this explanatory foreword. The Statement of Accounts for 2011/12 is prepared on a basis consistent with International Financial Reporting Standards (IFRS).

They consist of the following:

### **Section 2 Annual Governance Statement**

The Authority is required to undertake a review at least once in each financial year of its system of internal control in accordance with best practice. "Delivering Good Governance in Local Government" published by CIPFA and SOLACE recommends that the review be reported in the Annual Governance Statement.

### **Section 3 The Statement of Accounts**

#### **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are found in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase/decrease, before the Transfers to Earmarked Reserves line, shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

#### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

#### **Balance Sheet**

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves (unusable reserves) includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

## **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or income from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Authority's future service delivery.

These statements above are accompanied by detailed explanatory notes where appropriate and are supported by the Authority's Statement of Accounting Policies.

## **Notes to the Primary Statements**

The notes to the primary statements detailed above follow the primary statements and aim to explain the key figures and to provide the reader with additional information that allows full interpretation of the accounts by:-

presenting information about the basis of preparation of the financial statements and the specific accounting policies used;

disclosing the information required by the CIPFA Code of Practice on Local Authority Accounting that is not provided elsewhere in the financial statements; and,

providing information that is not provided elsewhere in the financial statements, but is relevant to an understanding of any of them.

**The Accounting Policies** are presented as note 1 to the statements.

The Authority's accounting policies set out the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements. Wherever possible the accounting policies are based on interpretations and adaptations for the public sector set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

## **Housing Revenue Account**

The Housing Revenue Account (HRA) reflects the Authority's statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.

## **Housing Revenue Account – Income and Expenditure Statement**

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

## **Movement on the Housing Revenue Account Statement**

This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year. The amounts included in the HRA differ from the amounts in respect of HRA services included in the Comprehensive Income and Expenditure statement for the authority as a whole, which includes income and expenditure in accordance with the Code rather than that required by statute and non-statutory proper practices.

## **Collection Fund**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority (Haringey Council) in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.



## **Section 4 - The Group Accounts**

Where an authority has investments in associates and/or interests in joint ventures (jointly controlled entities) but no interests in subsidiaries, group accounts that include those interests in associates and joint ventures have to be prepared.

The Group Accounts combine the financial activities for the year of the London Borough of Haringey, Homes for Haringey and Alexandra Park and Palace Charitable Trust and comprise:

- Group Movement in Reserves Statement;
- Group Comprehensive Income and Expenditure Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement

## **Section 5 - The Pension Fund Account**

The objective of reporting by the Pension Fund is periodically to provide information about the financial resources and activities of the pension fund that is useful in assessing the relationship between its benefit obligations and the accumulation of resources available to meet those benefit obligations over time.

## **Approval of the Accounts**

The Accounts and Audit Regulations 2011, require the accounts to be approved by the Authority.

## Review of the Financial Year

The year 2011/12 saw the continuation of major reforms and spending reductions in Local Government as set out in the Spending Review of October 2010, including major reform in areas as wide-ranging as the NHS, regeneration, housing, schools and the welfare system. Substantial changes were required within the council which helped us to reduce the budget by approximately £41 million in 2011/12.

The Council vision for 2011/12 as outlined in Re-thinking Haringey was:

### *One Borough One Future: reducing inequalities – working for a better society*

The Council's performance for 2011/12 was reported to Cabinet on 12 June 2012 in the end of year report. This highlighted positive performance in many areas including:

- High levels of street cleanliness were maintained;
- Significant improvements have been made in children's safeguarding and the Multi-Agency Safeguarding Hub (MASH) was established;
- The number of social care clients receiving self-directed support has continued to increase;
- Marked improvement in our schools, with students achieving their best ever GCSE and A-Level results, and our secondary schools were among the most improved in the country;
- Significant improvement in the proportion of young people Not in Education Employment or Training;
- The Haringey Guarantee Programme supported 150 previously unemployed people into work in 2011/12.

Important changes due to occur during 2012/13 are the localisation of Council Tax Benefit, the transition of the Public Health function to the Council, Welfare Reform and implementation of the Localism Act.

Haringey Council is committed to safeguarding the environment for future generations and central to this is the Council's Carbon Management Plan. It is also recognised that energy price volatility poses a significant challenge to the Council's budget, and thus the Council is working to mitigate the financial impacts of price rises and the additional costs of the Carbon Reduction Commitment. In 2011-12 the Council utilised the Sustainable Investment Fund – innovative interest-free loan schemes – to install street sign LED lighting, voltage optimisation at two secondary schools with predicted electricity and carbon savings of £62k and 196 tonnes per annum respectively. We have also installed solar panels, with a potential return of £26k per annum (ring-fenced to pump prime future energy efficiency projects) and a carbon reduction of 156 tonnes. In 2011-12, these projects contributed to an 8.75% decrease against our 2006/7 carbon baseline; however, the true impact of their installation will be felt in 2012-13.

## Looking Forward

The financial settlement for 2010/11 and 2011/12 were a far higher level of reduction than expected and represents the biggest reduction in financial resources the Council has ever known and these reductions are continuing into 2012/13 and beyond.

Refocusing services continues, transforming the way the Council delivers services whilst ensuring it continues to meet the needs of its communities and the ambitions of elected members.

In June 2012 the Cabinet has agreed the new Council Plan for 2012-14 which sets out the Council's vision and describes the main challenges and what we will do to tackle them, these include a combination of factors encompassing local and national priorities. The plan sets out our commitment to promoting equality, tackling disadvantage and improving the life chances of residents, especially those who are the most vulnerable.

Our vision shows the kind of borough we want for the future:

## *'One Borough One Future: Reducing inequalities – ambition for a better society'*

Our key priorities are:

1. Work with local businesses to create jobs;
2. Deliver regeneration to key areas of the borough;
3. Tackle the housing challenges;
4. Improve school standards and outcomes for young people; and
5. Deliver responsive, high quality services to residents.

We believe that by focusing our resources in this way we can reduce inequality and improve the life chances of residents.

### **Financial Planning 2012/13 – 2014/15**

There were a number of financial planning assumptions and national policy issues that were considered as part of the Council's financial and business planning process for the period 2012/13 to 2014/15. The process was conducted in the context of the government's stated objective of a significantly accelerated reduction in the structural national deficit over the course of Parliament, with the main burden of deficit reduction borne by reduced spending.

The Council has outlined its plans for the issues faced in its strategy report "Medium Term Financial Planning 2012-13 to 2014-15" that was presented to the full Council on 28th February 2011. The MTFP showed a balanced budget for 2012/13, with £19.5m of savings to be made in 2012/13, and an overall funding gap over the MTFP period of £25m (£6m for 2013/14 and £19m for 2014/15). However there is a high level of uncertainty regarding years 2 and 3 of the MTFP as the Government is yet to announce its detailed funding proposals for these two years, as well as financial risks associated with major changes such as localisation of council tax benefit and welfare reforms.

The following commentary sets out the Authority's performance for the financial year 2011/12 in its principal financial areas:

- The General Fund revenue account;
- The Housing Revenue Account;
- Capital investment; and
- The balance sheet.

### **The General Fund – How council tax is spent**

The General Fund contains income and expenditure relating to all of the services of the Council, other than council housing which is recorded separately in the Housing Revenue Account.

The following table presents the income and expenditure as per the Council's operational structure. The Comprehensive Income and Expenditure statement on page 3 is a presentation under headings as per the Service Accounting Code of Practice (SERCOP) structure which allows comparison between councils.

In 2011/12 the Council planned net expenditure of £286.2 million. The following table presents the planned expenditure and the final outturn in 2011/12 against services.

<b>Directorate</b>	<b>Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
Adults & Housing	98,966	96,937	(2,029)
Place & Sustainability	54,491	54,285	(206)
Public Health	932	956	24
Corporate Resources	11,850	11,807	(43)
Children and Young People	87,758	87,693	(65)
Chief Executive Services	969	750	(219)
<b>Services</b>	<b>254,966</b>	<b>252,428</b>	<b>(2,538)</b>
Non service revenue	31,203	29,013	(2,190)
<b>Total on General Fund</b>	<b>286,169</b>	<b>281,441</b>	<b>(4,728)</b>
<b>Housing Revenue Account</b>	<b>(291)</b>	<b>(3,656)</b>	<b>(3,365)</b>
Children and Young People Non-Schools DSG	0	(2,474)	2,474

There is a net General Fund underspend of £4.7m after taking into account the non-service revenue account, transfers into earmarked reserves and the transfer of the ring-fenced Dedicated Schools Grant into reserves. This will be added to general balances.

The main reasons for the underspend in 2011/12 were the early accomplishment of savings achieved in Adult and Housing Services, savings within treasury management in Non Service Revenue, as a result of proactive management of the Council's debt portfolio and contingency budgets, held centrally, not being required in 2011/12.

The figures in the table above are prepared on a different basis to those that appear in the Comprehensive Income and Expenditure Account (CIES). The CIES is prepared under the basis of the Service Code of Practice (SERCOP) which is followed by all local authorities and ensures a common reporting basis for comparisons. The above table is based on the Authority's management structure and is the structure by which all reporting within the Council is made. Note 29 to the accounts provides a reconciliation between the two structures.

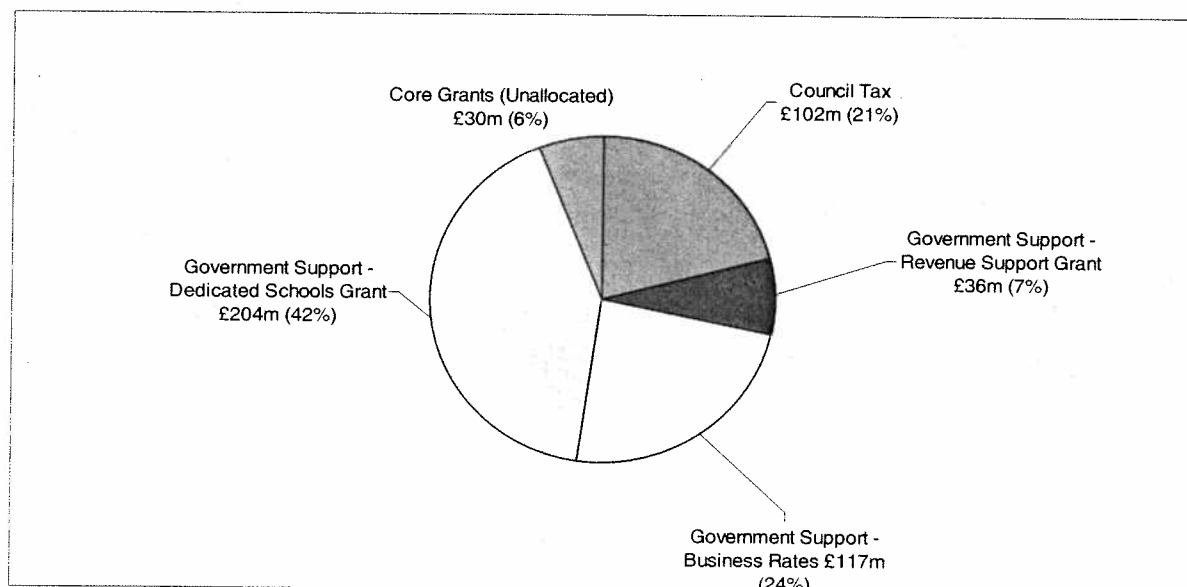
The Council produces an analysis of the variances as part of its Financial Outturn 2011/12 report that went to the Council's Cabinet in June 2012.

Included in the figures above are a number of transfers to earmarked reserves, as detailed below.

	Balance at 2010/11 £000	Movement in year	Balance at 2011/12 £000
<b>General Fund</b>			
Schools reserve	2,598	2,474	5,072
Services reserve	4,785	3,633	8,418
Insurance reserve	8,927	(701)	8,226
PFI reserve	7,181	734	7,915
Infrastructure reserve	2,384	28	2,412
General fund transition reserve	1,800	4,581	6,381
Financing reserve	8,542	6,297	14,839
Capital financing/Debt repayment reserve	13,261	0	13,261
<b>Total General Fund</b>	<b>49,477</b>	<b>17,046</b>	<b>66,523</b>
<b>HRA</b>			
Housing Revenue Reserve	7,958	3,656	11,614
Major Repairs Reserve	0	625	625
<b>Total HRA</b>	<b>7,958</b>	<b>4,281</b>	<b>12,239</b>
<b>Total Earmarked</b>	<b>57,435</b>	<b>23,036</b>	<b>80,472</b>

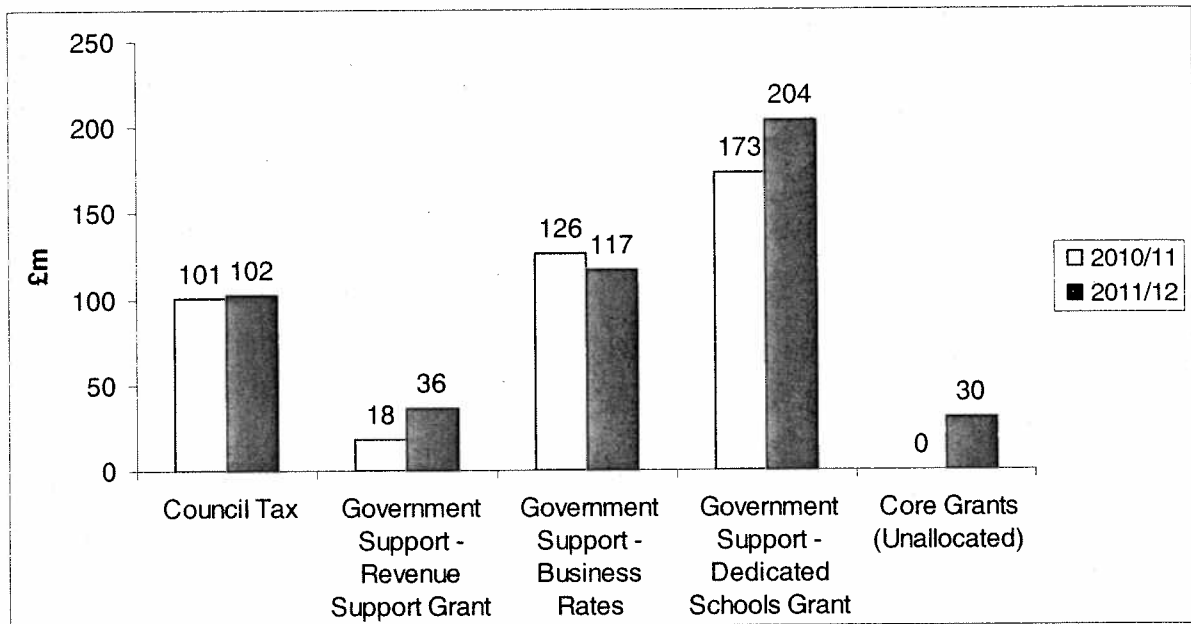
### Sources of Revenue Funding 2011/12 – Total £286m

The graph below shows the revenue funding sources of Government Grants, business rates (National Non-Domestic Rates) and Council Tax for the net costs of the spend in 2011/12.



As can be seen from the above, council tax funds only 21% of the full net cost of services.

**Sources of Revenue Funding 2011/12 (£489m) and 2010/11 (£418m)**

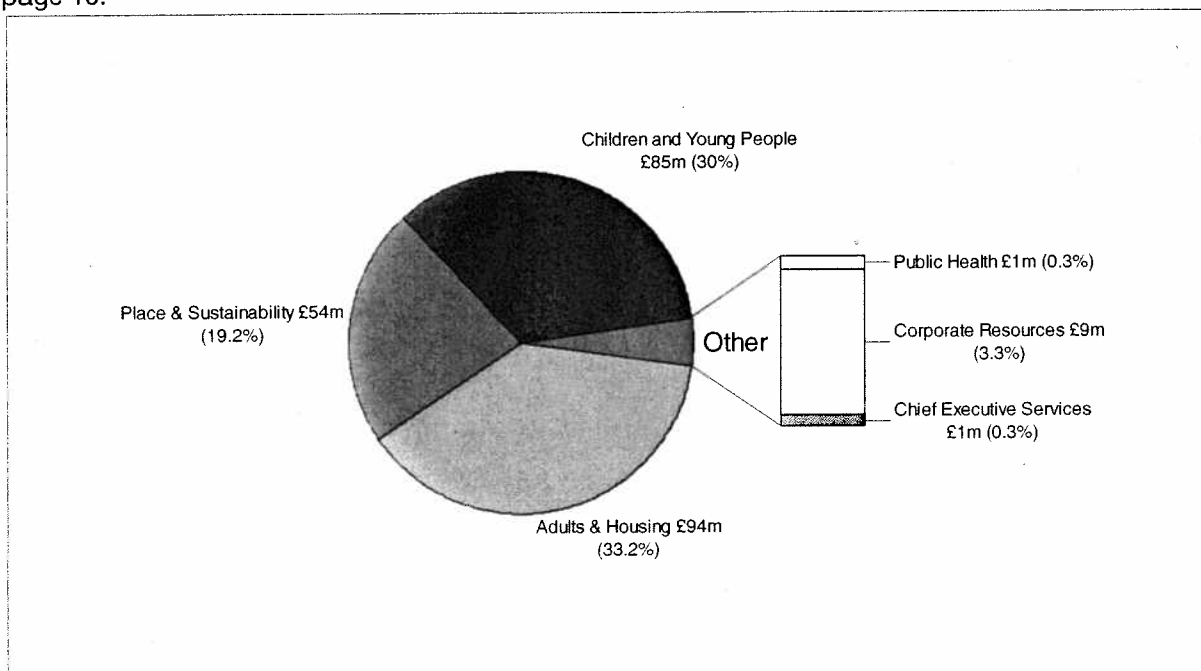


(\*) Note that core grants are not included for 2010/11 as these were charged direct to services. From 2011/12 these grants were rolled in with the formula grant.

**How the money was spent – Total £286m**

The following two graphs show how the Authority’s budget was used across each service and then, of the money spent, what it was spent on e.g. staff costs, supplies and services etc.

The graph below shows the net spend on the various services we provide, as detailed in the table on page 10.



## Major Influences on the Authority's Income, Expenditure and Cash Flow

A significant proportion of the Authority's revenue funding is derived from Revenue Support Grant and National Non-Domestic Rates (NNDR) from the national NNDR pool. The national sums available in each financial year and the distribution to individual local authorities are determined by central government.

Although the Authority is able to supplement these sources of income through Council Tax, the level of annual Council Tax rises is carefully monitored and controlled by Central Government. From 2012/13 onwards the Council will be required to hold a local referendum if it wishes to raise Council Tax by a greater percentage than a target set by Central Government (5% for 2012/13).

The Authority is able to generate additional income from provision of certain services to the public, however, in many cases the charges for such services are nationally determined or they are charges for demand led services which may result in a reduction in income if fees and charges for these are increased too much.

## The Housing Revenue Account (HRA) – How Housing Rents are used

The Housing Revenue Account is a statement of the income and expenditure on council housing. The Authority is the landlord for 16,262 dwellings and the income and expenditure relating to these is ring-fenced, that is the Authority is prevented by legislation from subsidising the cost of Council Housing from its General Fund. The Housing Revenue Account services are primarily funded from rents (£76.691 million), charges for services (£21.293 million) and government grant (£14.418 million). The total funding requirement is £112.4 million.

In 2011/12, after allowing for costs, which include £23.9 million on repairs and maintenance and £37.6 million on supervision and management, there was a surplus of £3.6 million on the account.

## Capital Investment

Capital investment is expenditure incurred on the physical assets of the Authority such as buildings, roads etc.

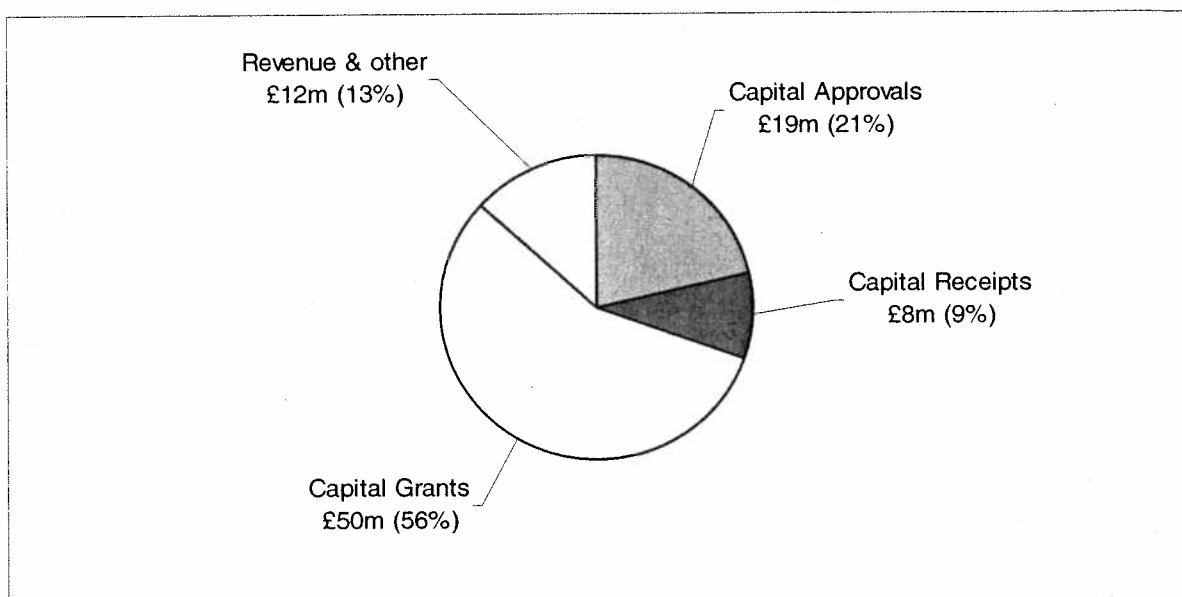
In 2011/12, the Authority planned to spend £98m on its assets, as shown in the following table. The actual expenditure was £85m. The total long-term debt of the Authority is £325 million and relates to capital investment which the Council has undertaken in the current and previous years. 70% of this debt relates to investment in council housing.

<b>Directorate</b>	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adults & Housing	3,971	4,485	514
Corporate Resources	6,725	1,780	(4,945)
Children & Young People	35,734	30,422	(5,312)
Place & Sustainability	17,285	14,338	(2,947)
HRA Housing	34,911	34,039	(872)
<b>Total</b>	<b>98,625</b>	<b>85,063</b>	<b>(13,562)</b>

The principal reasons for the variance between the outturn and capital budget are detailed in the Financial Outturn 2011/12 report that went to the Council's Cabinet in June 2012.

## Capital Financing – Total £89m

The following diagram details how the capital expenditure in 2011/12 was financed.



### Significance of any pensions liability or asset disclosed in the statements

The Pension Fund is part of the Local Government Pension Scheme and funds the pensions and receives contributions from members of the scheme and employer bodies. In 2011/12, the Fund made payments to pensioners of £42.0 million and received contributions of £44.5 million (£9.4 million from members and £35.0 million from the employers).

The net amount chargeable to the General Fund and Housing Revenue Account is the net amount payable for the year in accordance with the statutory requirements governing the Pension Fund. Where this amount does not match the amount charged to the Comprehensive Income and Expenditure Statement any difference is transferred to the pensions reserve on the balance sheet via the Movement in Reserves Statement.

The Council's share of the Fund has been valued at £638.6 million, most of which is invested in the stock market. In 2011/12 the Fund assets increased in value by £45.9 million. The Pension Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's assets to meet its long term obligations. The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2010 in a report dated 31 March 2011.

### Material or Unusual Charge or Credit in the Accounts

There are a number of unusual and significant transactions that have occurred in 2011/12 which are outlined below. Further detail on these items can be found within the detailed notes to the accounts.

- Reduction in overall debt of £233.850m. As from 1st April 2012 the Government has introduced a new arrangement for the financing of the Housing Revenue Account (HRA). The biggest impact of this change for Haringey Council is the removal of housing subsidy received, from 1 April 2012 and the repayment by Government of a large part of the Council's debt. The debt repayment element of this occurred on 28th March 2012 and therefore the transactions appear in the 2011/12 accounts, and is funded by a grant from Central Government, resulting in a net nil impact on the bottom line of the accounts. As a result the Council's overall outstanding debt has reduced from £580.760m in 2010/11 to £325.130m in 2011/12.
- Transfer of schools to academy status – During 2011/12 two Haringey Schools (Alexandra Park Secondary and Woodside High) have transferred out of local authority control to academy status. The result of this transfer is the values of these assets are written out of the council's accounts and are treated as an asset disposal. The value of the two assets is



£53.2m. Currently there are plans for 4 further transfers to academy status in 2012/13, with a current asset value of £14.9m.

- Civil disturbances – In August 2011 a number of significant civil disturbances occurred across the country, including in Tottenham. As a result a number of Council buildings were damaged and either required significant repairs or demolition which has resulted in impairments to the value of the assets occurring.
- In April 2011 the Icelandic District Court decided that local authority deposits in Landsbanki and Glitnir Bank had priority status. The decision was subsequently upheld by the Icelandic Supreme Court following an appeal in October 2011. This means the expected recovery rates for the Council's deposits are now 100% for Glitnir and 98% for Landsbanki. Following these announcements the first distributions from Glitnir and Landsbanki were received. The administrators of Heritable Bank continued to make distributions during the year and their current base case is a recovery rate of 86-90% of the amounts originally invested. By 31st March 2012, £17.5m had been returned to the Council with a further £2.7m paid into escrow, which in total makes up 55% of the total amount originally invested of £36.9m.

### **Changes to the Accounts**

For 2011/12 there have been limited changes to the accounts, following the implementation of International Financial Reporting Standards (IFRS) in 2010/11. Any changes to the 2011/12 accounts are detailed below.

### **Heritage Assets**

A new requirement for 2011/12 is to account for heritage assets. A heritage asset is 'a tangible asset with historical, artistic, scientific, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture, or an intangible asset with cultural, environmental or historical significance.' Examples are historic buildings and museum artefacts. As this is a change in accounting policy a prior period adjustment will be made for the estimated value of these assets as at 31 March 2011.

## Statement of Responsibilities

### The Authority's responsibilities

The Authority 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 Authority that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- approve the Statement of Accounts.

### The Chief Financial Officer's responsibilities

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

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.

#### Statement of the Chief Financial Officer

I certify that the financial statements set out in sections 3 & 4 have been prepared in accordance with the accounting policies set out in note 1 and give a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31st March 2011.

Kevin Bartle, CPFA  
Assistant Director of Finance / Chief Financial Officer  
28th September 2012

**SECTION 2**  
**ANNUAL GOVERNANCE STATEMENT**  
**2011/12**



## **Annual Governance Statement 2011/12**

### **1. Scope of responsibility**

- 1.1 Haringey 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, and used economically, efficiently and effectively. Haringey also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, 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 approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Haringey Council's local code of corporate governance is published on the Council's website and a copy can be obtained from the Council's Monitoring Officer. This statement explains how Haringey has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.

### **2. The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled 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 31<sup>st</sup> March 2012 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**

The Council's Rethinking Haringey: One Borough, One Future paper, published in January 2011, set out our commitment to promoting equality, tackling disadvantage and improving the life chances of residents, especially those who are the most vulnerable.

This Council Plan adopts the vision set out below and explains how it will be achieved:

Vision:  
'One Borough, One Future:  
Reducing inequalities - ambition for the better society'

The priorities set out in the Council Plan are in line with elected Member ambitions for the borough. The Plan will receive endorsement from Cabinet in June 2012 and full Council in July.

The Council Plan for 2011–2012 was published on the Council's website and monitored and reported using the corporate performance framework. The Council Plan is updated on an annual basis and the Council's objectives are informed by what residents and service users say and their views are captured in our annual residents' survey. The Council Plan for 2012–2014 will be published on the Council's website and will be monitored and reported using the corporate performance framework, as before.

During August 2011, serious public disorder took place in various locations in the borough. The Council responded immediately to assist those residents and businesses who had suffered losses and engaged with a wide variety of community groups and stakeholders to provide ongoing advice and assistance. Subsequently, the Council has begun a programme of regeneration which has undergone consultation with a wide number of residents, businesses, and other stakeholders. The 'I love Tottenham' campaign and wider regeneration programme has been communicated across the authority to set out the intended outcomes for the area.

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

During 2010/11 and 2011/12 the Council has transformed its approach to delivering services, adapting them to meet the changing needs of residents, targeted to those who need them most. In tackling the dramatic budget reductions, the Council has responded to the challenge by adopting the

vision 'one borough one future: reducing inequalities – working for a better society'.

The vision is underpinned by five priorities:

1. Work with local businesses to create jobs
2. Deliver regeneration to key areas of the borough
3. Tackle the housing challenges
4. Improve school standards and outcomes for young people
5. Deliver responsive, high quality services to residents

Consultation with residents undertaken between November 2011 and January 2012 showed that two thirds agreed with the priorities, with over 80% in support of our plans to grow local jobs by working with local businesses, improve outcomes for young people and cultivate a culture of excellence. These priorities will form our major programmes of work for the period 2012-14.

All the Council's business and financial planning documents reflect its vision and objectives. Delivery of these is through an annual business and financial process, which was subject to full consultation and review by the Council's Overview and Scrutiny Committee, formal adoption by the Cabinet and approval by the Council during 2011/12.

The Council's Medium Term Financial Plan (MTFP) 2011-2014 sets out the three year budget for the Council and contains plans for achieving the required budget reductions resulting from the funding shortfall in this year's financial settlement for Haringey. The MTFP is reviewed and updated on an annual basis to provide a rolling three year planning period.

- 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**

In facing up to the current financial challenges Haringey Council continues to strive for the improved well-being of local people. To achieve this we are targeting the use of resources and exploring ways of delivering better services for less money within a framework of delivering value for money and efficiency across all services. The Council is transforming service delivery and making changes quickly, whilst ensuring that its resources achieve the best outcomes. An outcomes based performance management framework was put in place for 2011/12 which sets out how the Council will move from a top down approach, focusing on inputs and outputs, to an outcomes focused performance, based on the vision of the Council and the delivery of its priorities.

The Cabinet received regular reports during 2011/12 highlighting key financial and performance management information which allowed them to effectively monitor compliance with all key policies and Council objectives. The reports contain 'Traffic light' ratings which provide assurances for Members against

key performance indicators. Cabinet agendas, reports and minutes are all available on the Council's website. An independent tracker survey of a representative sample of residents and service users will be completed quarterly and reported to senior officers and members to ensure appropriate action can be taken in specific areas.

- 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. The Council's website also has an 'Our Standards' page which sets out the expectations and standards required of both officers and members.

The Council's scheme of delegation to officers has been fully reviewed to take into account the restructure as a result of Re-Thinking Haringey. A Governance Review in 2010/11 resulted in the consolidation of nine non-executive committees into five, approved at Full Council on 23 May 2011. The cross-party Delivery Group met during 2011/12 to evaluate the outcomes of the 2010/11 Governance Review. A consultation exercise, the 'Governance Review Evaluation', was held for four weeks during February and March 2012 to obtain the views of residents, councillors, Council officers and key stakeholders. The recommendations of the evaluation review and feedback from the consultation exercise has subsequently been provided to Full Council in May 2012. This included consideration of a revised Standards Committee to take effect from 1 July 2012 in accordance with the Localism Act 2011. Recommendations from the evaluation of the governance review are also likely to include changes to the frequency of the Corporate Committee meetings and increased training for committee members.

The Delivery Group also requested a scoping study be undertaken of Committees and Council Bodies that were not originally considered as part of the Governance Review, including committees of the Cabinet. This study was to ensure Committees are operating effectively and not duplicating



work. The recommendations of the Delivery Group in relation to these have also been provided to Full Council in May 2012.

**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, which 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 Monitoring Officer submitted a revised draft code of conduct and complaints procedure to the Council's Standards Committee to Full Council for approval in May 2012 to enable the new provisions to be implemented immediately upon the implementation of the new ethical framework anticipated for 1 July 2012. Any necessary revisions arising as a result of imminent Regulations will be submitted to Full Council in July 2012. Whilst there is no obligation to have a Standards Committee, in the interests of transparency, the Council will recommend a proposal to continue with a stand-alone committee.

The Council's officer code of conduct has been reviewed and updated on a regular basis and is published on the Council's intranet site. 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 and these continued in 2011/12, with articles in Team Brief and Smart Talk.

The Council's arrangements for dealing with allegations against member conduct have been reviewed as a result of the change in regime brought about by the Localism Act 2011, which will become effective on 1 July 2012. The Standards Board regime has been abolished and local authorities have been left to determine their own procedures for handling allegations that members have breached the Code of Conduct. The Council values the independence of the Committee, and given that legislation no longer provides for independent voting members, has retained the capacity for independent members to be co-opted to the newly constituted Standards Committee, to act in an advisory capacity.

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

The Constitution Review Working Group is an established member 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 regular basis and review key areas of governance. The implementation of the new Localism Act

2011 and Health and Social Care Act 2012 will require the Council to review governance arrangements. During 2012/13, the Delivery Group and the Constitution Review Working Group will continue to monitor the governance arrangements within the Council to ensure the requirements of the Acts are appropriately implemented to deal with new powers including neighbourhood planning and community empowerment.

The Council's corporate risk management steering group met on a quarterly basis during 2011/12, chaired by a member of the Chief Executive's Management Board, and is comprised of senior officer representatives from each directorate. In addition to ensuring that the Council complies with the risk management strategy, the steering group takes responsibility for managing the Council's response to specific incidents and events.

Haringey has a corporate Risk Management Policy and Strategy which is reviewed and updated, where appropriate, 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 business planning and project management processes. 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 Corporate Committee and updated as a result of feedback received. Regular reports were provided to both the Chief Executive's Management Board and the Corporate Committee during 2011/12 detailing compliance with the corporate policy and strategy.

**g) Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)**

In 2009/10, CIPFA produced a statement on the role of the Chief Financial Officer (CFO) in local government. The Council's CFO is a member of the Chief Executive's Management Board, as required by the CIPFA statement, and fulfils all the requirements of the statement in ensuring that appropriate financial, management, reporting, monitoring and governance arrangements are in place. No governance issues with the requirements of this statement were identified in 2011/12.

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

The functions of an audit committee, as recommended in CIPFA and the Institute of Public Finance guidance, are contained within the remit of the Council's Corporate Committee that was formed in 2011/12. The Corporate Committee received regular reports from internal and external audit and reviewed risk management and governance arrangements during its meetings in 2011/12.

**i) 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 and the outcomes of these were reported to the Corporate Committee quarterly during 2011/12.

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.

During 2011/12, the Council updated its Equal Opportunities Policy, developed corporate equality objectives and revised the equalities impact assessment (EqIA) templates and process to reflect the changes in the legislation set out in the Equality Act 2010. An internal audit completed in December 2011 provided assurance that the processes for conducting EqIAs in Haringey were effective and complied with relevant local and statutory requirements. During the year which saw significant budget reductions, 126 EqIAs were completed, none of which resulted in challenges to Council decisions.

**j) 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. These are monitored and managed by Internal Audit and all referrals are subject to review and investigation where sufficient details are provided. The Corporate Committee received quarterly reports during 2011/12 on the use and outcomes of the confidential reporting and Whistle-blowing facilities. Fraud and corruption policies and procedures are contained within the Employee Handbook, the Council's intranet and website and regular staff newsletter items were published during 2011/12 which explained how and where to report suspected fraud.

The Council also has a corporate complaints policy, and agreed procedures, which 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.

In January 2012, the Information Commissioner's Office (ICO) undertook a consensual audit of the Council's processing of personal data. The ICO found that "the Council's arrangements for data protection compliance with regard to governance and controls provide a reasonable assurance that processes and procedures are in place and being adhered to." ICO Inspection results are graded in four levels; a score of 'reasonable assurance' represents the second highest rating available.

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

The Council provides a programme of training for members, and all members have access to the Council's corporate training and development programme. Members who sit on the Corporate and Regulatory Committees were offered training in 2011/12 specific to their responsibilities for these committees. Training sessions included planning, licensing, audit, finance, pensions and treasury which were provided by officers during 2011/12.

All permanent staff within the Council receive an annual performance review and appraisal, which is linked to the Council's management standards and competency framework, and results in individual work targets and development plans. During 2011/12, the Council revised their framework for performance review, updated performance appraisal forms and set out a competency framework for managers' behaviour. During 2011/12, the Council provided 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, as well as a series of senior manager seminars. The Chief Executive also undertook a series of 'face to face' meetings with staff from all departments during 2011/12 to discuss and receive feedback on the 'Rethinking Haringey' programme.

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

The Council's publishes a resident's magazine, Haringey People, six 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.

As part of its budget consultation process, the Council informed, consulted and engaged residents and businesses from November 2011 to January 2012. The consultation was undertaken using both an online and paper questionnaire which included factual information about the Council's budget and its services. In addition, ten public meetings were held where residents were able to put questions and make comments on the Council's budget to the Cabinet Member, effectively influencing the budget process.

Local Area Committees have been operating during 2011/12. These have specific responsibilities and consultative powers and are a vital part of local democratic engagement under the new arrangements.

In 2011/12, the Council commissioned an independent review of partnership arrangements, which recommended a more streamlined approach to partnership working. In response to these recommendations the partnership arrangements in Haringey were simplified with a reduction in the number of partnership bodies. A Joint Leadership Group (JLG) has been established where core partners (the Council's Cabinet and Chief Executive's Management Board, the Police, health service and Jobcentre Plus) meet every six to eight weeks. The JLG provides the opportunity for collective discussion between the Council's political and managerial leadership and core statutory agencies of the key issues facing the borough. The only standing partnership bodies from the previous strategic partnership are the shadow Health and Wellbeing Board and the Community Safety Board with the addition of a Social Inclusion and Worklessness Group.

- m) 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 implemented a governance framework for its significant partnerships, based on the Audit Commission's definition, in 2009/10 which specifies the minimum governance requirements each partnership must have and how the Council monitors and reviews its involvement with each partnership. In July 2011, the Council published the Voluntary Sector Strategy 2011-2016 setting out how it will work in partnership with voluntary sector organisations.

The Council has continued to work with Alexandra Palace and Park (APP) to ensure that corporate governance arrangements and internal controls were adequate and this was continued during 2011/12. No significant governance or control issues were identified by APP's independently appointed internal auditors during 2011/12.

#### **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 statements of assurance and annual governance self assessments by each director and assistant chief executive, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Risk Management's annual report, and also by comments made by the Council's external auditors and other review agencies and inspectorates.

- 4.2 The Corporate Committee approves the annual internal audit plan, receives quarterly reports on internal audit work completed, reviews the corporate risk management strategy and risk register and, during 2011/12, has also reviewed reports from external assessments and actions taken by management to address any recommendations made.
- 4.3 Children's safeguarding services in Haringey have received positive feedback from inspectors, as part of a comprehensive assessment of all services provided for local children by the Council. The annual assessment of Haringey's children's services by OFSTED highlighted 'good progress' in child protection following both unannounced and announced inspections in 2011. Overall, inspectors found the majority of services for children 'good or better'. OFSTED judged services for children overall to be adequate and the capacity for improvement in both safeguarding and looked after children's services to be good. In March 2012 the Parliamentary Under-Secretary of State for Children and Young Families, formally announced that the Council were out of intervention. In addition the Children and Young People's Service is on track to reduce their budget deficit.
- 4.4 The Council's Risk Management Strategy, which draws together the various elements of risk management, including risk registers, health and safety, business continuity and emergency planning and project management, is reviewed on an annual basis and was approved by the Corporate Committee in July 2011. The key elements of the strategy are monitored by the Corporate Committee on the basis of reports received. The Chair of the Corporate Committee also reviewed the Directorate-level risk registers independently on a regular basis during 2011/12 and gained assurance that high risks were appropriately managed by reviewing the controls in place. In addition, officers on the Council's Risk and Emergency Planning Steering Group reviewed all the identified high risks on a quarterly basis to gain assurance that adequate controls were in place to mitigate the risks. No significant issues or areas of non-compliance with the corporate policy were identified during 2011/12 by officers or members.
- 4.5 Directors have submitted a statement of assurance covering 2011/12 which is informed by work carried out by departmental managers, internal audit, external assessments and risk management processes. The statements are used to provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. No issues were identified within the statements.

- 4.6 The Cabinet undertakes monthly reviews of financial performance and regular reviews of service performance, based on a range of key performance indicators and financial and budget management information. The Leader and 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. During 2011/12, the Council's 'Re-thinking Haringey' programme was implemented and, despite the substantial budget reductions, the Council continued to deliver key services to the borough's residents and achieve a balanced budget.
- 4.7 The CIPFA statement on the role of the Chief Financial Officer has been incorporated into the Council's overall governance arrangements. During 2011/12, the CFO fulfilled all the requirements set out within the CIPFA statement, and assurance on this was obtained via internal and external audit reviews. No gaps in compliance were identified.
- 4.8 The Head of Audit and Risk Management provided an Annual Audit Report and opinion for 2011/12, which concluded that in most areas across the Council there are sound internal financial control systems and corporate governance arrangements in place and that risk management arrangements are satisfactory and compliant with best practice. Eleven out of the Council's twelve key financial systems received a 'substantial' assurance rating in 2011/12, with one receiving a 'limited' assurance rating. Seven of the 60 completed system reviews and 10 of the 22 schools audits completed received a 'limited' assurance rating, with the remaining reviews completed receiving 'substantial' assurance ratings. The follow up programme concluded that all but one high priority recommendation had been implemented, with one in the process of being implemented and with appropriate interim controls in place to manage the risk.
- 4.9 The Council responded effectively to the serious disturbances in August 2011 and engaged successfully with a wide range of its residents and community and faith groups which demonstrated effective governance arrangements after enacting The Council's Emergency Plan. The Council's emergency control centre was set up as the key governance mechanism to liaise with internal departments and external organisations to ensure appropriate actions were taken to address issues as they arose and ensure effective communication to the Chief Executive's Management Board and local residents, businesses and other stakeholders. The Council's Community Assistance Centre was established and fully operational within 48 hours and provided humanitarian and financial assistance and advice to residents and businesses. The support functions were effectively transferred to operational departments when the emergency plan and Community Assistance Centre were decommissioned which provided assurance that all key action points were addressed or had identified action plans in place to deal with ongoing issues.

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

## 5. Significant governance issues

5.1 In 2009/10, 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. No outstanding actions will need to be carried forward to 2012/13. The summary below highlights what the Council has done to address those issues during 2011/12:

- The 'Safeguarding and Looked After Children Plan' (previously the Joint Area Review), which was developed in response to the Joint Area Review in 2008 was formally closed by the Towards Excellence Board in October 2011. The Board were satisfied that actions had been completed and significant progress had been made. As previously mentioned, the outcome of successful implementation of the Safeguarding and Looked After Children Plan has been the removal of government special measures and positive OFSTED inspection reports; and
- The Housing Improvement Board monitored implementation of the recommendations made by the Audit Commission review. There was a further inspection by Audit Commission's which judged the service as "providing a 'fair', one-star service that has excellent prospects for improvement."

5.2 During 2010/11, the Council identified two actions to deal with governance issues, some of which are detailed within the AGS as actions have been taken. The summary below highlights what the Council has done to address those issues during 2011/12:

- Council governance arrangements. An evaluation of the 2011 governance review was undertaken during 2011/12. The outcome of the evaluation review and its recommendations will be presented to Full Council in May 2012. The Council will continue to monitor governance arrangements during 2012/13 in response to new legislation requirements. Actions for this are detailed below; and
- Financial and information management arrangements. The Council has achieved a balanced budget for 2011/12 and has been independently assessed as having adequate information management and security arrangements. The Council will continue to monitor its financial management arrangements on an ongoing basis as part of its routine processes; no further actions are proposed for 2012/13.

5.3 No significant governance issues from 2011/12 are reported. However, the Council will be working in the coming year to ensure governance arrangements are in place and effective in a number of key areas, and these are set out in the action plan below. The action plan will be monitored during the year to ensure all actions are appropriately addressed.



<b>Issue</b>	<b>Action</b>	<b>Responsibility</b>	<b>Due date</b>
Implementation of the Localism Act 2011	Ensure that the requirements of the legislation are appropriately reviewed and implemented during 2012/13, with appropriate monitoring mechanisms in place to ensure that risks and relevant regulations are appropriately managed and addressed and relevant officers and members receive adequate training to enable them to carry out their responsibilities.	Chief Executive	In accordance with legislation requirements
Implementation of the Social Care Act 2012	Ensure that the requirements of the legislation are appropriately reviewed and implemented during 2012/13, with appropriate monitoring mechanisms in place to ensure that risks and relevant regulations are appropriately managed and addressed to enable the effective transfer of the Public Health function fully to the local authority.	Director of Public Health	March 2013
Evaluation of the Governance Review	Ensure that the recommendations of the Review Group are implemented following Full Council approval, with appropriate review mechanisms in place to ensure that the Council governance processes meet its objectives.	Assistant Chief Executive	March 2013
Regeneration Programme following the riots	Ensure that the Regeneration Programme following the 2011 riots has appropriate governance structures, reporting and authorisation processes, and financial and resource monitoring processes in place in order to deliver the agreed outcomes and objectives.	Director of Place and Sustainability	March 2013
Children and Young People's Service	Formalise and implement the statutory responsibilities for the Children's Trust with the Health and Wellbeing Board.	Director of Children and Young People's Service	March 2013
Shared Services arrangements	Agree the form of governance and ensure that there are effective operational arrangements in place between preferred partners.	Assistant Chief Executive	March 2013

**Councillor Claire Kober**  
Leader of the Council

**Stuart Young**  
Assistant Chief Executive



**SECTION 3**

**THE STATEMENT OF ACCOUNTS**

**2011/12**



## Movement in Reserves Statement 2011/12

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Additional detail on these reserves is given in note 24 and note 25. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Adjustments Between Accounting Basis and Funding Basis under Regulations' accounts for this difference and is detailed in note 7. The 'Net Increase /Decrease before Transfers to Earmarked Reserve's' line shows the increase or decrease on the General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £000	Capital Receipts Reserves £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance At 31st March 2011</b>	(10,617)	(49,477)	(7,958)	-	(4,729)	(21,613)	(94,394)	(404,650)	(499,044)
Movement in reserves during 2011/12									
Surplus Or Deficit On Provision Of Services (accounting basis)	25,633		(215,528)	-			(189,895)		(189,895)
Other Comprehensive Expenditure And Income	-	-	-	-	-	-	-	106,940	106,940
<b>Total Comprehensive Expenditure And Income</b>	<b>25,633</b>	<b>-</b>	<b>(215,528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,895)</b>	<b>106,940</b>	<b>(82,955)</b>
Adjustments Between Accounting Basis And Funding Basis Under Regulations	(47,407)	-	211,872	(625)	3,989	8,023	175,852	(175,852)	-
<b>Net (Increase)/Decrease Before Transfers To Earmarked Reserves</b>	<b>(21,774)</b>	<b>-</b>	<b>(3,656)</b>	<b>(625)</b>	<b>3,989</b>	<b>8,023</b>	<b>(14,043)</b>	<b>(68,912)</b>	<b>(82,955)</b>
Transfers To/(From) Earmarked Reserves (Increase)/Decrease In Year	17,046 (4,728)	(17,046) (17,046)	(3,656) (3,656)	(625) (625)	3,989 3,989	8,023 8,023	(14,043) (14,043)	(68,912) (68,912)	(82,955) (82,955)
<b>Balance At 31st March 2012</b>	<b>(15,345)</b>	<b>(66,523)</b>	<b>(11,614)</b>	<b>(625)</b>	<b>(740)</b>	<b>(13,590)</b>	<b>(108,437)</b>	<b>(473,562)</b>	<b>(581,999)</b>

### Movement in Reserves Statement 2010/11

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £000	Capital Receipts Reserves £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance At 31st March 2010	(10,515)	(56,896)	(8,550)	(817)	(2,589)	(21,527)	(100,894)	(404,802)	(505,696)
Surplus Or Deficit On Provision Of Services (accounting basis)	(150,858)	-	340,193	-	-	-	189,335	-	189,335
Other Comprehensive Expenditure And Income	-	-	-	-	-	-	-	(182,683)	(182,683)
<b>Total Comprehensive Expenditure And Income</b>	<b>(150,858)</b>	<b>-</b>	<b>340,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189,335</b>	<b>(182,683)</b>	<b>6,652</b>
Adjustments Between Accounting Basis And Funding Basis Under Regulations	159,059	-	(340,485)	817	(2,140)	(86)	(182,835)	182,835	-
<b>Net Increase/Decrease Before Transfers To Earmarked Reserves</b>	<b>8,201</b>	<b>-</b>	<b>(292)</b>	<b>817</b>	<b>(2,140)</b>	<b>(86)</b>	<b>6,500</b>	<b>152</b>	<b>6,652</b>
Transfers To/From Earmarked Reserves Increase/Decrease In Year	(8,303) (102)	7,419 7,419	884 592	- 817	- (2,140)	- (86)	- 6,500	- 152	- 6,652
<b>Balance At 31st March 2011</b>	<b>(10,617)</b>	<b>(49,477)</b>	<b>(7,958)</b>	<b>-</b>	<b>(4,729)</b>	<b>(21,613)</b>	<b>(94,394)</b>	<b>(404,650)</b>	<b>(499,044)</b>



## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

1 <sup>st</sup> April 2010 £'000	31 <sup>st</sup> March 2011 £'000		Notes	31 <sup>st</sup> March 2012 £'000
1,727,561	1,521,264	Property, Plant and Equipment	12	1,432,359
4,054	4,056	Heritage Assets	13	6,061
48,099	52,706	Investment Property	14	50,774
1,785	1,237	Intangible Assets	15	1,086
440	540	Assets Held for Sale	21	5,603
438	2,462	Long Term Debtors	19	2,334
<b>1,782,377</b>	<b>1,582,265</b>	<b>Long Term Assets</b>		<b>1,498,217</b>
28,737	24,117	Short Term Investments	16	15,105
122	89	Inventories	17	44
88,612	70,955	Short Term Debtors	19	63,825
17,754	33,755	Cash and Cash Equivalents	20	17,152
<b>135,225</b>	<b>128,916</b>	<b>Current Assets</b>		<b>96,126</b>
-	(14,462)	Cash and Cash Equivalents Overdrawn	20	(15,762)
(65,472)	(64,933)	Short Term Borrowing	16	(78,515)
(70,145)	(75,496)	Short Term Creditors	22	(68,892)
(3,009)	(21,174)	Provisions	23	(8,434)
<b>(138,626)</b>	<b>(176,065)</b>	<b>Current Liabilities</b>		<b>(171,603)</b>
(4,494)	(2,386)	Long Term Provisions	23	(2,804)
(587,254)	(580,760)	Long Term Borrowing	16	(325,130)
(648,712)	(429,816)	Other Long Term Liabilities	39	(498,771)
(25,816)	(23,110)	Capital Grants Receipts in Advance	40	(14,036)
<b>(1,266,276)</b>	<b>(1,036,072)</b>	<b>Long Term Liabilities</b>		<b>(840,741)</b>
<b>512,700</b>	<b>499,044</b>	<b>Net Assets</b>		<b>581,999</b>
103,844	94,394	Usable Reserves	24	108,438
408,856	404,650	Unusable Reserves	25	473,561
<b>512,700</b>	<b>499,044</b>	<b>Total Reserves</b>		<b>581,999</b>

An opening balance sheet is required by IAS 8, where there has been a change to accounting policies for which there is a material impact. The above restatement reflects the requirements of the 2011 Code of Practice in relation to Heritage Assets. Further details of the effect of this adjustment are disclosed in Note 54 to the accounts.



## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the authority's future service delivery.

2010/11 £'000		2011/12 £'000
189,334	Net (surplus) or deficit on the provision of services	(189,895)
(241,842)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	(108,109)
<b>(52,508)</b>	<b>Net cash flows from Operating Activities</b>	<b>(298,004)</b>
43,809	Investing Activities (Note 26)	70,916
7,160	Financing Activities (Note 27)	244,991
<b>(1,538)</b>	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>	<b>17,903</b>
<u>17,755</u>	Cash and cash equivalents at the beginning of the reporting period	<u>19,293</u>
<b><u>19,293</u></b>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b><u>1,390</u></b>

## Notes to the Statements

### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2011/12 and the Service Reporting Code of Practice (SERCOP) 2010/11, supported by International Financial Reporting Standards (IFRS) and Statutory guidance issued under section 12 of the 2003 Act.

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

#### 1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority,
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority,
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet,
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made,
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract, and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are, highly liquid investments that mature in (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 Authority's cash management.

#### 1.4 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

#### 1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 1.6 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 Authority 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 authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance called Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 1.7 Employee Benefits

### 1.7.1 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 (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### 1.7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority 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 in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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.

### 1.7.3 Post Employment Benefits

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

#### 1.7.4 The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Haringey pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie 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, using a discount rate of 2.8% (based on the Boxx Sterling Corporates AA Over 15 Years Index).
- The assets of Haringey pension fund attributable to the Authority 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 pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure Statement
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- 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 – are taken through the Comprehensive Income and Expenditure Statement and reversed via the Pensions Reserve,
- 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 Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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

### 1.7.5 Discretionary Benefits

The Authority 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.

### 1.8 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

those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is 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.

### 1.9 Financial Instruments

#### 1.9.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 Comprehensive Income and Expenditure Statement 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 Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

#### 1.9.2 Financial Assets

Financial assets are classified into two types:

- Loan and Receivables - assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

### 1.9.2.1 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a limited number of loans to employees and voluntary organisations at less than market rates (soft loans). The Authority has determined that the value of the notional interest foregone is negligible and so has not adjusted the entries to the Income and Expenditure in respect of these soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### 1.9.2.2 Available for Sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### 1.9.3 Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31<sup>st</sup> March 2012. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### 1.10 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 Authority when there is reasonable assurance that: the Authority 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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution 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-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

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

### 1.11 Community Infrastructure Levy

The Mayor of London has elected to charge a Community Infrastructure Levy (CIL), for which the Council acts as agent. The levy will be charged on new builds (chargeable developments within the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge on behalf of the Mayor of London, and pays the amounts over at specified dates throughout the year. This is an agency arrangement and therefore income and expenditure is not shown the Council's primary statements beyond those costs incurred as part of collection, for which the Council can recover.

### 1.12 Heritage Assets

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note 1.19 in this summary of significant accounting policies. The trustees of the Authority's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

### 1.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The Authority has a capitalisation threshold of £10,000.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **1.14 Interests in Companies and Other Entities**

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

The Authority has a financial relationship with a number of companies and so is required to prepare group accounts. All the companies with which Haringey has a relationship have been assessed against the group account requirements and Homes for Haringey and Alexandra Park and Palace Charitable Trust are 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.

#### **1.15 Inventories and Long Term Contracts**

Inventories (stock) are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### **1.16 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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 Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.



### 1.17 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### 1.18 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.

#### a) The Authority as Lessee

##### i. Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority 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 Comprehensive Income and Expenditure Statement).

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 authority at the end of the lease period).

The Authority 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 Movement in Reserves Statement for the difference between the two.

##### ii. Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement 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 (eg there is a rent-free period at the commencement of the lease).

## b) The Authority as Lessor

### i. Finance Leases

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

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.
- The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### ii. Operating Leases

Where the Authority 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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg 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 as an expense over the lease term on the same basis as rental income.

## 1.19 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (S<sub>e</sub>RCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in S<sub>e</sub>RCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## 1.20 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### 1.20.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority 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 (ie 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. The Council does not recognise Voluntary-aided or Foundation schools on its balance sheet.

### 1.20.2 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 Authority 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 (ie it will not lead to a variation in the cash flows of the Authority). 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 Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:  
infrastructure, community assets and assets under construction – depreciated historical cost  
dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)  
all other assets – fair 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 fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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.

### 1.20.3 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

Where impairment losses are identified, they are accounted for by:

where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

#### 1.20.4 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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

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

dwelling and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer

vehicles, plant, furniture and equipment – straight-line allocation over 5 years

infrastructure – straight-line allocation over 30 years.

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 are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### 1.20.5 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations (where material) that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie 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 (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent 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 Movement in Reserves Statement.

### 1.20.6 Treatment of School Assets

The accounting treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community schools and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided, controlled and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council.

Capital expenditure on community schools is added to the balances for those schools. Capital expenditure on voluntary aided, controlled and foundation schools is treated as "REFCUS" (Revenue from Capital under Statute") expenditure and written off each year to the Comprehensive Income and Expenditure Statement within Education and Children's services.

Individual schools' balances at 31st March 2012 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

### 1.20.7 PFI Schemes

The Council has a number of schools subject to PFI contracts. The PFI buildings for community and 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 in respect of all PFI schools remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

### 1.21 Private Finance Initiative (PFI) and Similar Contracts

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. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

The amounts payable to the PFI operators each year are analysed into five elements:

**fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement

**finance cost** – an interest charge of 5.13% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

**contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

**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)

**lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## 1.22 Provisions and Contingent Liabilities and Contingent Assets

### i. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority 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 Comprehensive Income and Expenditure Statement in the year that the authority 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, taking into account 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 (eg 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 authority settles the obligation.

### ii. Provision for Back Pay Arising from Unequal Pay Claims

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

### iii. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 in the accounts (Note 49).

### iv. Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential (Note 50).

## 1.23 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

#### **1.24 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### **1.25 VAT**

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

#### **1.26 Carbon Reduction Commitment Allowances**

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

## **2. Accounting Standards that have been issued but not yet adopted**

There are no issued accounting standards that are yet to be adopted.

### 3. Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The Authority has £27m deposited with Icelandic Banks. The predictions concerning recovery for amounts from two of the banks, Landsbanki and Glitnir, are based on legal advice that the Council's deposits have priority status.
- The authority has elected to use projected capital spend as a proxy for depreciation for Council Dwellings as permitted by statute, and
- The authority has determined that for all lease and lease-type arrangements, where the annual payment at lease inception is £50k or less, it would be immaterial to the accounts to distinguish between finance and operating leases. Thus any such arrangement will in effect be treated as an operating lease, and expensed as incurred.
- The bases of other critical adjustments relating to PFI Unitary Charge allocation, provisions, accruals and bad debt provisions, are set out in the associated notes to the accounts.

### 4. 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 Authority 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 Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- items relating to the Pension Fund liability and reserve: the liability held on the balance sheet is subject to actuarial estimation; some of the detail behind the estimates used by the actuaries are shown in note 47, and
- non-current asset valuation and useful economic life: estimates are made by valuers based on experience of the past markets for housing and property; please refer to note 12.

### 5. Material Items of Income and Expense

#### HRA Self Financing

On 5 October 2010 the Government announced in a Written Ministerial Statement its intention to replace the Housing Revenue Account subsidy system with a devolved system of council housing finance called self-financing.

As part of this move, the Government has determined that £233.85m of debt was in relation to the Council's housing portfolio, and repaid these on behalf of the Council. This is recognised as a Capital Grant on the face of the HRA Income and Expenditure Statement, and is transferred to the Capital Adjustment Account through the Statement of Movement on the Housing Revenue Account balance, to ensure a neutral impact on the fund.

Additionally, as part of this transaction the Authority incurred a premia on debt redemption totalling £60.47m which is recognised on the Interest Payable line of the HRA Income and Expenditure Statement. To neutralise the impact on the fund, and in accordance with the directions by the Secretary of State, the Council has recognised a capital grant for the same amount.

#### Academy Schools

During the year, two schools (Alexandra Park and Woodside High) elected to take up Academy status. As a result, the Council has granted long term leases of associated assets, and derecognised them from the Authority's asset base. The loss on derecognition for 2011/12 was £53.25m.

### 6. Post Balance Sheet Events

There are no post balance sheet events.



## 7. Adjustments Between Accounting Basis And Funding Basis Under Regulations

This note on the following pages details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following notes detail the adjustments for the financial years 2011/12 and 2010/11.

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	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in	Unusable Reserves
	£000	£000	£000	£000	£000		£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(21,799)	(18,137)					39,936
Revaluation losses on Property Plant and Equipment	(16,951)	(22,183)					39,134
Movements in the market value of Investment Properties	1,263						(1,263)
Amortisation of intangible assets	(463)						463
Capital grants and contributions applied	33,289	235,499					(268,788)
Revenue expenditure funded from capital under statute	(8,608)	(2,008)					10,616
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(44,209)	(1,882)					46,091
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	14,202						(14,202)
Capital expenditure charged against the General Fund and HRA balances	918						(918)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement							
Application of grants to capital financing transferred to the Capital Adjustment Account					8,023		(8,023)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,327	3,829	(5,156)				-
Use of the Capital Receipts Reserve to finance new capital expenditure			8,375				(8,375)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	(35)		35				-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(735)		735				-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(96)						96

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	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	£000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						-
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA				12,997		(12,997)
Use of the Major Repairs Reserve to finance new capital expenditure		13,622		(13,622)		-
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(135)	3,133				(2,998)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(37,953)	(180)				38,133
Employer's pensions contributions and direct payments to pensioners payable in the year	33,599	179				(33,778)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,934)	-	-	-	-	1,934
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	913	-	-	-	-	(913)
<b>Total Adjustments</b>	<b>(47,407)</b>	<b>211,872</b>	<b>3,989</b>	<b>(625)</b>	<b>8,023</b>	<b>(175,852)</b>



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	<u>Usable Reserves</u>					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(20,053)					20,053
Revaluation losses on Property Plant and Equipment	(19,554)	(346,640)				366,194
Movements in the market value of Investment Properties	4,430					(4,430)
Amortisation of intangible assets						
Capital grants and contributions applied	78,635				16,040	(94,675)
Movement in the Donated Assets Account						
Revenue expenditure funded from capital under statute	(16,398)					16,398
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,493		(10,540)			9,047
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	13,321					(13,321)
Capital expenditure charged against the General Fund and HRA balances	513	1,912				(2,425)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	16,126				(16,126)	
Application of grants to capital financing transferred to the Capital Adjustment Account						
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Use of the Capital Receipts Reserve to finance new capital expenditure			6,451			(6,451)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,949)		1,949			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						

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**Usable Reserves**

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA				(12,909)		12,909
Use of the Major Repairs Reserve to finance new capital expenditure				13,726		(13,726)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						
	(162)	3,278				(3,116)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement						
	70,532	965				(71,497)
Employer's pensions contributions and direct payments to pensioners payable in the year	33,358					(33,358)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements						
	(1,714)					1,714
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements						
	481					(481)
<b>Total Adjustments</b>	<b>159,059</b>	<b>(340,485)</b>	<b>(2,140)</b>	<b>817</b>	<b>(86)</b>	<b>182,835</b>

## 8. Transfers To/From 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 2011/12.

	Balance at 01/04/2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31/03/2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31/03/2012 £000
<b>General Fund</b>							
Schools reserve	4,407	(1,809)		2,598		2,474	5,072
Services reserve	930	(930)	4,785	4,785	(2,734)	6,367	8,418
Insurance reserve	8,643		284	8,927	(701)		8,226
PFI reserve	5,978		1,203	7,181	(703)	1,437	7,915
Infrastructure reserve	1,633		751	2,384		28	2,412
Transition reserves	10,160	(9,863)	1,502	1,800		4,581	6,381
Financing reserve	7,710	(434)	1,265	8,541	(83)	6,380	14,838
Debt repayment	17,434	(4,173)		13,261			13,261
<b>Total General Fund</b>	<b>56,895</b>			<b>49,477</b>			<b>66,523</b>
<b>HRA</b>							
Housing Repairs Account	8,550	(886)	294	7,958		3,656	11,614
Major Repairs Reserve	817	(13,726)	12,909	0	(12,997)	13,622	625
<b>Total HRA</b>	<b>9,367</b>			<b>7,958</b>			<b>12,239</b>
<b>Total Earmarked</b>	<b>66,262</b>			<b>57,435</b>			<b>78,762</b>

The **Schools Reserve** - the Secretary of State for Education requires all 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. The Secretary of State's definition of excessive is 5% of a secondary school's budget share or 8% of a primary or special school's, with a de minimis value of £10,000. In determining what is considered a surplus balance, authorities are expected to offset the following:

- Prior year commitments;
- Unspent standards fund from the previous financial year.
- Funds assigned by the governing body for specific purposes. The purposes must be permitted by the authority and can only be

These requirements have been fully taken account of in Haringey's Scheme for Financing Schools and applied since April 2008. There was no claw-back of balances in 2011/12.

The **Services Reserve** the Council's Cabinet may approve specific carry forwards for services where under or over spends have occurred in the financial year. This reserve earmarks those funds to be carried forward to the following financial year.

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

The **PFI Reserve** - used to fund future years' capital investment in the schools that were part of the Haringey PFI scheme. In the early years of the scheme this reserve will increase year on year in order to fund capital investment in the later years of the scheme.

The **Infrastructure Reserve** - the Authority 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 infrastructure reserve spreads the charge to revenue for this type of expenditure.

The **Transition Reserve** - The Transition Reserve is specifically earmarked for the costs associated with the Council's restructuring and savings programme. This Reserve is to fund the associated transition costs of redundancies, decommissioning, and investment necessary to deliver longer term efficiencies and change, as agreed by the Council as part of its Medium Term Financial Strategy.

The **Financing Reserve** - 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.

The **HRA Major Repairs Reserve** - The balance on this reserve represents the amount unspent of the major repairs allocation (MRA) and will be used for future housing capital spend.

The **Debt Repayment / Capital Reserve** - represents funds the Authority has set aside for the potential repayment of debt and for funding of future capital expenditure.

## 9. Other Operating Expenditure

The following table provides an analysis of the "Other Operating Expenditure" line in the Comprehensive Income and Expenditure Statement:

2010/11 £'000		2011/12 £'000
8,116	Levies	7,933
1,949	Payments to the Government Housing Capital Receipts Pool	736
(1,493)	(Gains)/Losses on the disposal of non-current assets	41,072
<u>8,572</u>	<b>Total</b>	<u>49,741</u>

## 10. Financing And Investment Income And Expenditure

The following table provides an analysis of the "Financing and Investment Income and Expenditure" line in the Comprehensive Income and Expenditure Statement:

2010/11 £'000		2011/12 £'000
43,421	Interest payable and similar charges	103,250
18,811	Pensions interest cost and expected return on pensions assets	11,707
(1,551)	Interest receivable and similar income	(2,315)
(4,813)	Income and expenditure in relation to investment properties and changes in their fair value	(1,263)
(1,828)	Other investment income	(1,582)
<u>54,040</u>	<b>Total</b>	<u>109,797</u>

## 11. Taxation And Non-Specific Grant Income

The following table provides an analysis of the "Taxation and Non-Specific Grant Income" line in the Comprehensive Income and Expenditure Statement

2010/11 £'000		2011/12 £'000
(99,257)	Council tax income	(100,566)
(126,287)	Non domestic rates	(117,043)
(61,145)	Non-ringfenced government grants	(66,510)
(94,761)	Capital grants and contributions	(329,262)
<u>(381,450)</u>	<b>Total</b>	<u>(613,381)</u>

## 12. Property, Plant And Equipment

The value of non-current assets shown on the balance sheet represents the value of assets held by the Authority.

### Property, Plant & Equipment 2011/12

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>								
At 1st April 2011	775,864	555,258	39,186	177,185	8,239	1,376	26,329	1,563,437
Additions	33,459	16,321	3,543	7,743	4,244	40	13,198	78,548
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,268	(67,093)	-	-	-	-	-	(61,825)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(22,280)	(14,612)	-	-	-	-	-	(36,892)
Disposals	(724)	(43,069)	-	-	-	(2)	-	(43,795)
Reclassifications	1,205	5,277	985	193	26	2,589	(6,566)	3,709
Assets reclassified (to)/from Held for Sale	(224)	-	-	-	-	(6,418)	-	(6,642)
Other movements in Cost or Valuation	-	3,062	-	-	-	6,378	-	9,440
<b>At 31st March 2012</b>	<b>792,568</b>	<b>455,144</b>	<b>43,714</b>	<b>185,121</b>	<b>12,509</b>	<b>3,963</b>	<b>32,961</b>	<b>1,525,980</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1st April 2011	-	3,080	(25,786)	(44,742)	-	5,275	-	(62,173)
Depreciation Charge	(17,958)	(12,757)	(4,024)	(5,054)	-	-	-	(39,793)
Depreciation written to the revaluation reserve	17,958	586	-	-	-	-	-	18,544
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	143	-	-	-	-	-	143
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(500)	-	-	-	-	-	(500)
Disposals	-	1,586	-	-	-	-	-	1,586
Reclassifications	-	(2,446)	-	-	-	472	-	(1,974)
Other movements in Depreciation and Impairment	-	(3,080)	-	-	-	(6,374)	-	(9,454)
<b>At 31st March 2012</b>	<b>-</b>	<b>(13,386)</b>	<b>(29,810)</b>	<b>(49,796)</b>	<b>-</b>	<b>(627)</b>	<b>-</b>	<b>(93,621)</b>
<b>Net Book Value</b>								
At 31st March 2012	792,568	441,756	13,904	135,325	12,509	3,336	32,961	1,432,359
At 31st March 2011	775,864	558,338	13,400	132,443	8,239	6,651	26,329	1,521,264

Property, Plant & Equipment 2010/11

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>								
At 1st April 2010	1,109,462	446,546	36,780	169,295	7,043	10,067	33,106	1,812,299
Additions	51,474	38,036	2,406	7,890	1,469	1,008	37,353	139,636
Revaluation recognised in the Surplus/Deficit on the provision of services	(350,272)	(21,826)	-	-	(89)	(281)	(3,587)	(376,055)
Disposals	-	-	-	-	-	(8,059)	-	(8,059)
Reclassifications	(2,719)	39,319	-	-	54	3,995	(40,543)	106
Revaluations recognised in the revaluation reserve	(32,081)	53,183	-	-	(238)	(5,354)	-	15,510
<b>At 31st March 2011</b>	<b>775,864</b>	<b>555,258</b>	<b>39,186</b>	<b>177,185</b>	<b>8,239</b>	<b>1,376</b>	<b>26,329</b>	<b>1,583,437</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1st April 2010	-	(19,849)	(21,471)	(39,952)	-	(3,466)	-	(84,738)
Depreciation Charge	(12,909)	(10,284)	(4,315)	(4,790)	-	-	-	(32,298)
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Depreciation written to the revaluation reserve	12,909	33,213	-	-	-	8,741	-	54,863
<b>At 31st March 2011</b>	<b>-</b>	<b>3,080</b>	<b>(25,786)</b>	<b>(44,742)</b>	<b>-</b>	<b>5,275</b>	<b>-</b>	<b>(62,173)</b>
<b>Net Book Value</b>								
At 31st March 2011	775,864	558,338	13,400	132,443	8,239	6,651	26,329	1,521,264
At 31st March 2010	1,109,462	426,697	15,309	129,343	7,043	6,601	33,106	1,727,561

The table above has been restated from the comparable figures published within the Authority's 2010/11 Statement of Accounts. This is to reflect that an asset that became operational in 2010/11 had not been transferred to Other Land and Buildings. The value of the adjustment is £37m and is reflected in the reclassifications line above.



The properties that comprise the Authority's portfolio, with the exception of investment properties, are valued on a rolling basis by the Authority's property valuation team who are members of the Royal Institute of Chartered Surveyors under the guidance of the Head of Corporate Property Services. The investment property portfolio was valued in 2011/12 by appropriately qualified external valuers Wilkes, Head and Eve. The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of the Royal Institute of Chartered Surveyors. Housing Revenue Account 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 CLG.

Included in the figures for other land and buildings are 56 community schools (primary and secondary). However the Council also provides revenue funding, through the dedicated schools grant, for all state schools in the borough. The table below shows the numbers of schools in the borough across various categories.

Category of School	Numbers
Foundation Trust	1
Voluntary Aided	22
Voluntary Controlled	1
Community	56
<b>Total</b>	<b>80</b>

The Council estimates that the voluntary aided schools have an asset value of approximately £64m.

#### Capital Commitments

2010/11 £'000	2011/12 £'000
0 Place & Sustainability	464
7,518 Housing Services	3,555
291 Adult Social Services	140
26,101 Children and Young People's Service (*)	10,103
<b>33,910 Total</b>	<b>14,262</b>

The 2011/12 commitments for Children & Young People's Services relates to the Broadwater Farm Inclusive Learning Campus and Rhodes Avenue Primary expansion projects (£3.6 million). The Housing Services relates to the Decent Homes Programme (£3.5 million). The Adult Social Service relates to various Community Care projects (£0.14m).

During the year two schools included within the opening Net Book Value

School	NBV written out £'000
Alexandra Park	28,160
Woodside High	25,090
	<b>53,250</b>

In 2012-13 it is likely that a further four schools will become Academies, and, if this goes ahead, they will need to be derecognised from the Authority's Balance Sheet. The carrying value of these schools as at 31st March 2012 is shown below.

School	NBV at 31st March 2012 £'000
Noel Park Primary	3,666
Downhill Primary	4,012
Coleraine Park Primary	3,242
Nightingale Primary	4,303
	<b>15,223</b>

### 13. Heritage Assets

	Civic Regalia £,000	Bruce Castle Museum Collection	Total Assets £,000
<b>Cost or Valuation</b>			
At 1st April 2010	219	3,835	4,054
Additions	-	2	2
Donations	-	-	-
Revaluations	-	1,750	1,750
Disposals	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-
Depreciation	-	-	-
<b>At 31st March 2011</b>	<b>219</b>	<b>5,587</b>	<b>5,806</b>
<b>Cost or Valuation</b>			
At 1st April 2011	219	5,587	5,806
Additions	-	-	-
Donations	-	-	-
Revaluations	198	58	256
Disposals	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	(1)	-	(1)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-
Depreciation	-	-	-
<b>At 31st March 2012</b>	<b>416</b>	<b>5,645</b>	<b>6,061</b>

#### Civic Regalia

The Council has, over the years amassed a number of items of historic, cultural or heritable value to the borough. Many of these predate to when the borough was made up of a number of constituency's. Additionally, the Council has been gifted regalia from local governing bodies from across the world. The value of Civic Regalia are based on internal estimates and accounted for in line with the Council's accounting policies

#### Bruce Castle Collection

Bruce Castle Museum's historical collections cover most aspects of local history for the area and the history of its communities within the London Borough of Haringey, and date from prehistory to the present day. The collections have been collected through donation, bequest and purchase since 1906 when the museum opened to the public for the first time as the Tottenham Museum. The scope of the collections covers social and working histories, fine and decorative arts, archaeology, geology, photographic and film collections, oral history, archives, books and ephemera. The values are based on internal estimates, and accounted for in line with the Council's accounting policies concerning tangible fixed assets.

**Art** – fine art collections of prints, drawings, watercolours, oil paintings, sculpture and ceramics – with the earliest paintings dating from c.1675 and other paintings and ceramics very much of a contemporary nature;

**Archive** – the official archive covering all aspects of local administration under the London Borough of Haringey and its predecessor authorities (Hornsey, Wood Green and Tottenham); the Manorial Court rolls and rare manuscripts dating as early as the 13<sup>th</sup> century; books and rare books covering the history of the local area: ephemera collections including local newspapers, directories and maps:

**Photographs, film & audio** - local photographs – approximately 31,000 photographs - mainly of local interest which includes rare and early photography of George Shadbolt of the 1850s and an unusual collection of photography from the two World Wars; a recently-digitised collection of 16mm film showing the local area during the 1950s, 60s and 70s; an oral history collection that has been actively collected on tape and digital files since the early 1970s.

**Social History** – there are approximately 4,000 objects of local interest ranging from domestic artefacts to sporting memorabilia for Spurs; the Postal History collection has c. 30,000 items, covering topics and including items that are of national importance; the costume and textiles collection comprises of approximately 1,000 items of local interest, including a comprehensive Victorian women's collection and smaller collections of applied art and samplers; there is also a small collection of archaeology dating from prehistory and the Roman periods.

**Geology** – this is a small but unusual collection of field samples including many from the

#### **Historic Street Furniture**

The Council has identified a number of assets located within the borough which are of historical and/or cultural merit. The nature of these items of street furniture, are such that it is not practicable to ascertain a monetary value, and the cost to do so is deemed to be substantially in excess of the benefit derived from having this information.

Further information on the Council's Historic Street furniture can be found on the Council's website:  
[www.haringey.gov.uk](http://www.haringey.gov.uk)

14. Investment Properties

2010/11	2011/12
£'000	£'000
5,079 Rental income due from investment property	5,315
2010/11	2011/12
£000	£000
48,098 Balance at 1 April	52,706
31 Additions and Enhancement Expenditure	40
5,577 Net gains/losses from fair value adjustments	1,263
Transfers:	
- (to)/from Property, Plant & Equipment	(2,632)
(1,000) Disposals	(603)
<u>52,706</u> Balance at 31 March	<u>50,774</u>

## 15. Intangible Assets

Intangible assets such as software and licences are amortised to the General Fund and/or Housing Revenue Account as appropriate over a five year term from the year of acquisition. The values of intangible assets are as follows:

2010/11 Other Assets Software Licences £'000		2011/12 Other Assets Software Licences £'000
	<b>Balance at start of year</b>	
3,631	Gross Carrying Amounts	3,715
(1,846)	Accumulated Amortisation	(2,478)
<b>1,785</b>	<b>Net carrying amount at start of year</b>	<b>1,237</b>
	<b>Additions</b>	
84	Purchases	135
(632)	Amortisation for the period	(463)
-	Reclassification	177
<u>1,237</u>	<b>Net carrying amount at end of year</b>	<u>1,086</u>
	<b>Comprising</b>	
3,715	Gross carrying amounts	3,850
(2,478)	Accumulated amortisation	(2,941)

## 16. Financial Instruments

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2011 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (PFI and finance leases), and investment transactions are classified as financial instruments.

### Financial Liabilities

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

The Council's loan portfolio at year end consisted of PWLB, market debt and temporary borrowing. Under the 2011 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to in the Comprehensive Income and Expenditure Statement. On 28th March 2012, the Council had £233.85m of PWLB loans repaid by the Communities and Local Government Department of central government as part of the move to self financing of housing.

Other types of financial liabilities the Council had were a PFI scheme, finance leases and trade payables (creditors). Further detail of these is disclosed in notes 22, 28, 39, 43 and 44 to the Accounts.

### 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 three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit and Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds and a call account. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Money Market Funds are classified as Available for Sale, however these funds are "Constant Net Asset Value" funds and therefore are not exposed to the risk of a change in the value of principal invested. Trade receivables (debtors) are also a financial asset and they are disclosed in detail in Note 19 to the Accounts.

Balances in money market funds and call accounts at 31st March 2012 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash.

The Council does not have any investments required to be measured at Fair Value through the Comprehensive Income and Expenditure Statement.

### Transaction costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2011/12.

**Financial Instruments - Balances**

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

	Long Term		Current	
	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-11 £'000	31-Mar-12 £'000
Trade Creditor	-	-	61,484	60,603
Borrowing	580,760	325,130	64,933	78,515
PFI	38,957	36,884	1,972	2,073
Finance Lease Liabilities	18,671	18,508	971	1,025
Cash and Cash Equivalents	-	-	14,462	15,762
<b>Total Financial Liabilities</b>	<b>638,388</b>	<b>380,522</b>	<b>143,822</b>	<b>157,978</b>
Trade Debtor	2,462	2,334	68,246	59,092
Loans and receivables	-	-	29,175	8,049
Available-for-sale financial assets	-	-	14,235	5,470
Cash and Cash Equivalents	-	-	33,755	17,152
<b>Total Financial Assets</b>	<b>2,462</b>	<b>2,334</b>	<b>145,411</b>	<b>89,763</b>

The following table reflects the composition of investments and debt recorded on the Balance Sheet:

	Long Term		Current	
	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-11 £'000	31-Mar-12 £'000
<b>Borrowing:</b>				
Nominal Amount	577,306	321,703	53,500	72,270
Accrued Interest	-	-	11,433	6,245
Unamortised Discounts/(Premiums) on modified loans	3,454	3,427	-	-
<b>Total Borrowing per Balance Sheet</b>	<b>580,760</b>	<b>325,130</b>	<b>64,933</b>	<b>78,515</b>
<b>Investments:</b>				
Nominal Amount	-	-	24,104	15,110
Accrued Interest	-	-	13	10
Exchange Rate Loss	-	-	-	(15)
<b>Total Investments per Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>24,117</b>	<b>15,105</b>

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'. This includes accrued interest on long term liabilities and investments that is payable in 2012/13.

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2011 Code of Practice sets out specific accounting requirements for soft loans. However no adjustment has been made in the accounts for these as they are very small in value. The table below shows the type and values of soft loans that Haringey Council has as at 31st March 2012:

Description of loan	2010/11	2011/12
	£'000	£'000
Employee Loans	88	110
Bernie Grant Arts Centre	340	340
<b>Total</b>	<b>428</b>	<b>450</b>



Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

	Total 2010/11 £'000	Financial Liabilities	Financial Assets		Total 2011/12 £'000
		Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for- sale assets £'000	
Interest expense	(43,224)	(42,803)	-	-	(42,803)
Losses on derecognition	-	(60,474)	-	-	(60,474)
Impairment losses	(197)	-	-	-	-
<b>Interest payable and similar charges</b>	<b>(43,421)</b>	<b>(103,277)</b>	-	-	<b>(103,277)</b>
Interest income	1,552	-	1,340	124	1,464
Impairment Gains	-	-	866	-	866
Gains on derecognition	-	-	-	-	-
<b>Interest and investment income</b>	<b>1,552</b>	-	<b>2,206</b>	<b>124</b>	<b>2,330</b>
Amounts recycled to the I&E account after impairment	-	-	(15)	-	(15)
<b>Surplus arising on revaluation of financial assets</b>	-	-	<b>(15)</b>	-	<b>(15)</b>
<b>Net gain/(loss) for the year</b>	<b>(41,869)</b>	<b>(103,277)</b>	<b>2,191</b>	<b>124</b>	<b>(100,962)</b>
Adjustments via the financial instruments adjustments account of impairments of Icelandic investments and LOBOs in 2010/11	(10)	27	-	-	27
<b>Net gain/(loss) for the year</b>	<b>(41,879)</b>	<b>(103,250)</b>	<b>2,191</b>	<b>124</b>	<b>(100,935)</b>



## Financial Instruments - Fair Values

The Council's long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The portion of borrowings and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term borrowings or short term investments. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The 2011 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in the Code as the amount for which asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2011 and 31 March 2012 consisted of loans from the Public Works Loan Board (PWLB), market loans and temporary borrowing. The Council's treasury adviser has calculated the fair values based on equivalent swap rates at the Balance Sheet for the market loans and the rate for new borrowing for the PWLB loans. In addition the PWLB has provided the Council with Fair Value amounts assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates (this amounts to £279.96m). The maturity date of the temporary borrowing was within 12 months of the Balance Sheet date and the contract does not permit premature redemption, therefore fair value is judged to be the same as amortised cost.

In the case of the Council's investments, there was only one term deposit with a Bank. The maturity date of this investment was within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption.

	31st March 2011		31st March 2012	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<b>Financial liabilities</b>				
PWLB Maturity	470,144	500,982	205,544	234,764
PWLB Variable EIP	18,001	17,928	7,746	7,746
PWLB Fixed EIP	24,076	24,119	9,686	10,069
Market Loans	130,468	148,322	130,461	174,346
Temporary Borrowing	3,004	3,004	50,207	50,207
PFI Liability	40,929	40,929	38,957	38,957
Finance Lease Liabilities	19,642	19,642	19,533	19,533
Trade Creditors	61,484	61,484	60,603	60,603
Cash and Cash Equivalents	14,462	14,462	15,762	15,762
<b>Financial liabilities</b>	<b>645,693</b>	<b>830,872</b>	<b>403,644</b>	<b>477,132</b>
<b>Financial assets</b>				
Trade Debtors	70,708	70,708	66,113	66,113
Short Term Investments	24,117	24,117	15,105	15,105
Cash & cash equivalents	33,755	33,755	17,152	17,152
<b>Financial assets</b>	<b>57,872</b>	<b>57,872</b>	<b>32,257</b>	<b>32,257</b>

### Financial Liabilities

The fair value of financial liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

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**17. Inventories**

	2010/11 £'000	2011/12 £'000
Balance outstanding at start of the year	122	89
Movement in year	(33)	(45)
Recognised as an expense in the year	-	-
Written off balances	-	-
Reversals of write-offs in previous years*	-	-
<b>Balance outstanding at the year end</b>	<b>89</b>	<b>44</b>

**18. Construction Contracts**

The Council has no construction contracts to disclose where the Council is undertaking construction work on behalf of its customers

## 19. Debtors

The following table provides an analysis of money owed to the Authority by other bodies as at 31 March 2012 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.

2010/11 Net £'000		2011/12 Gross £'000	2011/12 Impairment £'000	2011/12 Net £'000
<b>Public Sector Debtors</b>				
6,487	Government Depts.	6,200	-	6,200
-	NNDR Pool	-	-	-
10,053	HM Revenue and Customs	9,033	-	9,033
8,251	NHS	1,739	-	1,739
3,366	Education - Recoupment	3,558	-	3,558
1,209	Other Local Authorities	1,552	-	1,552
4,595	Other Public Bodies	3,059	-	3,059
<b>33,961</b>	<b>Total Public Sector Debtors</b>	<b>25,141</b>	<b>-</b>	<b>25,141</b>
<b>Non-public Sector Debtors</b>				
1,201	Housing Rent payers	11,022	(9,240)	1,782
11,598	Council Tax payers	32,638	(24,461)	8,177
301	Business Rate payers	449	-	449
1,270	Parking Notices	8,374	(7,568)	806
1,187	Homelessness	9,188	(8,608)	580
6,881	Leasehold	6,576	(1,143)	5,433
5,409	Housing Benefit Overpayments	14,514	(9,047)	5,467
6,438	Sundry Debtors	14,501	(3,084)	11,417
<b>34,285</b>	<b>Total Non-Public Sector Debtors</b>	<b>97,262</b>	<b>(63,151)</b>	<b>34,111</b>
2,709	Payments In advance	4,573	-	4,573
<b>70,955</b>	<b>Total debt</b>	<b>126,976</b>	<b>(63,151)</b>	<b>63,825</b>

### Long Term Debtors

Long-term debts are those falling due after a period of at least one year. An analysis of these debts as at 31 March 2012 is shown below.

2010/11 Net £'000		2011/12 Gross £'000	2011/12 Impairment £'000	2011/12 Net £'000
<b>Long Term Debtors</b>				
2,070	Alexandra Park & Palace	44,838	(42,866)	1,971
294	Housing mortgages	242	-	242
10	Housing associations	10	-	10
88	Loans to Employees	111	-	111
<b>2,462</b>	<b>Total</b>	<b>45,201</b>	<b>(42,866)</b>	<b>2,334</b>



(a) **Public Sector Debt**

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

(b) **Non-Public Sector Debt**

The table above shows the total value of bad debt provision (£56.256m) that has been set aside for each type of non-public sector debt. This is assessed on an annual basis and appropriate risk evaluations against non collection are made on each debt type. Detailed below are the major debt types with a breakdown, over periods, of the debt and how the bad debt provision has been arrived at.

i. **Council Tax** - shown below is a breakdown of the gross outstanding council tax due to both the Council and the GLA over the years to which it is attributable.

Financial Year	Debt outstanding 2011/12 (£'000)
2001/02 and earlier	1,550
2002/03	597
2003/04	1,522
2004/05	1,994
2005/06	2,850
2006/07	3,557
2007/08	4,782
2008/09	4,922
2009/10	5,186
2010/11	5,053
2011/12	4,681
<b>Total</b>	<b>36,694</b>

The total of £37.793m shown in the debtors note section (a) does not include the Greater London Authority's share of the Council Tax debt outstanding (£7.610m) but does include court costs and penalties of £2.708m.

	£'000
Gross Council tax debt	36,694
GLA	(7,610)
Court costs	2,709
	<b>31,793</b>

A percentage bad debt provision is applied to each year, with a 100% provision applicable for any year prior to 2005/06 which reduces the gross amount of £31.793m to a net £13.968m of unprovided Council Tax debt.



II. **Housing Rents** - Detailed below is a breakdown of the gross outstanding housing rents in various categories. A percentage bad debt provision is applied to each band of debt up to a maximum of 95% for debt over £1,000 and for former tenants providing a total impairment amount of £9.240m. The gross debt outstanding then reduces to a net £1.782m of unprovided outstanding housing rent.

Band of debt outstanding	Total Debt outstanding (£'000)
< £100	112
< £250	210
< £500	406
< £750	372
< £1,000	326
> £1,000	4,655
Former Tenants	4,941
<b>TOTAL</b>	<b>11,022</b>

- III. **Parking notices** - £866k of unprovided parking notices remained outstanding as at the end of the year. A settlement discount is offered if the penalty is paid within 14 days. A 'Notice to Owner' requiring full payment is issued after 28 days.
- IV. **Homelessness** - £580k of unprovided homelessness debtors remained outstanding as at the end of the year.
- V. **Leasehold** - £5.433m of unprovided leasehold debts remained outstanding as at the end of the year. Leasehold balances are due on certain dates throughout the month and bear no credit terms. £5.433m is therefore considered to be past due.
- VI. **Housing Benefit Overpayments** - £5.467m of unprovided housing benefits remain overpaid as at 31 March 2012. All are considered past due.
- VII. **Sundry Debtors** - £12.2m of unprovided sundry debtors remain. Balances include school debtors, commercial rents and general sundry debt.

#### Bad Debt Provisions

The provisions for bad debt within the accounts reflect past experience and are a matter of professional judgement based on the particular circumstances relating to each debt or debtor type.

## 20. Cash And Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the authority's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

2010/11 £'000		2011/12 £'000
14,235	Money Market Funds	5,470
10,400	Call Accounts (same day access)	0
8,981	Bank current Accounts	11,509
139	Cash held by the Authority	173
<u>33,755</u>	<b>Cash and Cash Equivalents</b>	<u>17,152</u>
(14,462)	Bank Overdraft	(15,762)
<u>(14,462)</u>	<b>Cash and Cash Equivalents Overdrawn</b>	<u>(15,762)</u>
<u>19,293</u>	<b>Total Cash and Cash Equivalents</b>	<u>1,390</u>

## 21. Assets Held For Sale

'Assets Held for Sale' are assets which satisfy strict criteria including being immediately available for sale, a high probability the sale will take place in the next year and being actively marketed. Other surplus assets that don't meet this criteria are held within Property, Plant and Equipment

2010/11 £000		2011/12 £000
440	<b>Balance outstanding at April 1</b>	540
	Assets newly classified as held for sale:	
0	Property, Plant and Equipment	6,103
0	Revaluation losses	(500)
100	Revaluation gains	0
0	Assets Sold	(540)
<u>540</u>	<b>Balance Outstanding at March 31</b>	<u>5,603</u>

## 22. Creditors

The following table provides an analysis of money owed by the Authority as at 31 March 2012.

2010/11		2011/12
£'000		£'000
13,746	Government Departments	672
1,363	NHS	703
758	Other Public Sector	666
6,742	HMRC - Tax and NI	6,411
2,872	Education - Recoupment	2,999
863	Pension Funds	1,397
35,140	Sundry Creditors	43,243
7,997	Receipts in advance	7,699
6,015	Short-term compensating absences	5,102
<u>75,496</u>	<b>Total</b>	<u>68,892</u>

### Accruals

Accruals wherever possible, reflect the value of goods or services received but not yet paid as at 31st March. Where an invoice has not been received at the time of preparing the accounts, the accrual represents the best estimate available.

For short-term compensating absences, the basis of the accrual is the number of days outstanding leave for each member of staff multiplied by their associated 'day rate'.



### 23. Provisions

Provisions are amounts set aside to meet future material liabilities of uncertain timing or amount

As at 31 March 2012	Insurance £'000	Redundancy £'000	Other Provisions £'000	Total £'000
Balance at April 2011	6,759	13,807	2,991	23,556
Additional provisions made in 2011/12	336	-	2,391	2,727
Amounts used in 2011/12	-	(11,025)	(2,560)	(13,585)
Unused amounts reversed in 2010/11	-	(1,542)	-	(1,542)
Unwinding of discounting in 2011/12	81	-	-	81
Transfer to long-term provisions	-	-	-	-
<b>Balance at 31 March 2012</b>	<b>7,176</b>	<b>1,240</b>	<b>2,822</b>	<b>11,238</b>
<b>Comprising:</b>				
Less than 12 months	4,572	1,240	2,622	8,434
Greater than 12 months	2,604	-	200	2,804
<b>Total</b>	<b>7,176</b>	<b>1,240</b>	<b>2,822</b>	<b>11,238</b>
As at 31st March 2011	£'000	£'000	£'000	£'000
Balance at April 2010	6,643	450	410	7,503
Additional provisions made in 2010/11	125	13,807	2,581	16,513
Amounts used in 2010/11	-	(128)	-	(128)
Unused amounts reversed in 2010/11	-	(322)	-	(322)
Unwinding of discounting in 2010/11	(10)	-	-	(10)
<b>Balance at 31 March 2011</b>	<b>6,759</b>	<b>13,807</b>	<b>2,991</b>	<b>23,556</b>
<b>Comprising:</b>				
Less than 12 months	-	13,807	2,791	21,174
Greater than 12 months	6,759	-	200	2,386
<b>Total</b>	<b>6,759</b>	<b>13,807</b>	<b>2,991</b>	<b>23,560</b>

The **Insurance provision** is required because some of the Authority'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 Authority self-insures. Depending on the claims these payments may be made over a period of a number of years.

The Authority provides for each outstanding insurance claim separately and may recognise a reimbursement if recovery is virtually certain if this is appropriate for the type of claim.

The **Redundancy provision** relates to a number of planned changes due to ongoing restructures within the Council.

The Council has a number of other provisions for known liabilities.

The amounts above are estimates based on the best information available, in accordance with best practise.



## 24 Usable Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Reserves are reviewed as part of the budget process together with the Authority's agreed reserves policy in accordance with S.23 of the Local Government Act 2003.

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 24 and 25. Earmarked reserves are detailed in note 8.

31 March 2011	31 March 2012
£000	£000
10,617 General Fund	15,346
7,958 Housing Revenue Account	11,614
4,729 Capital Receipts Reserve	740
0 Major Repairs Reserve	625
21,613 Capital Grants Unapplied	13,590
49,477 Earmarked	66,523
94,394 Total Usable Reserves	108,438

### Usable Capital Receipts Reserve

The capital receipts are income from the sale of long-term assets and repayments of capital advances. Legislation requires that a proportion of these receipts are paid to central government. The remaining amounts can then be used to finance capital expenditure.

2010/11	2011/12
£'000	£'000
2,590 Balance as at 1 April	4,729
<u>Sale of Assets:</u>	
2,552 Council Dwellings	978
4,996 HRA Land and Buildings	4,130
- Other HRA Assets	-
2,992 General Fund Assets	14
10,540 Total Receipts	5,122
<u>Use of Receipts:</u>	
(1,949) Receipts paid to Government	(735)
(6,452) Financing Capital Expenditure	(8,376)
(8,401)	(9,111)
4,729 Balance as at 31 March	740



## 25. Unusable Reserves

31 March 2011	31 March 2012
£000	£000
287,101 Revaluation Reserve	211,732
504,460 Capital Adjustment Account	719,407
(8,690) Financial Instruments Adjustment Account	(5,692)
2,792 Deferred Capital Receipts & Credits Reserve	242
(373,284) Pensions Reserve	(443,379)
(1,714) Collection Fund Adjustment Account	(3,647)
(6,015) Accumulated Absences Account	(5,102)
404,650 Total Unusable Reserves	473,561

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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 Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11	2011/12
£000	£000
(229,826) Balance at 1 April	(287,102)
(Upward)/Downward revaluation of assets and impairment losses not charged to the	
(71,790) Surplus/Deficit on the Provision of Services	41,199
Difference between fair value depreciation and	
3,648 historical cost depreciation	5,764
10,866 Accumulated (gains) on assets sold or scrapped	28,407
(287,102) Balance at 31 March	(211,732)

### Accumulated Absences Reserve

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11	2011/12
£000	£000
6,496 Balance at 1 April	6,015
Settlement or cancellation of accrual made at the	
(6,496) end of the preceding year	(6,015)
6,015 Amounts accrued at the end of the current year	5,102
6,015 Balance at 31 March	5,102



**Financial Instruments Adjustments Account**

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

There is a requirement for all premiums and discounts arising from loan extinguishments from 1 April 2006 to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Comprehensive Income and Expenditure Statement over the life of the new loan. A modification exists where the terms of the new debt are not "substantially different" from those of the old debt.

In the case of premiums and discounts relating to transactions occurring prior to 1 April 2006, these are classified between those that are overhanging and those that are not overhanging. Overhanging premiums and discounts are those that cannot be associated with a continuing loan. These must be written off in full as an adjustment to the General Fund Balances Brought Forward at 1 April 2007.

In the case of overhanging premiums or discounts, or those relating to loan extinguishments, Statutory Provisions exist to override the provisions of the Code of Practice. The charges are reversed out in the Statement of Movements on Balances and premiums and discounts are amortised to Revenue over a period of years. Where premiums and discounts are not overhanging or are linked to transactions meeting criteria of a loan modification the statutory provisions relating to the General Fund do not apply.

Premiums amortised under statutory provisions can be charged to the General Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts must be credited to the General Fund over 10 years or the life of the original loan, whichever is the shorter period. In the case of the Housing Revenue Account premiums and discounts are applied over a maximum 10 year period in all circumstances in accordance with Statutory Requirements.

The transactions reflected in the FIAA in 2011/12 are as follows:

2010/11 £000	2011/12 £000
11,796 <b>Balance at 1 April</b>	8,690
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory	
(3,116) requirements	(2,971)
Effective interest rate (EIR) adjustment on LOBO 10 borrowing	(27)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the	
(3,106) year in accordance with statutory requirements	(2,998)
<b>8,690 Balance at 31 March</b>	<b>5,692</b>



**Pension Fund 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 Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement 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 Authority makes employer's contributions to pension funds or eventually pays 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 Authority 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.

2010/11 £000	2011/12 £000
589,457 <b>Balance at 1 April</b>	373,284
(111,318) Actuarial (gains) or losses on pensions assets and liabilities	65,741
0 Net Assets acquired on business combinations	(1,668)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	39,801
(71,497) Employer's pensions contributions and direct payments to pensioners payable in the year	(33,778)
373,284 <b>Balance at 31 March</b>	443,380

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £000	2011/12 £000
0 <b>Balance at 1 April</b>	1,714
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,933
1,714 <b>Balance at 31 March</b>	3,647

The balance of £3.6m shown in 2011/12 represents the Council's share of the deficit on the Collection Fund.



**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 is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £000		2011/12 £000
(786,776)	<b>Balance at 1 April</b>	(504,460)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
385,581	Charges for depreciation and impairment of noncurrent assets	39,937
632	Revaluation losses on Property, Plant and Equipment	39,134
	Amortisation of intangible assets	463
13,572	Revenue expenditure funded from capital under statute	10,616
5,231	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	46,091
405,016		136,241
	0 Adjusting amounts written out of the Revaluation Reserve	(28,407)
	0 Other Capital Movements	(14,093)
405,016	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>93,741</b>
	Capital financing applied in the year:	
(6,452)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8,023)
(817)	Use of the Major Repairs Reserve to finance new capital expenditure	(12,997)
(94,676)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(268,788)
	Application of grants to capital financing from the Capital Grants Unapplied Account	
(13,321)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,202)
(2,622)	Capital expenditure charged against the General Fund and HRA balances	(918)
0	Write Out of Deferred Credits	(2,497)
(117,887)		(307,425)
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	
(4,813)		(1,263)
<u>(504,460)</u>	<b>Balance at 31 March</b>	<u>(719,407)</u>

## 26. Cash Flow Statement – Adjustments for Non-Cash Transactions

2010/11 Description £'000	2011/12 £'000
(20,054) Depreciation	(39,936)
(399,619) Impairments	(39,134)
(632) Amortisation	(463)
(18,752) Increase in Provision in Bad Debt	8,273
(5,868) Movement in Creditors	9,042
3,908 Movement in Debtors	(15,851)
(33) Movement in Stock	(45)
104,855 Pension Liability	4,355
22,844 IFRS related Adjustments	0
(9,047) Carry amount of non-current assets sold	(46,091)
(16,057) Movement in provisions	10,558
4,430 Movement in the value of investment properties	1,263
92,055 Grants Applied to the financing of capital expenditure	0
128 Other Non Cash Adjustments	(5,214)
0 Adjust for cash items disclosed below	5,134
<b>(241,842) Net cash flows from operating activities</b>	<b>(108,109)</b>

## 27. Cash Flow Statement - Investing Activities

2010/11 Description £'000	2011/12 £'000
Purchase of property, plant and equipment, investment property and intangible assets	85,062
288,931 Purchase of short-term and long-term investments	264,025
Other payments for investing activities	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,134)
(294,640) Proceeds from short-term and long-term investments	(273,037)
(94,761) Other receipts from investing activities	0
<b>43,809 Net cash flows from investing activities</b>	<b>70,916</b>

## 28. Cash Flow Statement - Financing Activities

2010/11 £'000	2011/12 £'000
(47,000) Cash receipts of short- and long-term borrowing	(55,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,943
52,005 Repayments of short- and long-term borrowing	297,048
<b>7,160 Net cash flows from financing activities</b>	<b>244,991</b>

**29. Amounts Reported for Resource Allocation Decisions**

The aim of the segment report is to disclose information to enable users of the statement of accounts to evaluate the nature and financial effects of the authority's activities and the economic environment in which it operates. The reportable segments shown in the analysis provided below are based on the authority's internal reporting arrangements.

2011/12	Net Budget	Expenditure	Income	Net Expenditure	Transfers to/(from) reserves	Net Outturn	Variance to budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and Expenditure</b>							
<b>General Fund</b>							
Adults & Housing	98,966	147,010	(53,488)	93,522	3,415	96,937	(2,029)
Place & Sustainability	54,491	120,535	(66,405)	54,130	155	54,285	(206)
Public Health	932	4,027	(3,071)	956	-	956	24
Corporate Resources	11,850	347,418	(338,121)	9,297	2,510	11,807	(43)
Children and Young People	87,758	126,789	(39,728)	87,061	632	87,693	(65)
Chief Executive Services	969	20,085	(19,365)	720	30	750	(219)
<b>Services</b>	<b>254,966</b>	<b>765,864</b>	<b>(520,178)</b>	<b>245,686</b>	<b>6,742</b>	<b>252,428</b>	<b>(2,538)</b>
Non Service Revenue	31,203	282,948	(254,052)	28,896	-	28,896	(2,307)
<b>Total Net Cost of Services</b>	<b>286,169</b>	<b>1,048,812</b>	<b>(774,230)</b>	<b>274,582</b>	<b>6,742</b>	<b>281,324</b>	<b>(4,845)</b>
External Funding	(286,169)	-	(286,052)	(286,052)	-	(286,052)	117
<b>Total General Fund</b>	<b>-</b>	<b>1,048,812</b>	<b>(1,060,282)</b>	<b>(11,470)</b>	<b>6,742</b>	<b>(4,728)</b>	<b>(4,728)</b>
Housing Revenue Account	(291)	169,335	(172,991)	(3,656)	-	(3,656)	(3,365)
Individual Schools	-	218,741	(221,215)	(2,474)	2,474	-	-
<b>Total Council</b>	<b>(291)</b>	<b>1,436,888</b>	<b>(1,454,488)</b>	<b>(17,600)</b>	<b>9,216</b>	<b>(8,384)</b>	<b>(8,093)</b>

**Reconciliation between the deficit on the Provision of Services and the Council's Net Expenditure**

(Surplus)/Deficit on Provision of Services	£'000
	(189,895)
Depreciation, amortisation and impairment	(78,270)
Payments to the housing capital receipts pool	(735)
Gains/Losses on disposal of non-current assets	(46,091)
Pension Fund adjustments	(4,355)
Transfer to Reserves	17,046
Capital Financing	258,172
Other accounting adjustments	35,744
<b>Total Net Expenditure</b>	<b>(8,384)</b>

Expenditure	Employees	Premises	Transport	Supplies & Services	3rd Party Payments	Transfer Payments	Support Services	Capital Costs	Capital Financing	Transfers to Reserves	Gross Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>											
Adults & Housing	35,367	21,634	1,010	7,396	72,880	53	8,287	383		3,415	150,425
Place & Sustainability	38,551	14,795	2,813	7,172	38,733	0	10,743	7,220	508	155	120,690
Public Health	822	194	11	264	2,467	6	85	76	102	0	4,027
Corporate Resources	25,961	467	65	10,761	1,142	298,781	8,932	1,309	0	2,510	349,928
Children and Young People	44,394	1,240	668	6,845	51,844	1,579	10,037	10,182	0	632	127,421
Chief Executive Services	10,793	84	14	4,856	545	0	3,793	0	0	30	20,115
<b>Services</b>	<b>155,888</b>	<b>38,414</b>	<b>4,581</b>	<b>37,294</b>	<b>167,611</b>	<b>300,419</b>	<b>41,877</b>	<b>19,170</b>	<b>610</b>	<b>6,742</b>	<b>772,606</b>
Non service revenue	2,875	0	0	737	10,087	0	8,485	(10,989)	261,449	10,304	282,948
<b>Total</b>	<b>158,763</b>	<b>38,414</b>	<b>4,581</b>	<b>38,031</b>	<b>177,698</b>	<b>300,419</b>	<b>50,362</b>	<b>8,181</b>	<b>262,059</b>	<b>17,046</b>	<b>1,055,554</b>
Housing Revenue Account	2,909	12,263	84	1,552	41,663	1,899	3,555	0	105,410	0	169,335
Individual Schools	170,544	13,266	856	22,929	10,044	26	0	1,076	0	2,474	221,215
<b>Total Council</b>	<b>332,216</b>	<b>63,943</b>	<b>5,521</b>	<b>62,512</b>	<b>229,405</b>	<b>302,344</b>	<b>53,917</b>	<b>9,257</b>	<b>367,469</b>	<b>19,520</b>	<b>1,446,104</b>
<b>Income</b>											
<b>General Fund</b>											
Adults & Housing	(106)	(393)	(50,393)	0	(2,596)	(53,488)					
Place & Sustainability	(4,800)	(61)	(42,900)	0	(18,644)	(66,405)					
Public Health	(427)	(909)	(1,735)	0	0	(3,071)					
Corporate Resources	(299,678)	(4,529)	(2,950)	0	(30,964)	(388,121)					
Children and Young People	(23,989)	(3,903)	(4,983)	0	(6,853)	(39,728)					
Chief Executive Services	(283)	0	(2,069)	0	(17,013)	(19,365)					
<b>Services</b>	<b>(329,283)</b>	<b>(9,795)</b>	<b>(105,030)</b>	<b>0</b>	<b>(76,070)</b>	<b>(520,176)</b>					
Non service revenue	(239,624)	0	(4,852)	(2,201)	(7,375)	(254,052)					
<b>Total on General Fund</b>	<b>(568,907)</b>	<b>(9,795)</b>	<b>(108,882)</b>	<b>(2,201)</b>	<b>(83,445)</b>	<b>(774,230)</b>					
Housing Revenue Account	(73,203)	0	(99,315)	(114)	(359)	(172,991)					
Individual Schools	(202,311)	0	(12,808)	0	(6,096)	(221,215)					
External Funding	(183,552)	0	(102,500)	0	0	(286,052)					
<b>Total Council</b>	<b>(1,027,973)</b>	<b>(9,795)</b>	<b>(324,505)</b>	<b>(2,315)</b>	<b>(89,900)</b>	<b>(1,454,486)</b>					



### Amounts Reported for Resource Allocation Decisions

2010/11 Income and Expenditure	Net Budget £'000	Expenditure £'000	Income £'000	Net Expenditure £'000	Transfers to/(from) reserves £'000	Net Outturn £'000	Variance to budget £'000
<b>General Fund</b>							
Adults & Housing	77,066	164,000	(86,362)	77,639	1,104	78,743	1,676
Place & Sustainability	58,023	136,880	(80,445)	56,435	0	56,435	(1,588)
Public Health	614	3,908	(3,265)	642	0	642	29
Corporate Resources	4,686	340,517	(339,175)	1,342	2,550	3,892	(794)
Children and Young People	71,219	151,692	(74,183)	77,509	1,092	78,601	7,382
Chief Executive Services	2,464	23,706	(22,202)	1,504	0	1,504	(960)
<b>Services</b>	<b>214,072</b>	<b>820,702</b>	<b>(605,631)</b>	<b>215,071</b>	<b>4,746</b>	<b>219,817</b>	<b>5,745</b>
Non-Haringey	8	(0)	0	(0)	0	(0)	(8)
Non service revenue	31,515	46,422	(17,512)	28,909	(3,233)	25,676	(5,839)
<b>Total Non Service Revenue</b>	<b>31,523</b>	<b>46,422</b>	<b>(17,512)</b>	<b>28,909</b>	<b>(3,233)</b>	<b>25,676</b>	<b>(5,847)</b>
<b>Total on General Fund</b>	<b>245,595</b>	<b>867,124</b>	<b>(623,144)</b>	<b>243,980</b>	<b>1,513</b>	<b>245,493</b>	<b>(102)</b>
Housing Revenue Account	2,871	111,216	(110,624)	592	0	592	(2,279)
Individual Schools	0	220,967	(219,159)	1,809	(1,809)	0	0
External Funding	(245,595)	0	(245,595)	(245,595)	0	(245,595)	0
<b>Total Council</b>	<b>2,871</b>	<b>1,199,307</b>	<b>(1,198,521)</b>	<b>786</b>	<b>(296)</b>	<b>490</b>	<b>(2,381)</b>

### Reconciliation between the deficit on the Provision of Services and the Council's Net Expenditure

(Surplus)/Deficit on Provision of Services	£'000
	189,335
Depreciation, amortisation and impairment	(398,215)
Payments to the housing capital receipts pool	(1,949)
Gains/Losses on disposal of non-current assets	1,493
Pension Fund adjustments	104,855
Transfer to Reserves	(7,419)
Capital Financing	110,507
Other accounting adjustments	1,883
<b>Total Net Expenditure</b>	<b>490</b>

Expenditure	Employees £'000	Premises £'000	Transport £'000	Supplies & Services £'000	3rd Party Payments £'000	Transfer Payments £'000	Support Services £'000	Capital Costs £'000	Capital Financing £'000	Contingencies £'000	Gross Expenditure £'000
<b>General Fund</b>											
Adults & Housing	41,759	24,922	1,270	9,840	75,724	77	10,115	292	0	0	164,000
Place & Sustainability	49,014	15,882	4,215	12,827	33,805	0	13,869	6,748	508	13	136,880
Public Health	904	165	13	268	2,313	30	113	0	102	0	3,908
Corporate Resources	27,854	243	76	12,813	533	287,438	9,730	1,083	747	0	340,517
Children and Young People	54,680	1,442	3,100	13,509	59,039	2,413	9,640	7,859	0	9	151,692
Chief Executive Services	12,169	121	24	7,179	649	0	3,564	0	0	0	23,706
<b>Services</b>	<b>186,381</b>	<b>42,775</b>	<b>8,697</b>	<b>56,436</b>	<b>172,063</b>	<b>289,958</b>	<b>47,031</b>	<b>15,982</b>	<b>1,357</b>	<b>22</b>	<b>820,702</b>
<b>Non service revenue</b>	<b>12,703</b>	<b>(350)</b>	<b>1</b>	<b>2,806</b>	<b>13,948</b>	<b>0</b>	<b>11,912</b>	<b>(16,324)</b>	<b>24,294</b>	<b>(2,863)</b>	<b>46,126</b>
Housing Revenue Account	2,922	11,083	80	1,303	41,759	1,942	3,800	1,910	34,382	12,035	111,216
Individual Schools	174,596	13,492	1,064	24,141	7,212	0	0	463	0	0	220,967
<b>Total Council</b>	<b>376,602</b>	<b>67,001</b>	<b>9,842</b>	<b>84,685</b>	<b>234,982</b>	<b>291,900</b>	<b>62,743</b>	<b>2,030</b>	<b>60,032</b>	<b>9,194</b>	<b>1,199,011</b>
<b>Income</b>											
<b>General Fund</b>											
Adults & Housing	(22,537)	(16,249)	(44,475)	0	(3,100)	(86,362)					
Place & Sustainability	(11,374)	(3,027)	(41,282)	0	(24,762)	(80,445)					
Public Health	(1,492)	(1,609)	(163)	0	0	(3,265)					
Corporate Resources	(292,898)	(5,059)	(1,933)	0	(39,284)	(339,175)					
Children and Young People	(52,839)	(5,080)	(3,671)	0	(12,593)	(74,183)					
Chief Executive Services	(2,345)	(8)	(1,973)	0	(17,876)	(22,202)					
<b>Services</b>	<b>(383,486)</b>	<b>(31,033)</b>	<b>(93,498)</b>	<b>0</b>	<b>(97,615)</b>	<b>(605,631)</b>					
Non service revenue	(9,334)	0	(763)	(1,705)	(5,711)	(17,512)					
<b>Total on General Fund</b>	<b>(9,334)</b>	<b>0</b>	<b>(763)</b>	<b>(1,705)</b>	<b>(5,711)</b>	<b>(17,512)</b>					
Housing Revenue Account	(17,187)	0	(92,908)	(105)	(424)	(110,624)					
Individual Schools	(197,255)	(84)	(9,987)	0	(11,832)	(219,159)					
External Funding	(144,625)	(100,970)	0	0	0	(245,595)					
<b>Total Council</b>	<b>(751,887)</b>	<b>(132,087)</b>	<b>(197,156)</b>	<b>(1,810)</b>	<b>(115,582)</b>	<b>(1,199,521)</b>					

### 30. Acquired and discontinued operations

The council has made no acquisitions nor has it discontinued any operations in 2011/12.

### 31. Trading Operations

	Expenditure £'000	Income £'000	2010/11 (Surplus) / Deficit £'000	Expenditure £'000	Income £'000	2011/12 (Surplus) / Deficit £'000
Industrial Estates	4,855	(5,544)	(689)	3,527	(4,888)	(1,360)
Markets	274	(141)	133	159	(153)	6
School & Welfare Catering	5,199	(5,421)	(222)	4,354	(4,582)	(228)
Legal Services (*)	8,319	(9,252)	(933)	0	0	0
<b>Total Expenditure</b>	<b>18,647</b>	<b>(20,358)</b>	<b>(1,711)</b>	<b>8,040</b>	<b>(9,623)</b>	<b>(1,582)</b>

(\*) Legal Services is no longer constituted as a trading account, as from 1/4/11

### 32. Agency Services

	2010/11 £'000	2011/12 £'000
Expenditure relating to the provision of a hearing impaired service to clients of Enfield Council **	209	235
Fee payable by Enfield Council	(207)	(217)
<b>Net deficit arising on the agency arrangement</b>	<b>2</b>	<b>18</b>

\*\*The comparative figure in 2010/11 has changed due to a service being included that was not an agency service.

**33. Road Charging Schemes under the Transport Act 2000**

	2010/11 £'000	2011/12 £'000
<b>Income</b>		
Penalty Charge Notices	6,940	8,762
Permits and visitor vouchers	2,227	2,785
Pay and Display	1,894	2,263
CCTV Bus Lanes	244	-
Other	829	790
<b>Total Income</b>	<b>12,134</b>	<b>14,600</b>
Operating Expenditure	(8,801)	(9,056)
<b>Net Operating Surplus</b>	<b>3,333</b>	<b>5,544</b>
Add Capital Expenditure / Debt Charge	(9)	21
Balance brought forward	-	-
Appropriation to General Fund	3,342	5,523
<b>Balance carried forward</b>	<b>-</b>	<b>-</b>

**34. Pooled Budgets**

The Authority has entered into two Partnership agreements under Section 31 of the Health Act 1999. The first being with the NHS Haringey (NHS) and the Barnet, Enfield and Haringey Mental Health Trust (MHT), in respect of the provision of services for people with Learning Disabilities. The second, also with the NHS is for an Integrated Community Equipment Store. Haringey acts as the host Authority for both. The following are statements of the income and expenditure for all pooled budgets for the period 1 April 2011 to 31 March 2012. The overspends within the S31 Pool have been split between the partners and the Council share of deficits have been absorbed within the overall Authority finances.

These pooled budgets are included within the Adult Social Care line in the income and expenditure account.

**2011/12 Statement of Income and Expenditure of the Learning Disabilities Partnership**

	2010/11 £'000	2011/12 £'000
<b>Funding</b>		
LBH	5,290	6,637
NHS Partners	2,068	2,005
Other Contributions	2,238	189
<b>Total Funding</b>	<b>9,596</b>	<b>8,831</b>
<b>Services Provided</b>		
Management and assessment	2,129	1,911
Day Opportunities	3,830	3,618
LBH Residential Homes	3,073	2,843
Supported Living	566	474
<b>Total Expenditure</b>	<b>9,598</b>	<b>8,845</b>
<b>Net (Underspend)/Overspend</b>	<b>2</b>	<b>14</b>

**2011/12 Statement of Income and Expenditure of the Physical Disabilities Partnership**

	2010/11 £'000	2011/12 £'000
<b>Gross Funding</b>		
LBH	186	189
NHS	133	116
<b>Total Funding</b>	<b>319</b>	<b>305</b>
<b>Expenditure</b>		
PD OT Stores	303	305
<b>Total Expenditure</b>	<b>303</b>	<b>305</b>
<b>Net (Underspend)/Overspend</b>	<b>(16)</b>	<b>(0)</b>

### 35. Members Allowances

The total of members' allowances paid in 2011/12 was £1,265k compared to £1,354 in 2010/11. This represents a decrease of 7%. These figures are included in the Central Services line of the income and expenditure account.

	2010/11 £'000	2011/12 £'000
Allowances	1,354	1,265
<b>Total</b>	<b>1,354</b>	<b>1,265</b>

### 36. Officers Remuneration

The number of employees whose gross pay (excluding employers' pension and national insurance

Salary range £	Staff numbers				Left in Year	
	2010/11 Total	2011/12 Total	Officers	Teachers	2010/11	2011/12
50 - 54,999	248	226	102	124	10	22
55 - 59,999	133	129	50	79	4	9
60 - 64,999	70	65	36	29	0	13
65 - 69,999	49	51	19	32	3	4
70 - 74,999	32	29	14	15	0	3
75 - 79,999	20	23	14	9	1	6
80 - 84,999	19	13	6	7	2	4
85 - 89,999	22	13	4	9	1	1
90 - 94,999	6	10	5	5	1	2
95 - 99,999	2	6	5	1	0	1
100 - 104,999	2	3	2	1	0	0
105 - 109,999	2	3	1	2	0	1
110 - 114,999	2	2	1	1	0	0
115 - 119,999	1	2	0	2	0	1
120 - 124,999	1	0	0	0	0	0
125 - 129,999	2	2	1	1	0	1
130 - 134,999	0	1	1	0	0	0
135 - 139,999	2	0	0	0	1	0
140 - 144,999	1	0	0	0	0	0
145 - 149,999	0	0	0	0	0	0
<b>Total</b>	<b>614</b>	<b>578</b>	<b>261</b>	<b>317</b>	<b>23</b>	<b>68</b>

The following table sets out the remuneration disclosures for Senior Officers whose salary is more than £50,000 but less than £150,000 in 2011/12. Senior Officers are members of the Chief Executive's Management Board.

Post	2010/11			2011/12		
	Salary (inc fees & allowances) £	Pension contributions £	Total including pension contributions £	Salary (inc fees & allowances) £	Pension contributions £	Total including pension contributions £
Director of Place & Sustainability Services	138,901	31,258	170,159	101,302	22,775	124,077
Director of Corporate Resources	141,597	31,908	173,505	139,633	31,473	171,106
Director of Adult, Culture & Community Services	136,338	30,697	167,035	136,280	30,697	166,977
Director of Childrens Services - Commenced 14/11/2011				53,294	11,987	65,281
Assistant Chief Executive - People & Organisational Development	105,989	23,857	129,846	106,411	23,866	130,277
Head of Legal Services	93,000	20,774	113,774	95,446	21,337	116,783
Lead Finance Officer	100,136	22,408	122,544	104,984	23,518	128,502

The following table sets out payments made by the Council to companies or agencies for the services of interim Senior Officers. It does not represent payments made to the individuals holding the posts.

Post	2010/11	2011/12
	£	£
Interim Director of Special Projects	173,771	84,240
Interim Assistant Chief Executive - Policy & Performance	66,150	0
Interim Deputy Chief Executive (Part-Time)	15,888	0
Interim Director of Urban Environment (From March 2011)	9,564	40,747
Interim Project Director Regenerating Tottenham (Starting September 2011)	0	51,975

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

Post	Post Holder	2010/11			2011/12		
		Salary (inc fees & allowances) £	Pension contributions £	Total including pension contributions £	Salary (inc fees & allowances) £	Pension contributions £	Total including pension contributions £
Director of Children & Young People's Services Left 31/12/2011	Mr P A Lewis	200,000	45,800	245,800	150,000	34,350	184,350
Chief Executive	Mr K Crompton	189,890	46,373	236,263	197,060	44,597	241,657

In addition to the above salary Mr K Crompton received £7,795 in 2011/12 (£15,551 in 2010/11) as remuneration for his role as Returning Officer in elections in the London Borough of Haringey.

The salary paid to the former Director of Children & Young People's Services is supported by the Department for Education (DoE) – the department contributed £37,520 in 2011/12 (£37,520 in 2010/11).

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### Pay Multiple Ratio

The table below shows the ratio between the highest paid officer in the Council and the median salary of all other officers, i.e the highest paid officer is paid 7.1 times more, in 2011/12, than the median salary of all other officers.

	2011/12 £	2010/11 £
Highest Paid Director's Total	200,000	197,060
Staff Remuneration Median Total	28,032	28,032
<b>Pay Multiple Ratio</b>	<b>7.1</b>	<b>7.0</b>

### Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £	2011/12 £
£0 – £20,000	5	190	71	190	76	380	644,012	3,463,956
£20,001 – £40,000	1	32	14	153	15	185	409,591	5,110,632
£40,001 – £60,000	0	12	6	32	6	44	292,742	2,079,477
£60,001 – £80,000	0	0	0	4	0	4	0	284,950
£80,001 – £100,000	0	0	0	1	0	1	0	86,241
<b>Total</b>	<b>6</b>	<b>234</b>	<b>91</b>	<b>380</b>	<b>97</b>	<b>614</b>	<b>1,346,345</b>	<b>11,025,256</b>

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### 37. External Audit Costs

The table below details the actual amounts due to the Authority's external auditors, Grant Thornton and the Audit Commission in respect of the Authority's external auditor's fees for services relating to the financial year shown.

	2010/11 £'000	2011/12 £'000
Fees payable to grant Thornton with regard to external audit services carried out by the appointed auditor for the year	457	418
Fees payable to the Audit Commission in respect of statutory inspections	46	42
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	165	139
Fees payable in respect of other services provided by Grant Thornton during the year	0	17
<b>Total</b>	<b>668</b>	<b>616</b>



**38. Dedicated Schools Grant**

The council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), a specific grant provided by the Department for Education. The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements of centrally retained services provided in direct support of pupils and the Individual Schools Budget (ISB), which is divided into a budget share for each school. The ISB is deemed to be spent when the budget share is provided to a school. Over- and underspends on the central element are accounted for separately.

During the year, the ISB was under allocated by £0.442m because of underspends on contingencies. This will be carried forward to 2012/13. Central budgets underspent by £0.410m in-year and this was added to the surplus of £0.774m brought forward from 2010/11, giving a surplus balance of £1.184m to be carried forward into 2012/13. The DSG allocations are shown gross, before recoupment by the DfE to fund academies in the local authority area.

There was a substantial year on year increase in the DSG due to the transfer in of the formerly separate Schools Standards Fund, Schools Standards Grant and the creation of the Early Years Single Funding Formula.

Details of the deployment of DSG receivable for 2011/12 are as follows

	2010/11 £'000	2011/12 £'000	2011/12 £'000	2011/12 £'000
	Total	Central Expenditure	Individual Schools Budget	Total
Final DSG for the year	172,129	19,883	183,462	203,345
Brought forward from previous year	390	774	(488)	286
Carry forward to next year agreed in advance	-	-	-	-
Agreed budgeted distribution	172,077	20,083	182,974	203,057
Actual central expenditure	20,025	19,473	-	19,473
Actual ISB deployed to schools	152,208	-	182,532	182,532
Local authority contribution	-	-	-	-
Carry forward to next year	<u>286</u>	<u>1,184</u>	<u>442</u>	<u>1,626</u>

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**39. Other Long Term Liabilities**

Other long term liabilities are made up of the following items. Further information on each line can be found in the notes referred to against each line.

2010/11 £'000		2011/12 £'000
17,576	Finance Leases (Note 42)	18,508
38,957	PFI (Note 43)	36,884
373,283	Pensions Liability (Note 48)	443,379
<u>429,816</u>	<b>Total</b>	<u>498,771</u>

#### 40. Grant Income

	2010/11 £'000	2011/12 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Early Intervention Grant	-	15,843
Learning Disability and Health Reform Grant	-	3,552
Personal Social services Grant	-	2,970
Revenue Support Grant	18,338	36,178
National Non Domestic Rates	143,004	117,043
Homelessness	-	925
Council Tax Freeze Grant	-	2,562
New Homes Bonus	-	956
Council Tax Administration	-	3,523
Area Based Grant	40,919	
Performance Reward Grant	1,888	-
	<b>204,150</b>	<b>183,553</b>
HRA Self Financing	-	294,324
Other Capital Grants	94,761	34,938
	<b>94,761</b>	<b>329,262</b>
<b>Total</b>	<b>298,911</b>	<b>512,815</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	249,537	261,429
Dedicated Schools Grant (DSG)	172,129	203,956
Council Tax Benefit	37,137	37,007
Education Standards Grant	29,635	425
Housing Subsidy	15,217	12,622
Learning & Skills 16+	14,378	13,886
Education Sure Start	13,598	(0)
Other Grants	42,912	39,976
<b>Total</b>	<b>574,543</b>	<b>569,301</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year end are as follows:-

	2010/11 £'000	2011/12 £'000
<b>Capital Grants: Receipts in advance</b>		
Building Schools for the Future (BSF)	14,293	3,535
Capital Standards Fund - General	8,580	5,748
Other grants	237	601
Other contribution	-	4,151
<b>Total</b>	<b>23,110</b>	<b>14,036</b>

## PLANNING GAINS

In large scale planning agreements, a condition may be set calling upon the applicant to pay a sum of monies towards future capital developments. These monies are held as capital grants unapplied and the figures below represent amounts unspent at 31 March 2012.

	2010/11 £'000	2011/12 £'000
New River Village, Hornsey N8	1,000	320
Planning Cost Recovery (contributions to Council's Sec 106 Admin & monitoring)	660	518
Former Hornsey Central Hospital, Park road, Hornsey, N8	445	445
596 - 606 High Road N17	386	1
658 - 660 High Road N17	166	166
Aneurin Bevan House & 46-50 Tredegar Rd	154	154
Tottenham Town Hall N15	138	238
25 Watsons Road, N22	0	101
Coronation Sidings	0	280
Fyfe House, Chadwell	0	223
Other	720	1,463
<b>Total Gains</b>	<b>3,669</b>	<b>3,909</b>

## 41. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Each incidence is assessed as to whether it is material to the accounts and reported accordingly. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

**Central government** has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in note 39.

**Members of the Authority** have direct control over the Authority's financial and operating procedures. By virtue of their office, through their residence in the borough and/or as active members of the community, members of the Authority participate in and are members of a variety of other public bodies and community groups. The Authority has well established mechanisms and procedures for preventing undue influence. Part of this mechanism 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. There are no material transactions to declare.

The Authority has two significant partnerships within the Health sector, with NHS Haringey (formerly Haringey Teaching Primary Care Trust) and the Barnet, Enfield and Haringey Mental Health Trust. The specific details of both these partnerships are shown in note 32. All other transactions between this Authority and health organisations are included within the Adult's and Children's Social Care lines in the Comprehensive Income and Expenditure account.

### Officers

The Director of Corporate Resources, Julie Parker, is a Director of Alexandra Palace Trading Ltd. She is not remunerated for this role.

The **Pension Fund's** accounts are set out in Section 5 of these statements. The Pension Fund operates a separate bank account and makes investments separately from the Authority. The Authority owed the Pension Fund £3.07 million as at 31/3/12, mainly in relation to employer and employee contributions. The Authority charged the Fund £502k for administering the Fund in 2011/12.

**Companies** – the Authority has interests in a number of companies. These are disclosed below and in the Group Accounts. This includes details of the relationship with Homes for Haringey; the arms-length management organisation owned by the Authority with responsibility for the management of the Authority's housing stock.

### Levies

The table below details the amounts paid to levying bodies

2010/11 £'000	2011/12 £'000
325 London Pensions Fund Authority	296
6,577 North London Waste Authority	6,800
260 Lee Valley	256
170 Environment Agency	170
2 Financial Reporting Council	2
782 ALG Grants Committee	407
<b>8,116 Total</b>	<b>7,931</b>

## Investments – Related businesses and companies

### Homes for Haringey

Homes for Haringey is an Authority controlled company. The company was created on 1<sup>st</sup> April 2006 and manages the Authority's housing stock and carries out the day to day repairs on properties, for which fees totalling £40.3 million were paid to the company. The Authority has 5 Councillors on the Board of Homes for Haringey. The company forms part of the London Borough of Haringey Group and the Group's accounts are shown in section 4 of these accounts.

as at 31 March 2011	as at 31 March 2012
£'000	£'000
(5,051) Net assets / (liabilities)	(7,285)
9,045 Net income / (expenditure) for the :	882

The Authority is involved with the following associated companies whose assets and liabilities are not included in the Authority's accounts:

### London Grid for Learning Trust

The Trust was incorporated on 25 April 2001 as a company limited by guarantee, comprising all 33 London councils. Haringey Council holds 3% of the voting rights.

as at 31 March 2011	as at 31 March 2012
£'000	£'000
n/a Net assets	0
n/a Net income for the year	0

The accounts for London Grid for Learning Trust are not available.

### Bernie Grant Centre Partnership

The Bernie Grant Centre Partnership (BGCP) was set up to build a performing arts centre and enterprise units in Tottenham in memory of former MP Bernie Grant. BGCP was established in September 2002 as a company limited by guarantee and began operating on 1 April 2003. The company is also a registered charity. Haringey Council has 14% of the voting rights.

as at 31 March 2011	as at 31 March 2012
£'000	£'000
13,900 Net assets	13,000
(98) Net income for the year	(67)

### Alexandra Park and Palace

Under the Alexandra Park and Palace Act 1985 the Authority is the sole trustee for the Alexandra Park and Palace Charitable Trust (APPCT), details of which are set out below. Seven Councillors are on the board of APPCT. The purpose of the trust is to manage the site of the Palace and Park and to run the day to day operations. These funds do not represent assets of the Authority and are not included within the Authority's balance sheet.

2010/11	2011/12
£'000	£'000
(5,425) Income	0
7,348 Expenditure	0
42,677 Net Assets	0

As a result of being the sole trustee of APPCT the Authority has a close relationship with the trust, providing a number of support functions to the day to day operation. The principal support it gives is in the form of deficit funding, which the Authority is required to do under the Alexandra Park and Palace Act 1985. In 2011/12 the extent of this deficit provision was £1.6 million (£2.3 million 2010/11).

The figures in the Authority's accounts in respect of funding the Alexandra Palace deficit is based on the draft APPCT accounts and are still subject to formal audit in accordance with the Charity Commission regulations.

Following the introduction of IFRS the Authority has reviewed its relationship with APPCT, in regards to International Accounting Standards. It has come to the conclusion that the nature of the relationship between the Authority and APPCT is a group relationship. The group accounts contained in section 4 of these accounts included APPCT.

## 42. Capital Expenditure and Capital Financing

The Authority's capital expenditure must be financed each year. The financing of the 2011/12 expenditure is set out in the following table.

2010/11 £'000		2011/12 £'000
744,027	Opening Capital Financing Requirement	775,875
	<b>Capital investment :</b>	
146,797	Property, Plant and Equipment	78,549
30	Investment Properties	40
84	Intangible Assets	135
15,675	Revenue Expenditure Funded from Capital under Statute	10,616
	<b>Sources of finance :</b>	
(6,452)	Capital receipts	(8,375)
	Borrowing	(5,089)
(111,006)	Government grants and other contributions	
	- HRA Self Financing Debt Repayment Grant	(233,850)
	- Other	(55,958)
	Sum set aside from revenue:	
	Direct revenue contributions	(918)
(13,280)	MRP	(14,202)
<b>775,875</b>	<b>Closing Capital Financing Requirement</b>	<b>546,823</b>
	<b>Explanation of movements in year</b>	
33,448	Increase in underlying need to borrowing (supported by government financial assistance)	17,028
(1,600)	Decrease in underlying need to borrowing (unsupported by government financial assistance)	(246,080)
0	Assets acquired under finance leases	0
0	Assets acquired under PFI/PPP contracts	0
<b>31,848</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(229,052)</b>



### 43. Leases

#### Finance Leases - Leases where the Authority is the Lessee

The Council holds a number of buildings 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 March 2011	31 March 2012
	£'000	£'000
Land and Buildings	20,504	19,533
Vehicles, Plant, Furniture and Equipment		
	20,504	19,533

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

	31 March 2011	31 March 2012
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
current	971	1,025
non-current	18,671	18,508
	19,642	19,533
Finance costs payable in future years	25,238	24,270
<b>Minimum lease payments</b>	<b>44,880</b>	<b>43,803</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£'000	£'000	£'000	£'000
Not later than one year	1,900	1,900	971	1,025
Later than one year and not later than five years	7,599	7,599	4,450	4,695
Later than five years	35,381	34,304	14,221	13,813
	<b>44,880</b>	<b>43,803</b>	<b>19,642</b>	<b>19,533</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £364,638 contingent rents were payable by the Authority (2010/11 £364,136).

The Authority has sub-let some of the properties held under these finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub-leases was £28,125 (£28,125 at 31 March 2011).

**Operating Leases - Leases where the Council is lessee**

**Vehicles, Plant and Equipment** – the Authority 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:

	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	32	27
Later than one year and not later than five years	52	25
Later than five years	0	0
	84	52

The expenditure charged to the services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was

	2010/11 £'000	2011/12 £'000
Minimum lease payments	116	32

**Investment Property** – the Authority enters into leases for its Investment Property

The future minimum lease payments due under non-cancellable leases in future years are

	31 March 2011 £'000	31 March 2012 £'000
Minimum leases payments over periods		
Not later than one year	3,131	4,736
Later than one year and not later than five years	8,444	10,868
Later than five years	63,100	69,484
	74,675	85,088

#### 44. Private Finance Initiatives And Similar Contracts

In 2000 the Council entered into a PFI contract that encompasses major building work and ongoing facilities management for its eight secondary schools. In February 2007 the agreement was suspended and all of the assets were brought back onto the Council's balance sheet. The remaining contract and liability that the Council has with the contractor is for the repayment of the outstanding liability of debt. This accounting treatment is in accordance with IFRIC 12 "Service Concession Arrangements".

IFRIC 12 defines a service concession as one whereby an operator receives a financial asset, specifically an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset in return for constructing or upgrading a public sector asset, and then operating and maintaining the asset for a specified period of time. Whilst the management of the schools under the PFI have returned to the ownership of the Council, the associated debt is as a result of the contractor upgrading the assets. This contract is the only arrangement that the Council has that falls under the requirements of IFRIC 12.

As stated above the Council still has a liability under the PFI contract to cover the debt incurred when the original PFI works were first undertaken. This debt has also been recognised within the Council's balance sheet. The Council is required to repay this liability over the remaining period of the PFI arrangement which ends in September 2025.

When the suspension agreement was put in place the full rights of the properties returned to the Council

#### Income and Expenditure Account

The Council receives a £5.669m revenue grant annually from the Government to assist in financing the PFI scheme. After payments to contractors to cover the repayment and interest costs of the outstanding liability and administration costs (£4.935m) a contribution to the PFI lifecycle reserve was made of £0.734m, bringing the reserve up to £7.916m. The lifecycle fund is used to fund 'wear and tear' repairs to the buildings during the course of the contract (ending September 2025) and will naturally be expected to build up in value in the first half of the contract period and gradually be used in the later part.

#### Balance sheet

The net value of the PFI schools held on the Council's balance sheet, as fixed assets, as at 31st March 2012 is £82.2m. This figure is calculated as follows:

	2010/11	2011/12
	£'000	£'000
Net book value b/f	113,953	202,690
Additions	26,306	3,402
Depreciation & Impairment	(2,801)	(4,659)
Revaluation	65,232	(65,953)
Disposal	0	(53,250)
<b>Net book value</b>	<b>202,690</b>	<b>82,230</b>

During the year two schools included within the opening Net Book Value, became Academy schools. As part of this arrangement, the assets were transferred to the Academy operator, and derecognised from the Authority's Balance Sheet. The carrying value of these assets was £53.25m

The value of liabilities resulting from the PFI scheme is analysed as follows:

	2010/11	2011/12
	£'000	£'000
Liability b/f 1st April	42,805	40,929
Liability paid to service provider in year	(1,876)	(1,972)
Liability c/f 31st March	<b>40,929</b>	<b>38,957</b>
Long-term liability c/f 31 <sup>st</sup> March	38,957	36,884
Short-term liability c/f 31 <sup>st</sup> March	1,972	2,073
	<b>40,929</b>	<b>38,957</b>

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**Future payments to be made**

Future payments to be made in respect of the PFI arrangement are shown in the table below. These future payments do not take into account any future indexation of the cost that may be agreed between the provider and the Council from 1st April 2012 onwards, however the impact of any future indexation is minimal as the majority of the unitary charge is fixed and not subject to future indexation.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payment in 2012/13	153	2,073	1,998	4,224
Payments in 2013/14 to 2016/17	614	9,411	6,873	16,898
Payments in 2017/18 to 2021/22	767	14,747	5,608	21,122
Payments in 2021/22 to 2025/26	537	12,726	1,522	14,785
<b>Total future payments (excluding any future indexation)</b>	<b>2,071</b>	<b>38,957</b>	<b>16,001</b>	<b>57,029</b>

The allocation of the unitary charge between fair value of services, finance lease interest, finance lease principal and contingent rental is an estimate based on allocation of cost as represented in each PFI financial model.

## 45. Impairment Losses

The Authority is required to disclose, by class of assets, the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12 and 14.

Included within the disclosures above, are impairment losses by asset category of:

	<b>£,000</b>
Other Land and Buildings	500
Investment Properties	25
Council Dwellings	62
<b>Total</b>	<b>587</b>

During the summer of 2011, there were a number civil disturbances across the country. As a result, there was significant damage to a municipal building. Subsequently, the carrying value was reduced by £500k.

Additionally there was some fire damage to an Investment property and a number of Council Dwellings. The respective book values have been reduced by £25k and £62k respectively.

The reduction in the carrying value of the assets has been estimated on the anticipated costs of repair.

## 46. Capitalisation of Borrowing Costs

The Authority does not capitalise its borrowing costs.

## 47. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12 incurring liabilities of £14.59m in redundancy costs and payments to the pension fund. The authority has also provided for a further £1.24m based on information about employees who were due to leave the authority after the 31st March 2012. The Authority received a capitalisation direction of £4.28m in 2011/12 which allows it to spread £4.28m of the total cost over a maximum of 20 years.

The provision is detailed in note 223

## 48. Pensions Schemes Accounted for as Defined Contribution Schemes

### Teachers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. It provides teachers with defined benefits upon their retirement and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2011/12 the Authority paid £9,144,847 (2010/11 £9,471,180) to Teachers' Pensions in respect of teachers' pension costs which represent 14.10% of teachers' pensionable pay. The Authority is responsible for all pension payments relating to added years it has awarded, together with the related increases, amounting to £37,740 in 2011/12 (2010/11 £59,488) equivalent to 0.05% of pensionable pay

## 49. Defined Benefit Pension Schemes

### Council Employees

The Authority's Pension Fund provides members with defined benefits related to pay and service. The Financial Statements of the Pension Fund are set out in Section 5 of this document.

The Authority's contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31<sup>st</sup> March 2010. Following this valuation, the Actuary agreed that the Authority's contribution would be 22.9% for the three years of the triennial period. The next triennial valuation is due on 31st March 2013.

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

The Comprehensive Income and Expenditure Account includes the pension fund costs in line with IAS 19. The cost of retirement benefits is recognised in the Net Cost of Services when they are actually earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Local Government Pension Scheme	2010/11 £000	2011/12 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	24,536	22,159
Past service costs	(114,927)	457
Settlements and curtailments	83	5,478
(Gain)/Loss on business combinations	-	(1,668)
<b>Financing and Investment Income and Expenditure</b>		
Interest cost	58,570	54,022
Expected return on scheme assets	(39,759)	(42,315)
<b>Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services</b>	<b>(71,497)</b>	<b>38,133</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</b>		
Actuarial (gains) and losses	(111,318)	65,741
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(182,815)</b>	<b>103,874</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	71,497	(38,133)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
employers' contributions payable to scheme	33,358	33,778

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £65,741k.

**Assets and Liabilities in Relation to Post-employment Benefits**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

As at 31st March 2012, the Authority had the following liabilities for pensions:

	2010/11 £000	2011/12 £000
<b>Opening balance at 1st April</b>	<b>1,155,008</b>	<b>966,044</b>
Current service cost	24,536	22,159
Interest cost	58,570	54,022
Contributions by members	8,430	7,657
Actuarial (gains)/losses	(129,797)	46,184
Benefits paid	(35,858)	(38,253)
Past service costs/(gains)	(114,927)	457
Entity combinations	-	-
Curtailments	82	5,478
Liabilities assumed in a business combination		18,196
Settlements	-	-
<b>Closing balance at 31st March</b>	<b>966,044</b>	<b>1,081,944</b>

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2010/11 £000	2011/12 £000
<b>Opening balance at 1st April</b>	<b>565,550</b>	<b>592,761</b>
Expected rate of return	39,759	42,315
Contributions by members	8,430	7,657
Employer contributions	29,119	29,463
Contribution in respect of unfunded benefits	4,239	4,315
Actuarial gains/(losses)	(18,479)	(19,557)
Assets Acquired in a Business Combination	0	19,864
Estimated unfunded benefits paid	(4,239)	(4,315)
Estimated benefits paid	(31,618)	(33,938)
Entity combinations	0	0
Settlements	0	0
<b>Closing balance 31st March</b>	<b>592,761</b>	<b>638,565</b>

**Reconciliation of Fair Value of Scheme Assets**

The Scheme assets are measured at their fair value which is the bid price at balance sheet date. The actual return on assets in 2011/12 was £20,788k (£41,841k in 2010/11).

**Scheme History**

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
<b>Present value of liabilities:</b>					
Fair value of assets	(732,854)	(716,041)	(1,155,008)	(966,044)	(1,081,945)
Surplus/(deficit) in the scheme	503,521	409,413	565,550	592,761	638,566
<b>Total</b>	<b>(229,333)</b>	<b>(306,628)</b>	<b>(589,458)</b>	<b>(373,283)</b>	<b>(443,379)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £443,379k has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £29,463k.

### Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary have been:

	2010/11	2011/12
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.50%	6.20%
Bonds	4.90%	3.50%
Property	5.50%	4.40%
Cash	4.60%	3.50%
<b>Financial Assumptions</b>		
Pensions increase rate	2.80%	2.50%
Salaries increase rate	5.10%	4.80%
Expected return on assets	6.90%	5.60%
Rate of discounting scheme liabilities	5.50%	4.80%
Take-up of option to convert pension into retirement lump sum (for pre April 2008 service)	-	50.00%
Take-up of option to convert pension into retirement lump sum (for post April 2008 service)	75.00%	75.00%
<b>Mortality assumptions:</b>	<b>Years</b>	<b>Years</b>
Longevity at 65 for current pensioners:		
Men	21.9	21.9
Women	24.7	24.7
Longevity at 65 for future pensioners:		
Men	23.3	23.3
Women	26.1	26.1

Assets in the fund are valued at their fair value, principally market value for investments and consist of the following categories, by proportion of the total assets held by the Fund:

	31-Mar-11	31-Mar-12
	%	%
Equities	75	72
Bonds	18	20
Property	7	7
Cash	0	1
<b>Total</b>	<u>100</u>	<u>100</u>

The actuarial gains and losses identified as movements in the pension reserve in 2011/12 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31<sup>st</sup> March 2012.

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual:					
Return on assets	(16.53)	(35.09)	21.06	(3.12)	(3.06)
Experience Gains and Losses on Liabilities	0.01	0.06	-	0.33	(1.39)



## 50. Contingent Liabilities

In 2007 Haringey council joined London Authorities Mutual Ltd (LAML), a mutual company set up in partnership with other London boroughs for the purpose of providing insurance and risk management services. The company stopped trading on 9 June 2009 following the court judgment against LAML. The Council has a liability, in the form of a guarantee, with LAML of £177k. The orderly wind down of the company has been ongoing during 2011/12 and the remaining assets left after the closure of the company will be redistributed to member authorities. It is expected that not all of the capital invested by the Council will be available for redistribution. This is as a result of the legal and other costs incurred as part of the liquidation processes to wind down the company. There is a risk of a further case being taken by RMP against the individual members of LAML for loss of profit and associated costs. The Council is currently considering its response.

In 2008/09 and 2009/10 five staff were dismissed from the Council's employment in connection with an inspection undertaken by Ofsted and directions issued by the Secretary of State for Children & Families. Currently there are a number of legal cases outstanding in relation to these actions.

In March 2009 a claim was submitted by Firoka (Alexandra Palace) Ltd and Firoka (Kings Cross) Ltd against the Council as trustee of Alexandra Park and Palace Charitable Trust for loss of income and damages as a result of the failure of the Charitable Trust to issue a licence to Firoka. The value of this claim is £6.234 million. The substance of this claim continues to be disputed by the Council and the Trust. No provision has been made in either the Council's or the Trust's accounts for the claim.

Following the implementation of the single status pay agreement in 2009 a number of staff groups are considering whether to appeal against the outcome, which if won may result in the Council having to make a payment for back dated pay. No provision has been made in the Council's accounts for this.

A High Court proceeding has been action against the Council in relation to for the refunding of local land charges payments due to an understanding by the claimants that these should be free of charge. Further claims may be made and the Council has not made any provision in the accounts for this.

A large scale planning permission has recently been granted in relation to Ward's Corner. There is a strong likelihood that an appeal will be made against the planning decision, result in costs being occurred. No provision has been made in the accounts for this.

The Council is currently being sued by an existing contractor, who failed to successful win the re-tendered contract. No provision has been made in the accounts for this action.

Municipal Mutual Insurance Limited ceased to write insurance business after 30 September 1992. After this date, a Scheme of Arrangement was entered into, 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 MMI Scheme of Arrangement and following the Supreme Court judgement, which was handed down on 28 March 2012, in the Employers' Liability Policy relating to mesothelioma claims, the percentage levy on claims payments may be triggered.

## 51. Contingent Assets

The Council had no contingent assets as at 31 March 2012.

## 52. Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

As part of the adoption of the Treasury Management Code, 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 produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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 main risks covered are:

**Credit Risk:** The possibility that one party to a financial instrument will fail to meet their contractual obligations causing a loss for the other party.

**Liquidity Risk:** The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.

**Market Risk:** The Council is only exposed to one of the possible market risks, which is interest rate risk. The possibility that the value of interest paid or received in respect of an instrument will fluctuate because of changes in interest rates.

### Credit Risk

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. A maximum limit of £20m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2011/12, approved by Full Council on 24/02/2011. The 2011/12 Treasury Strategy can be found on the Council's website [www.haringey.gov.uk](http://www.haringey.gov.uk).

Throughout 2011/12 the minimum criteria for new investments has been a long term rating of A+/A1/A+ (Fitch/Moody's/S&P) and a short term rating of F1/P-1/A-1 (Fitch/Moody's/S&P).

The table below summarises the nominal value of the Council's investment portfolio at 31<sup>st</sup> March 2012, and confirms that all investments were made in line with the Council's approved credit rating criteria:

	Credit rating criteria met when investments placed?		Credit rating criteria met on 31 March 2012?		Maturity period from 31 March 2012		Total £'000
	Short Term	Long Term	Short Term	Long Term	On Call	1 day to 1 month	
					£'000	£'000	
Money Market Funds	N/A	AAAm	N/A	AAAm	5,470	0	5,470
<b>Total</b>					<b>5,470</b>	<b>0</b>	<b>5,470</b>

No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties. The exception to this is deposits with Icelandic banks which went into default during 2008/09. These are detailed in the table below along with the funds already recovered:

	Nominal value of original deposits £'000	Distributions to LBH bank account by 31/03/2012 £'000	Distributions to escrow on 31/03/2012 £'000	Outstanding Deposits £'000
Heritable Bank	19,800	13,511	0	6,289
Landsbanki Islands	15,157	2,326	2,317	10,514
Glitnir	2,000	1,678	386	0
<b>Total</b>	<b>36,957</b>	<b>17,516</b>	<b>2,703</b>	<b>16,802</b>

All monies with these institutions are currently subject to the respective administration and winding up processes. The amounts and timing of payments to depositors such as the Council are determined by the administrator in the case of Heritable Bank and the Winding Up Boards of Glitnir and Landsbanki.

The table shows the distributions received directly into the Council's bank account up to 31st March 2012. In addition to these distributions, an element of the distribution due remained in escrow on 31st March 2012 – the nominal value of these are shown in the table above and under short term investments on the balance sheet.

The amount of the Icelandic related investments that will not be repaid to the Council under current predictions is £1.82m. However, accounting regulations require the Council to account for the fact that these funds have not and will not be available for the Council's use until dates in the future. The impairment required in the accounts has been reviewed and a reduction in the value of the impairment in relation to these deposits of £866k for 2011/12 has been calculated and included in the income and expenditure account. The Council capitalised £11.1m of the impairment in 2009/10 on receipt of a capitalisation direction for this amount.

Legal discussions about certain elements of the Council's claim from Landsbanki were on-going at the balance sheet date. As a result of this, the distributions in respect of these elements were paid into a separately identifiable account (or escrow account) operated by the Landsbanki Winding Up Board pending resolution of the legal issues, when it would be transferred to the Council's bank account. In addition an element of the distributions from Landsbanki and Glitnir were paid in Icelandic krona, which cannot be removed from Iceland due to foreign currency controls, therefore these monies have also been placed in a separately identifiable account until they can be released to the Council.

**Liquidity Risk**

The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks, and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to ensure that no more than 40% of loans are due to mature within any rolling three-year period through a period of careful planning of new loans taken out and making early repayments.

The maturity analysis of the nominal value of the Council's debt at 31st March 2012 was as follows:

	31-Mar-11 £'000	31-Mar-12 £'000
Public Works Loans Board	512,221	222,976
Market debt	133,473	130,461
Local Authorities	3,004	50,207
<b>Total</b>	<b>648,698</b>	<b>403,644</b>
Less than 1 year	64,933	73,041
Between 1 and 2 years	46,000	25,097
Between 2 and 5 years	100,117	37,369
Between 5 and 10 years	109,100	41,494
Between 10 and 20 years	45,088	21,993
Between 20 and 30 years	25,000	12,299
Between 30 and 40 years	0	10,726
Between 40 and 50 years	179,277	104,553
More than 50 years	76,178	77,074
<b>Total</b>	<b>645,693</b>	<b>403,644</b>

**Market Risk**

**Interest Rate Risk:** The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2012, 98% of the debt portfolio was held in fixed rate instruments, and 2% 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:

	2010/11 £'000	2011/12 £'000
Increase in interest earned on variable rate investments	(430)	(417)
Increase in interest payable on variable rate borrowings	489	656
Impact on Income and Expenditure Account	59	239

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note.

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

**Foreign Exchange Risk:** The Council currently has approximately £2.7m in euros, US dollars and Icelandic krona remaining in escrow in Iceland. It is anticipated that the euros and US dollars will be converted to sterling within three months of the balance sheet date, therefore the risk is reduced to a short time period. The Council is currently working with the LGA, legal advisers and other affected authorities to research ways of converting the Icelandic krona element of this into sterling. The exchange rate loss in 2011/12 was £15k, which is equivalent to 0.6% of the value of the deposits.

A commentary on risk associated with debtors is included in note 19.

**53. Publicity**

Under Section 5 of the Local Government Act 1986 local authorities are required to keep a separate account of certain categories of expenditure on publicity. Total expenditure in 2011/12 was £2.534m (£2.35m in 2009/10). This can be analysed as follows:

Description	2010/11 £'000	2011/12 £'000
Staff Recruitment	1,003	930
Communications Unit	226	158
Other Expenditure	1,121	1,445
<b>Total Expenditure</b>	<b>2,350</b>	<b>2,534</b>

**54. Heritage Assets: Change in Accounting Policy**

The Code of Practice on *Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were not recognised in the Balance Sheet. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 1)

**Effect on Opening Balance Sheet 1 April 2010**

	Opening Balances as at 1 April 2010 £,000s	Restatement required to opening balances as at 1 April 2010 £,000s	As Restated 1st April 2010 £,000s
Property, Plant & Equipment	1,727,561	-	1,727,561
Heritage Assets	-	4,054	4,054
<b>Long-term Assets</b>	<b>1,778,323</b>	<b>4,054</b>	<b>1,782,377</b>
<b>Total Net Assets</b>	<b>508,646</b>	<b>4,054</b>	<b>512,700</b>
Unusable Reserves	404,802	4,054	408,856
<b>Net Worth/Total Reserves</b>	<b>508,646</b>	<b>4,054</b>	<b>512,700</b>

**Effect on Balance Sheet 31 March 2011**

	As Previously Stated 31 March 2011 £000	Restatement required to opening balances as at 31 March 2011 £000	As Restated 31 March 2011 £000
Property, Plant & Equipment	1,521,264	-	1,521,264
Heritage Assets	-	4,056	4,056
<b>Long-term Assets</b>	<b>1,578,209</b>	<b>4,056</b>	<b>1,582,265</b>
<b>Total Net Assets</b>	<b>494,988</b>	<b>4,056</b>	<b>499,044</b>
Unusable Reserves	397,802	4,056	401,858
<b>Net Worth/Total Reserves</b>	<b>512,700</b>	<b>4,056</b>	<b>516,756</b>

**Effect on Comprehensive Income & Expenditure & Movement In Reserves Statement 2010/11**

During 2010/11, the Council acquired further Heritage assets at a cost of £2k. There has been no change to the above statements for this.

## 55. Trust Funds

The Authority acts as trustee for a number of funds, which may be used for specific limited purposes as set out in the respective trust deeds. These accounts do not form part of the Council's Income & Expenditure account or balance sheet. Details of the sums administered are shown below. All of these trust funds are for educational purposes and the figures below represent a number of smaller funds.

Trust Fund Accounts	2010/11 £	2011/12 £
Income From Investments	(348)	(298)
Expenditure for Authorised Purposes	0	0
<b>(Surplus)/Deficit</b>	<b>(348)</b>	<b>(298)</b>
<b>Balances:</b>		
Fund Balance Brought Forward 1 <sup>st</sup> April	(152,699)	(153,047)
(Surplus)/Deficit	(348)	(298)
<b>Fund Balance Carried Forward</b>	<b>(153,047)</b>	<b>(153,345)</b>
<b>Represented by:</b>		
Investments	(23,564)	(23,564)
Cash in Hand	(129,483)	(129,782)
<b>Total</b>	<b>(153,047)</b>	<b>(153,345)</b>

## Housing Revenue Account - Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

### HRA Income and Expenditure Statement

2010/11 £'000		Notes	2011/12 £'000
	<b>Income:</b>		
70,046	Rent from Dwellings (gross)		74,310
<u>2,385</u>	Rent from Other Properties (gross)		<u>2,381</u>
<b>72,431</b>	<b>Rent total</b>		<b>76,691</b>
20,901	Charges for Services and Facilities		15,690
-	Contributions towards expenditure		5,603
1,970	Supporting People Grant		1,689
<u>15,217</u>	Housing Revenue Account Subsidy receivable		<u>12,729</u>
<b>38,088</b>	<b>Grants total</b>		<b>35,711</b>
<u><b>110,519</b></u>	<b>Total income</b>		<u><b>112,402</b></u>
	<b>Expenditure:</b>		
22,730	Repairs and Maintenance		21,734
37,694	Supervision and Management		38,896
1,163	Rent, rates, taxes and other charges		1,774
359,385	Depreciation and impairments of non-current assets		41,971
282	Debt Management Costs		307
697	Increase in bad debt provision		835
<u>421,952</u>	<b>Total expenditure</b>		<u>105,517</u>
	<b>Net cost of HRA services as included in whole authority Comprehensive Income and Expenditure Statement</b>		<b>(6,885)</b>
311,433	HRA services share of Corporate and Democratic Core		805
866	HRA share of other amounts included in the whole authority		-
<u>(1,094)</u>	Net Cost of services but not allocated to specific services		<u>-</u>
<b>311,205</b>	<b>Net cost of HRA services</b>		<b>(6,080)</b>
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>		
	Gain or loss on sale of HRA non-current assets		(1,947)
28,919	Interest payable and similar charges		88,173
(105)	HRA Interest and investment income		(114)
173	Pensions interest cost and expected return on pension assets		62
-	HRA share of capital grants and contributions receivable		(295,622)
<u>28,987</u>	<b>Total</b>		<u>(209,448)</u>
<u><b>340,193</b></u>	<b>(Surplus)/ deficit for year on HRA services</b>		<u><b>(215,528)</b></u>

**Movement on the Housing Revenue Account Statement**

2010/11 £'000		2011/12 £'000
340,193	Surplus or (deficit) on the HRA Income and Expenditure Statement	(215,528)
(340,485)	Adjustments between accounting basis and funding basis under regulations	211,872
<u>(292)</u>	<b>Net increase or decrease before transfers to or from reserves</b>	<u>(3,656)</u>
(8,550)	Balance on the HRA as at the end of the previous reporting period	(7,958)
884	Transfers to or from reserves	-
<u>(7,958)</u>	<b>Balance on the HRA as at the end of the current reporting</b>	<u>(11,614)</u>

**56. Note to the Movement on the Housing Revenue Account Statement**

2010/11 £'000		2011/12 £'000
3,278	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	3,133
(346,640)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements (if any)	(28,706)
-	Gain or loss on sale of HRA non-current assets	1,947
965	HRA share of contributions to or from the Pensions Reserve	(1)
1,912	Capital expenditure funded by the Housing Revenue Account	235,499
<u>(340,485)</u>	<b>Net additional amount required by statute to be debited or credited to the HRA balance for the year</b>	<u>211,872</u>



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**57. Numbers and Types of Dwellings in the Housing Stock**

The Authority was responsible for managing 16,272 properties as at 31 March 2011, excluding travellers' sites. The Authority's housing stock decreased during the year as a result of the sale of properties under the provisions of Right to Buy legislation.

Type of dwelling	2010/11	2011/12
	Number	Number
Low rise flats	1,792	1,790
Medium rise flats	6,450	6,446
High rise flats	2,657	2,655
Houses	5,231	5,229
Demountables	16	16
Hostels (HDE)	125	125
Shared Ownership	1	1
<b>Total</b>	<b>16,272</b>	<b>16,262</b>

The Authority was responsible for managing 16,262 properties as at 31 March 2012, excluding travellers' sites. The Authority's housing stock decreased during the year as a result of the sale of properties under the provisions of Right to Buy legislation.

**58. Balance Sheet Valuation of HRA Assets**

31 March 2011 £000		31 March 2012 £000
	<b>Operational assets</b>	
775,864	Dwellings	792,568
4,560	Other land and building	4,030
20,689	<b>Non Operational assets</b>	<u>21,047</u>
<u>801,113</u>		<u>817,645</u>

**59. Vacant Possession**

The vacant possession value is an estimate of the open market value of all HRA dwellings. The balance sheet value is calculated on the basis of rent receivable on existing tenancies. This is less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost to the Government of providing council housing at less than open market value.

	01/04/2011 £000	01/04/2012 £000
HRA dwelling and hosts	3,049,904	3,170,627

**60. Major Repairs Reserve**

The Major Repairs Reserve records the unspent balance of HRA subsidy paid to the Authority in the form of the Major Repairs Allowance.

2010/11 £'000		2011/12 £'000
(817)	<b>Balance at 1 April</b>	-
(12,909)	Transferred to Reserve	(13,623)
-	Transfer from Reserve to HRA	-
13,726	Applied to finance capital expenditure on Council Dwellings	12,997
-	Repayment of loan principal from Major Repairs Reserve	-
<u>-</u>	<b>Balance at 31 March</b>	<u>(626)</u>

### 61. Capital Expenditure and Financing

2010/11 £000		2011/12 £000
	<b>Expenditure</b>	
55,157	Land, Houses and Other Property	35,239
	<b>Financing</b>	
35,283	Borrowing	19,000
91	Capital Receipts reserve	1,223
6,057	Revenue contribution	2,019
13,726	Major repairs reserve	12,997
<u>55,157</u>		<u>35,239</u>

### 62. Capital Receipts

2010/11 £000		2011/12 £000
2,552	Houses	978
4,996	Land and Other Property	4,130
<u>7,548</u>		<u>5,107</u>

### 63. Depreciation

2010/11		2011/12
£000		£000
12,909	Operational assets - dwellings	17,959
386	Operational assets - other land and building	114
<u>13,295</u>		<u>18,073</u>

### 64. Impairment Losses

The Authority is required to disclose the value of, and an explanation of any impairment losses in the financial year in respect of land, houses and other property within the

	£,000
Dwellings	62
Property, Plant and Equipment	-
Other	-
<b>Total</b>	<u>62</u>

The impairment above relates to 3 separate dwellings which were damaged by fire. The reduction in the carrying value of the assets has been estimated on the anticipated costs of repair

### 65. Revenue Expenditure Funded from Capital under Statute

This expenditure is revenue for accounting purposes but can be financed from capital resources, such as expenditure on assets not owned/controlled by the London Borough of Haringey. There was expenditure totalling £2,008k of this type in the HRA in 2011/12.

### 66. Housing Subsidy

Housing subsidy is grant received from central government which is used to fund expenditure on Council owned dwellings. Further analysis of this income is shown below

2010/11		2011/12
£'000		£'000
35,663	Management & Maintenance Allowance	37,433
12,909	Major Repairs Allowance	13,622
35,792	Charges for Capital	34,732
(68,786)	Guideline Rent	(73,092)
(21)	Interest on Receipts	(16)
<u>15,557</u>	<b>Housing Subsidy Payable</b>	<u>12,679</u>
(340)	Subsidy adjustment	50
<u>15,217</u>	<b>Housing Subsidy Receivable per Income and Expenditure Statement</b>	<u>12,729</u>
0	Transfer from Reserve	0
<u>15,217</u>	<b>Net Housing Subsidy Receivable for Year</b>	<u>12,729</u>

## 67. HRA Share of Contributions to the Pensions Reserve

In compliance with the statutory framework for local government, the movement in the IAS 19 pension liability relating to the HRA is processed through the HRA and the net amount is appropriated to the Pensions Reserve. This means that the bottom-line charge against rents is employer's contributions payable in the year. The amount applicable to the HRA is an apportionment of all pension contributions in the year, based on the number of employees within social services who are involved with supported housing work. The full disclosure of the pension related transactions is detailed in Note 47 to the primary statements.

The HRA share of contributions to the Pensions Reserve for 2011/12 is £1k

## 68. Gross Rent Income and Rent Arrears

This is the rent due for the year before rebates but after allowances for empty properties. The average weekly rent in 2011/12 was £88.83 compared to £83.38 in 2010/11 – a 6.6% increase.

31 March 2011	<i>Band of debt outstanding (£'000)</i>	31 March 2012
£'000	<b>Band of debt outstanding</b>	£'000
113	< £100	112
196	< £250	210
398	< £500	406
354	< £750	372
303	< £1,000	326
4272	> £1,000	4,655
4544	Former Tenants	4,942
<u>10,180</u>	<b>Housing Rents</b>	<u>11,022</u>

## 69. Directions by the Secretary of State

On 5 October 2010 the Government announced in a Written Ministerial Statement its intention to replace the Housing Revenue Account subsidy system with a devolved system of council housing finance called self-financing.

As part of this move, the Government has determined that £233.85m of debt was in relation to the Council's housing portfolio, and repaid these on behalf of the Council. This is recognised as a Capital Grant on the face of the HRA Income and Expenditure Statement, and is transferred to the Capital Adjustment Account through the Statement of Movement on the Housing Revenue Account balance, to ensure a neutral impact on the fund. Additionally, as part of this transaction the Authority incurred a premia on debt redemption totalling £60.47m which is recognised on the Interest Payable line of the HRA Income and Expenditure Statement. To neutralise the impact on the fund, and in accordance with the directions by the Secretary of State, the Council has recognised a capital grant for the same amount.

## 70. Exceptional or Prior-Year Items

As from 1st April 2012 the Government has introduced a new arrangement for the financing of the Housing Revenue Account (HRA). As a result of this the Authority had a grant of £233.850m given by the Department of Communities and Local Government (DCLG) to repay outstanding HRA debt. This appears as a credit in the HRA and is then reversed out as a statutory accounting adjustment (note 56).

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities (such as the Authority) to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	2010/11 £'000	2011/12 £'000
<b>Income due:</b>		
<b>Council Tax</b>		
Council Tax-payers	94,792	95,474
In respect of Council Tax Benefits	36,627	36,551
In respect of transitional relief	0	0
<b>Total Council Tax – related income</b>	<b>131,419</b>	<b>132,025</b>
Income due from Business Rate-payers:	56,317	58,991
<b>Contributions:</b>		
- Towards previous year's Collection Fund deficit / (surplus) (*)	(88)	2,163
<b>Total Income</b>	<b>187,648</b>	<b>193,180</b>
<b>Expenditure:</b>		
Council Tax used to support expenditure on services:		
- Haringey Council	100,970	102,500
- Greater London Association	26,414	26,820
<b>Total Precepts</b>	<b>127,384</b>	<b>129,320</b>
<b>Business Rates:</b>		
- Payments to National Pool	55,992	58,675
- Cost of Collection	325	316
<b>Payments to National Pool &amp; cost of collection allowance</b>	<b>56,317</b>	<b>58,991</b>
write-offs		
Provision for Bad and Doubtful Debts (Council Tax)	6,198	7,307
Write-off of Collection Fund Costs	0	0
<b>Total Expenditure</b>	<b>189,899</b>	<b>195,618</b>
<b>Surplus/(Deficit) for year</b>	<b>(2,251)</b>	<b>(2,439)</b>
<b>Balance brought forward 1 April surplus/ (deficit)</b>	<b>88</b>	<b>(2,163)</b>
<b>Balance carried forward 31 March surplus/(deficit)</b>	<b>(2,163)</b>	<b>(4,602)</b>

(\*) The 2010/11 comparative figure has been amended as it wrongly showed the 2010/11 deficit for the Council and should show the 2009/10 figure. All accounting entries were correctly done in 2010/11.

## Notes to the Collection Fund

### 71. Calculation of the Council Tax Base

The Council Tax is calculated per equivalent Band D property. In order to determine the number of equivalent Band D properties, the Council Tax Base is calculated. All properties are categorised into one of eight bandings depending upon the valuation of the property. An adjustment is then made for properties that are subject to discounts such as single person or non-residency. The resulting number of properties per valuation banding is then adjusted to calculate the number of equivalent Band D properties, using a defined ratio. Finally the tax base

Band	A*	A	B	C	D	E	F	G	H	Total
Number of dwellings	0	6,042	17,298	32,102	25,618	10,725	5,376	4,644	652	102,457
Discounts and exemptions	0	1,001	2,783	4,087	2,513	941	362	257	51	11,992
Total equivalent number of dwellings	3	5,041	14,515	28,015	23,105	9,784	5,014	4,387	601	90,465
Less 0.22% adjustment	3	5,029	14,483	27,953	23,054	9,762	5,003	4,377	600	90,264
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
<b>Band D equivalent</b>	<b>2</b>	<b>3,353</b>	<b>11,265</b>	<b>24,847</b>	<b>23,054</b>	<b>11,931</b>	<b>7,227</b>	<b>7,295</b>	<b>1,200</b>	<b>90,174</b>
Loss on collection (4%)										3,607
<b>Council Tax Base</b>										<b>86,567</b>

\* - entitled to disabled relief deduction

### 72. Income from Business Rates

The Council collects National Non-Domestic Rates (NNDR) or Business Rates for its area. These are calculated on the basis of rateable values multiplied by one of the following Business Rates set by central government: 43.3p (Standard) and 42.6p (Small businesses) (for 2010/11 - 41.4p & 40.7p respectively). After adjusting for relief and other deductions, this is paid into a central pool, which is managed by central government.

The actual rateable value of business properties in the borough as at 31 March 2012 is £165,961,370 (31 March 2011, £167,563,256).

### 73. Deficit / Surplus

In 2011/12 there was a deficit of £4.60m on the Collection Fund. This balance is shared between the Council (£3.65m) and the Greater London Authority (£0.95m).

### 74. Precepts on Collection Fund

The Greater London Authority (GLA) made a precept to the Haringey Council Collection fund of £26,838,269 in 2011/12 (which include £18,081 in relation to prior years' surplus on the fund).

**SECTION 4**  
**THE GROUP ACCOUNTS**  
**2011/12**



The following group accounts show the combined financial statements for the London Borough of Haringey group, comprising the Authority itself, Homes for Haringey and Alexandra Park and Palace Charitable Trust.

#### Group Movement in Reserves Statement 2011/12

	Total Usable Reserves £'000	Unusable Reserves £'000	Reserves of Group £'000	Total Authority Reserves £'000
Balance At 31st March 2011	(94,394)	(404,650)	2,141	(496,903)
Surplus Or Deficit On Provision Of Services (accounting basis)	(239,088)	0	49,350	(189,738)
Other Comprehensive Expenditure And Income	0	106,940	3,267	110,207
<b>Total Comprehensive Expenditure And Income</b>	<b>(239,088)</b>	<b>106,940</b>	<b>52,617</b>	<b>(79,531)</b>
Adjustments Between Accounting Basis And Funding Basis Under Regulations	175,852	(175,852)	0	0
<b>Net (Increase)/Decrease Before Transfers To Earmarked Reserves</b>	<b>(63,236)</b>	<b>(68,912)</b>	<b>52,617</b>	<b>(79,531)</b>
Transfers To/(From) Earmarked Reserves	0	0	0	0
<b>(Increase)/Decrease In Year</b>	<b>(63,236)</b>	<b>(68,912)</b>	<b>52,617</b>	<b>(79,531)</b>
Balance At 31st March 2012	<b>(157,630)</b>	<b>(473,562)</b>	<b>54,758</b>	<b>(576,434)</b>

#### Group Movement in Reserves Statement 2010/11

	Total Usable Reserves £'000	Unusable Reserves £'000	Reserves of Group £'000	Total Authority Reserves £'000
Balance At 31st March 2010	(100,894)	(404,802)	36,723	(468,973)
Surplus Or Deficit On Provision Of Services (accounting basis)	541,376	0	(8,410)	532,966
Other Comprehensive Expenditure And Income	0	(182,663)	(654)	(183,317)
<b>Total Comprehensive Expenditure And Income</b>	<b>541,376</b>	<b>(182,663)</b>	<b>(9,064)</b>	<b>349,649</b>
Adjustments Between Accounting Basis And Funding Basis Under Regulations	(535,156)	182,815	(25,518)	(377,859)
<b>Net (Increase)/Decrease Before Transfers To Earmarked Reserves</b>	<b>6,220</b>	<b>152</b>	<b>(34,582)</b>	<b>(28,210)</b>
Transfers To/(From) Earmarked Reserves	280	0	0	280
<b>(Increase)/Decrease In Year</b>	<b>6,500</b>	<b>152</b>	<b>(34,582)</b>	<b>(27,930)</b>
Balance At 31st March 2011	<b>(94,394)</b>	<b>(404,650)</b>	<b>2,141</b>	<b>(496,903)</b>

Group Comprehensive Income & Expenditure Account

	2010/11		2011/12		
	Gross Expenditure £'000	Gross Income £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	352,308	(284,180)	296,938	(266,495)	30,443
	73,324	(14,097)	70,831	(6,463)	64,368
	112,534	(27,590)	104,034	(16,387)	87,647
	309,247	(296,292)	314,844	(301,452)	13,392
	421,923	(108,566)	100,192	(107,396)	(7,204)
	76,846	(28,125)	71,219	(29,233)	41,986
	31,312	(16,289)	35,696	(19,186)	16,510
	19,662	(37,778)	43,100	(40,922)	2,178
	109,492	(70,583)	82,622	(67,156)	15,466
	(113,092)	(595)	806	(680)	126
	<b>1,393,556</b>	<b>(884,095)</b>	<b>1,120,282</b>	<b>(855,370)</b>	<b>264,912</b>
	10,065	(1,493)	49,741	-	49,741
	-	-	60,474	-	60,474
	62,232	(8,192)	54,483	(5,160)	49,323
	-	-	-	-	-
	-	(381,450)	-	(298,324)	(298,324)
	-	-	-	(315,057)	(315,057)
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**Group Balance Sheet**

31 March 2011	Notes	31 March 2012
£'000		£'000
1,524,451	Property, Plant and Equipment	1,435,673
4,056	Heritage Assets	6,061
52,706	Investment Property	50,774
1,237	Intangible Assets	1,086
540	Assets Held for Sale	5,603
2,477	Long Term Debtors	256
<b>1,585,467</b>	<b>Long Term Assets</b>	<b>1,499,453</b>
24,117	Short Term Investments	15,105
726	Inventories	776
72,214	Short Term Debtors	63,308
23,870	Cash and Cash Equivalents	23,334
<b>120,927</b>	<b>Current Assets</b>	<b>102,523</b>
0	Cash and Cash Equivalents	(15,762)
(64,933)	Short Term Borrowing	(78,515)
(81,743)	Short Term Creditors	(72,260)
(21,174)	Provisions	(10,198)
<b>(167,850)</b>	<b>Current Liabilities</b>	<b>(176,735)</b>
(220)	Long Term Creditors	0
(2,386)	Long Term Provisions	(2,804)
(580,760)	Long Term Borrowing	(325,130)
(435,165)	Other Long Term Liabilities	(506,837)
(23,110)	Capital Grants Receipts in Advance	(14,036)
<b>(1,041,641)</b>	<b>Long Term Liabilities</b>	<b>(848,807)</b>
<b>496,903</b>	<b>Net Assets</b>	<b>576,434</b>
90,140	Usable Reserves	102,868
406,763	Unusable Reserves	473,566
<b>496,903</b>	<b>Total Reserves</b>	<b>576,434</b>

### Group Cash Flow Statement

2010/11	Description	2011/12
£'000		£'000
193,179	Net (surplus) or deficit on the provision of services	(188,931)
(5,030)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(3,599)
(243,762)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(108,542)
<u>(55,613)</u>	Net cash flows from Operating Activities	<u>(301,072)</u>
46,489	Investing Activities	72,757
5,057	Financing Activities	244,613
<u>(4,067)</u>	Net (Increase)/Decrease in Cash and Cash Equivalents	<u>16,298</u>
19,803	Cash and cash equivalents at the beginning of the reporting period	23,870
<u>23,870</u>	Cash and cash equivalents at the end of the reporting period (Note 19)	<u>7,572</u>

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## Notes to the Group Accounts

### Basis of Consolidation

The group accounts of the London Borough of Haringey have been produced following the requirements of IAS 27 - Consolidated and Separate Financial Statements.

### Company Limited by Guarantee

Homes for Haringey (HfH) was incorporated on 1st April 2006 and is a wholly owned subsidiary of the Council and is limited by guarantee. The guarantors give an undertaking to contribute a nominal amount, towards the winding up of the company, in the event of a shortfall upon cessation of business. It cannot distribute its profits to its members, and is therefore eligible to apply for charitable status if necessary.

### Charitable Trust

Alexandra Park and Palace is a registered charity with the London Borough of Haringey being the sole trustee, as stated under the Alexandra Park and Palace Act 1985. The Trust is governed by charities act regulations and its accounts are prepared under UK GAAP and the charities SORP.

### Accounting Policies

The accounting policies of the London Borough of Haringey and Homes for Haringey are in line with those stated in note 1. Alexandra Park and Palace's accounts have been prepared under UKGAAP, not IFRS requirements. However there are not any material areas where this conflicts with the accounting policies adopted by the Council and therefore no adjustment have been made.

### Additional Disclosure Notes

No additional notes to the group accounts are included here as there are no material differences with those contained within section 3 of the Council's accounts, with the exception of officer remuneration, in the case of Homes for Haringey. An additional disclosure on this is shown below.

### Homes for Haringey Accounts

The Homes for Haringey accounts included as part of the group are audited accounts and were audited by their own independent auditor. Their accounts can be obtained from: Director of Finance, Homes for Haringey Ltd, 6<sup>th</sup> Floor, River Park House, Wood Green, London N22 8HQ. Homes for Haringey's auditors are PriceWaterhouseCoopers LLP.

### Alexandra Park and Palace Charitable Trust Accounts

The Alexandra Park and Palace Charitable Trust accounts included as part of the group are currently unaudited accounts, as the Trust audit is yet to be complete. The accounts of the Trust are audited by their own independent auditor. Their accounts can be obtained from: Chief Executive, Alexandra Park and Palace, Alexandra Palace Way, Wood Green N22 7AY. The grouping of the Trust's accounts with the London Borough of Haringey does not affect the Trust's independence as a charity, governed by charity law and regulations. Alexandra Park and Palace's auditors are Deloitte and Touche LLP.

Senior officers of Homes for Haringey who received a salary of between £50,000 and £149,999 are listed below by

## 2011/12

Post	Salary (inc fees & allowances) (£)	Benefits in Kind (£)	Total excluding pension contributions (£)	Pension contributions (£)	Total including pension contributions (£)
Chief Executive	119,801		119,801	21,771	141,572
Director of Resources	88,939		88,939	15,858	104,797
Director of Housing Management	85,799		85,799	15,285	101,084
Director of Property Services	92,744		92,744	0	92,744
Director of Asset Management	0		0	0	0
Director of Repairs Service	0		0	0	0

## 2010/11

Post	Salary (inc fees & allowances) (£)	Benefits in Kind (£)	Total excluding pension contributions (£)	Pension contributions (£)	Total including pension contributions (£)
Chief Executive	118,967	0	118,967	18,321	137,288
Director of Resources	89,273		89,273	13,402	102,675
Director of Housing Management	85,799		85,799	12,862	98,661
Director of Property Services	7,729		7,729	0	7,729
Director of Asset Management	2,515		2,515	377	2,892
Director of Repairs Service	90,536		90,536	1,093	91,629

The following table sets out payments made by the Council to a company for the services of an interim senior officer. It does not represent payments made to the individual holding the post.

Post	2010/11		2011/12		
	Salary (inc fees & allowances) (£)	Total including pension contributions (£)	Salary (inc fees & allowances) (£)	Total excluding pension contributions (£)	Total including pension contributions (£)
Interim Director of Property Services (From 26 April 2011)	164,175	164,175	0	0	0

**SECTION 5**  
**THE PENSION FUND**  
**2011/12**

**Scheme Advisers**

Registration Number	00329316RX
Administering Authority	London Borough of Haringey
Secretary to the Committee	Head of Local Democracy and Member Services
Scheme Administrator	Chief Financial Officer
Actuary	Hymans Robertson
Investment Managers	Capital International (until May 2012) Fidelity International (until May 2012) BlackRock Investment Management (from May 2012) Legal & General Investment Management CBRE Global Investors Pantheon
Custodian	Northern Trust
Investment Consultants	Aon Hewitt Limited
Independent Adviser	John Raisin (from 1 <sup>st</sup> June 2012)
Bankers	Royal Bank of Scotland
Legal advisors	Head of Legal Services
AVC providers	Clerical and Medical Equitable Life Assurance Society Prudential Assurance
Internal Auditors	Deloitte & Touche Public Sector Internal Audit Limited
External Auditors	Grant Thornton UK LLP



## Pension Fund Financial Statements

### Introduction

The financial statements have been prepared and audited in accordance with regulations made under the Audit Commission Act 1998. The Council publishes a separate Pension Fund Annual Report and Accounts and more detail about the Pension Fund can be found in this document.

### Nature of the scheme

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

### Management of the Fund

On 23<sup>rd</sup> May 2011, Haringey Council in its role as Administering Authority delegated responsibility for administering the Pension Scheme to the Corporate Committee.

The terms of reference for Corporate Committee are set out in the Council's constitution. The Committee consists of ten elected Councillors, with full voting rights and three representatives. Councillors are selected by their respective political Groups and their appointment was confirmed at the meeting of the full Council on 23<sup>rd</sup> May 2011. They were not appointed for a fixed term but the membership is reviewed regularly by the political groups. The three representatives were appointed by their peer groups. The membership during 2011/12 was:

Cllr George Meehan	Chair
Cllr Gmmh Rahman Khan	Vice Chair
Cllr Kaushika Amin	
Cllr Eddie Griffith	
Cllr Richard Watson	
Cllr Stuart McNamara	
Cllr Robert Gorrie	
Cllr Jim Jenks	
Cllr Monica Whyte	
Cllr Neil Williams	
Roger Melling	Employee representative
Michael Jones	Pensioner representative
Keith Brown	Admitted and Scheduled Bodies representative

Prior to 23<sup>rd</sup> May 2011, the responsibility for administering the Pension Scheme was delegated to Pensions Committee. Those who served on Pensions Committee in the year this report relates to are:

Cllr Richard Watson	Chair	Cllr Jim Jenks
Cllr Charles Adje – until 7 <sup>th</sup> April 2011		Cllr Anne Stennett
Cllr David Beacham		Cllr Richard Wilson
Cllr Pauline Gibson		

In addition the three current representative members served on Pensions Committee.

### 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 2009.

Corporate Committee was 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 Statement of Investment Principles (SIP), which is published in the Pension Fund Annual Report. The SIP 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 pending investment, which is managed internally. During 2011/12 the majority of the Fund was actively managed, with approximately 24% passively managed. Passive management is investing in line with a benchmark; active management involves taking positions away from the benchmark to achieve a higher return.

### Fund administration and membership

At 31 March 2012, there were 6,102 (2011: 6,610) employees contributing to the Fund and 6,473 (2011: 6,089) pensioners and dependents receiving benefits. There were also 7,293 (2011: 6,939) deferred pensioners.

Staff in the following organisations contribute to the fund and benefit accordingly.

Organisation name	Type of employer
Haringey Council	Administering Authority
Homes for Haringey	Scheduled Body
College of Haringey, Enfield & North East London	Scheduled Body
Greig City Academy	Scheduled Body
Fortismere School	Scheduled Body
John Loughborough School	Scheduled Body
Alexandra Park Academy	Scheduled Body
Woodside Academy	Scheduled Body
Eden Free School	Scheduled Body
Alexandra Palace Trading Co Ltd	Community Admission Body
Haringey Age Concern	Community Admission Body
Haringey Citizens Advice Bureau	Community Admission Body
Churchill Contract Services	Transferee Admission Body
ESSL	Transferee Admission Body
RM Education Ltd	Transferee Admission Body
TLC Ltd	Transferee Admission Body
Urban Futures London Ltd	Transferee Admission Body
Veolia Environmental Services (UK) plc	Transferee Admission Body

## Actuarial position

The Pension Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's assets to meet its long term obligations.

The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2010 in a report dated 31 March 2011.

The 2010 valuation was carried out in accordance with the Fund's Funding Strategy Statement and Guidelines GN9: Funding Defined Benefits – Presentation of Actuarial Advice published by the Board for Actuarial Standards. The valuation method used was the projected unit method. The resulting contribution rates reflected the cost of providing year by year accrual of benefits for the active members and the level of funding for each employer's past service liabilities.

The market value of the Fund at the time of the last triennial valuation as at 31 March 2010 was £664m. Against this sum liabilities were identified of £960m equivalent to a funding deficit of £296m. The movement in the actuarial deficit between 2007 and the last valuation in 2010 is analysed below:

Reason for change	£m
Interest on deficit	(32)
Investment returns lower than expected	(123)
Change in demographic assumptions	(25)
Experience items	63
Change in financial assumptions	(1)
Total	<u>(118)</u>
Deficit brought forward	<u>(178)</u>
Deficit carried forward	<u><u>(296)</u></u>

The level of funding on an ongoing funding basis reduced from 77.7 per cent to 69.2 per cent between the triennial actuarial valuations as at 31<sup>st</sup> March 2007 and as at 31<sup>st</sup> March 2010. The main reason for the reduction in the funding level was the lower than expected investment returns following the falls in world stock markets during the three years.

The funding objective of the Scheme is to be fully funded. As this objective had not been achieved at the last valuation date it was agreed with the actuary that the past service deficit would be recovered over a period not exceeding 20 years. Further information about the principles for achieving full funding is set out in the Pension Fund's Funding Strategy Statement, which is published in the Pension Fund Annual Report.

Following the valuation as at 31 March 2010, the actuary agreed that the Council's contribution rate could remain at the 2010/11 rate of 22.9 per cent of pensionable salaries for the following three financial years. The 2011/12 contribution rate was split between 5.8 per cent for the past service adjustment to fund the deficit over 20 years and the future service rate of 17.1 per cent.

The main assumptions used in the 2010 valuation were:

	Annual nominal rate of return %
<b>Investments</b>	
Equities	6.1
Bonds	4.5
	<b>Annual change %</b>
Pay increases	5.3 *
Price Increases (pension increases)	3.3

*\* Assumed to be 5.3% in the long term, however an increase of 1% has been assumed for 2010/11 and 2011/12.*

The next actuarial valuation will be carried out as at 31<sup>st</sup> March 2013.

## Accounting Policies and Principles

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2007 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, which is based on International Financial Reporting Standards and having regard to the Financial Reports of Pension Schemes – A Statement of Recommended Practice. The principal accounting policies of the Fund are set out below. The policies have remained unchanged from the previous year except where indicated.

### 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.

### Benefits

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

### Transfers in and out

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

### Administrative expenses

Administrative 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.

### Investment income

Dividends are shown on an accruals basis by reference to the ex-dividend date. Withholding tax, which is recoverable, is accrued on the same basis as the income to which it relates. Interest on fixed interest investments, index linked securities, 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.

### 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.

### Derivative contracts

In relation to income from forward foreign exchange contracts, all realised and unrealised gains and losses are included within change in market value. All interest receivable is accrued on a daily basis. The Pension Fund holds no other types of derivative contract.

#### Investment management 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.

#### Investments – market values

Investments are stated at fair value on the final working day of the financial year as follows:

- Listed securities are stated at bid value;
- Unquoted securities are stated at the estimate of fair value provided by the investment manager;
- Units in managed funds and pooled investment vehicles are stated at bid value; and
- Forward foreign exchange contracts are valued by establishing the gain or loss that would arise on closing out the contract at the accounting date by entering into an equal and opposite contract on that date.

There are no published price quotations available to determine the fair value of the Fund's private equity holdings. The value of these holdings is therefore assessed by the Private Equity Fund Manager on a fair value basis as determined at 31<sup>st</sup> December 2011 adjusted for drawdowns paid and distributions received in the period 1<sup>st</sup> January 2012 to 31<sup>st</sup> March 2012.

The valuation of foreign equities is calculated by using the overseas bid price current at the relevant date and the exchange rate for the appropriate currency at the time to express the value as a sterling equivalent.

#### 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 IAS19 and relevant actuarial standards. As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements.

#### 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 2009, 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 20 to the financial statements.

### **Critical Judgements applied**

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

Actuarial present value of promised retirement benefits – the figure of net 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 Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. The liability is calculated on a three yearly basis with annual updates in the intervening years. The Actuary has advised that this has provided a reasonable estimate of the actuarial present value of promised retirement benefits.

Private Equity valuations – the value of the Fund's private equity holdings is calculated by the General Partners of the fund on the basis of their Valuation Policy, which follows best practice in the industry. However as there is no active market for these holdings, there is an element of professional judgement involved in the valuation of these holdings.

**Pension Fund Account**

2010/11		Notes	2011/12
£'000			£'000
	<b>Dealings with members, employers and others directly involved in the scheme</b>		
45,581	Contributions receivable	1	44,481
6,034	Transfers In	2	9,072
(32,218)	Benefits payable	3	(42,001)
(7,688)	Payments to and on account of leavers	4	(4,232)
(680)	Administrative Expenses	5	(651)
<b>11,029</b>	<b>Net additions from dealings with members</b>		<b>6,669</b>
	<b>Returns on Investments:</b>		
11,604	Investment Income	6	12,365
37,955	Change in market value of investments	9	18,389
(122)	Taxes on Income	7	(94)
(3,200)	Investment management expenses	8	(3,333)
<b>46,237</b>	<b>Net returns on investments</b>		<b>27,327</b>
<b>57,266</b>	<b>Net increase in the fund during the year</b>		<b>33,996</b>
<b>663,686</b>	<b>Add: Opening net assets of the scheme</b>		<b>720,952</b>
<b>720,952</b>	<b>Closing net assets of the scheme</b>		<b>754,948</b>



### Net Asset Statement

The Net Asset Statement sets out the assets and liabilities for the Fund as at 31 March 2012. The Fund is separately managed by the Council acting in its role as Administering Authority and its accounts are separate from the Council's.

31/03/11		Notes	31/03/12
£'000			£'000
719,333	Investment assets	9	754,512
(1,366)	Investment liabilities	9	(2,680)
<u>717,967</u>			<u>751,832</u>
3,908	Current Assets	12,13	4,025
(923)	Current Liabilities	13,14	(909)
<u>720,952</u>	<b>Total Assets</b>		<u>754,948</u>

## Notes to Pension Fund Account

## 1. Contributions Receivable

2010/11		2011/12
£'000		£'000
22,704	Employers' normal contributions	23,959
11,436	Employers' deficit funding contributions	6,979
852	Employers' other contributions	4,179
34,992		35,117
10,589	Members' normal contributions	9,364
45,581	Total	44,481

Employers' deficit funding contributions include lump sum payments and the deficit element of the employers' contribution rate. In addition, payments resulting from cessation valuations are also included.

Employers' other contributions relate to capital cost payments and cover the cost to the Fund of members awarded early retirement before age 60 or otherwise after age 60, but before their normal protected retirement date.

Contributions are further analysed in the following note:

## 1a. Analysis of Contributions Receivable

2010/11		2011/12
£'000		£'000
38,235	Administering authority	36,455
5,955	Scheduled bodies	6,765
1,391	Admitted bodies	1,261
45,581	Total	44,481

Haringey Council is the administering authority. 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.

2. Transfers In

2010/11		2011/12
£'000		£'000
6,034	Individual transfers in from other schemes	4,980
0	Bulk transfers in from other schemes	4,092
<u>6,034</u>	<b>Total</b>	<u>9,072</u>

3. Benefits Payable

2010/11		2011/12
£'000		£'000
25,347	Pensions	28,525
5,989	Commutation of pensions & lump sum retirement benefits	12,956
882	Lump sum death benefits	520
<u>32,218</u>	<b>Total</b>	<u>42,001</u>

Benefits payable are further analysed in the following note.

3a. Analysis of Benefits Payable

2010/11		2011/12
£'000		£'000
29,237	Administering authority	37,719
1,879	Scheduled bodies	3,308
1,102	Admitted bodies	974
<u>32,218</u>	<b>Total</b>	<u>42,001</u>

4. Payments to and on account of leavers

2010/11		2011/12
£'000		£'000
1	Refunds of contributions	1
7,687	Individual transfers out to other schemes	4,231
<u>7,688</u>	<b>Total</b>	<u>4,232</u>

**5. Administrative Expenses**

2010/11		2011/12
£'000		£'000
569	Administration and processing	572
111	Legal and professional fees	79
<u>680</u>	<b>Total</b>	<u>651</u>

Other than costs disclosed, all administrative costs of running the Scheme are borne by the Administering Authority.

**6. Investment Income**

2010/11		2011/12
£'000		£'000
509	Interest from fixed interest securities	77
3,323	Dividends from equities	4,136
271	Income from index-linked securities	569
6,989	Income from pooled investment vehicles	7,215
512	Interest on cash deposits	368
<u>11,604</u>	<b>Total</b>	<u>12,365</u>

**7. Taxes on Income**

2010/11		2011/12
£'000		£'000
122	Irrecoverable withholding tax on investment income	94
<u>122</u>	<b>Total</b>	<u>94</u>

8. Investment management expenses

2010/11		2011/12
£'000		£'000
3,035	Fund managers fees	3,150
86	Custodian fees	86
48	Investment consultant fees	80
11	Independent adviser fees	1
20	Other	16
<b>3,200</b>	<b>Total</b>	<b>3,333</b>

9. Reconciliation of movements in Investment assets & liabilities

2011/12	Value as at 1 April 2011	Purchases at Cost & Derivative payments	Sales Proceeds & derivative receipts	Changes in market value	Value as at 31 March 2012
	£'000	£'000	£'000	£'000	£'000
Fixed Interest securities	10,453	0	(10,834)	381	0
Equities	133,811	51,790	(50,258)	(3,890)	131,453
Index-linked securities	16,844	41,490	(12,825)	7,807	53,316
Pooled Investment vehicles	489,752	255,234	(229,528)	14,127	529,585
Derivative Contracts	0	58	(87)	28	(1)
	<b>650,860</b>	<b>348,572</b>	<b>(303,532)</b>	<b>18,453</b>	<b>714,353</b>
Cash Deposits	66,637	1,627	(29,510)	(70)	38,684
Other Investment Balances	470	(875)	(806)	6	(1,205)
	<b>67,107</b>	<b>752</b>	<b>(30,316)</b>	<b>(64)</b>	<b>37,479</b>
<b>Net Investment Assets</b>	<b>717,967</b>	<b>349,324</b>	<b>(333,848)</b>	<b>18,389</b>	<b>751,832</b>

2010/11

	Value as at 1 April 2010	Purchases at Cost & Derivative payments	Sales Proceeds & derivative receipts	Changes in market value	Value as at 31 March 2011
	£'000	£'000	£'000	£'000	£'000
Fixed Interest securities	16,335	34,153	(40,573)	538	10,453
Equities	122,067	57,664	(53,449)	7,529	133,811
Index-linked securities	17,508	4,171	(5,579)	744	16,844
Pooled Investment vehicles	469,010	106,140	(114,536)	29,138	489,752
Derivative Contracts	38	216	(267)	13	0
	<u>624,958</u>	<u>202,344</u>	<u>(214,404)</u>	<u>37,962</u>	<u>650,860</u>
Cash Deposits	36,199	30,469	0	(31)	66,637
Other Investment Balances	1,359	679	(1,592)	24	470
	<u>37,558</u>	<u>31,148</u>	<u>(1,592)</u>	<u>(7)</u>	<u>67,107</u>
<b>Net Investment Assets</b>	<b><u>662,516</u></b>	<b><u>233,492</u></b>	<b><u>(215,996)</u></b>	<b><u>37,955</u></b>	<b><u>717,967</u></b>

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.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £132k (2010/11: £149k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

9a. Analysis of investment assets excluding derivatives and Other Investment Balances

31/03/11		31/03/12
£'000		£'000
	<b>Fixed Interest Securities</b>	
10,453	UK Public Sector quoted	0
0	UK Corporate quoted	0
<u>10,453</u>		<u>0</u>
	<b>Equities</b>	
36,493	UK quoted	34,109
97,318	Overseas quoted	97,344
<u>133,811</u>		<u>131,453</u>
	<b>Index Linked Securities</b>	
16,074	UK Public sector quoted	53,316
770	UK Other quoted	0
<u>16,844</u>		<u>53,316</u>
	<b>Pooled Investment Vehicles</b>	
	Unit Trusts:	
43,569	- Property - UK	46,989
13,463	- Other - UK	0
16,371	- Other - Overseas	14,088
	Unitised Insurance Policies	
118,326	- UK	120,109
30,275	- Overseas	63,629
	Other managed funds	
6,855	- Property - Overseas	5,571
121,753	- Other - UK	136,589
139,140	- Other - Overseas	142,610
<u>489,752</u>		<u>529,585</u>
	<b>Cash Deposits</b>	
66,590	Sterling	38,384
47	Foreign Currency	300
<u>66,637</u>		<u>38,684</u>

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

## 9b. Derivative contracts

31/03/11		31/03/12
£'000		£'000
<b>Forward Foreign exchange:</b>		
47	Pending forward foreign exchange purchases (asset)	128
(47)	Pending forward foreign exchange sales (liability)	(129)
<u>0</u>	<b>Total</b>	<u>(1)</u>

A summary of the forward foreign exchange contracts at 31<sup>st</sup> March 2012 is set out below:

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset value	Liability value
		000		000	£'000	£'000
Up to one month	JPY	2,366	GBP	(18)	18	(18)
Up to one month	GBP	10	EUR	(12)	10	(10)
Up to one month	AUD	88	GBP	(57)	57	(58)
Up to one month	USD	69	GBP	(43)	43	(43)
					<u>128</u>	<u>(129)</u>
<b>Net forward currency contracts at 31st March 2012</b>						<u>(1)</u>

The Pension Fund investment managers use forward foreign exchange contracts to reduce currency risk when undertaking investment transactions in foreign currencies. The table above shows these are short term contracts matched to the settlement of investment transactions.

In addition to forward foreign exchange contracts, the Pension Fund investment managers are permitted to use certain other derivatives in managing their portfolios, including warrants, futures, convertible securities and swaps. The use of all these derivatives is in line with the investment management agreements in place between the Fund and the investment managers. The Pension Fund did not hold any derivative contracts, other than forward foreign exchange contracts, as at 31 March 2012 or 31 March 2011.



**9c. Investment Assets – Other Investment Balances**

31/03/11		31/03/12
£'000		£'000
858	Outstanding dividend entitlements	1,193
63	Interest receivable	11
536	Outstanding trade sales proceeds	62
332	Pending foreign exchange purchases - spot deals	80
<u>1,789</u>		<u>1,346</u>

**9d. Investment Liabilities – Other Investment Balances**

31/03/11		31/03/12
£'000		£'000
(334)	Pending foreign exchange sales - spot deals	(80)
(985)	Unsettled investment trade purchases	(2,471)
<u>(1,319)</u>		<u>(2,551)</u>
<u>470</u>	<b>Net Total</b>	<u>(1,205)</u>

**9e. Analysis of Investments by fund manager**

31/03/2011		Fund Manager	31/03/2012	
£'000	%		£'000	%
196,192	27.3	Capital International	203,301	27.1
236,673	32.9	Fidelity International	250,142	33.3
148,601	20.7	Legal & General	183,738	24.4
50,741	7.1	CBRE Global Investors	52,060	6.9
24,281	3.4	Pantheon	29,485	3.9
61,479	8.6	In house cash deposits	33,106	4.4
<u>717,967</u>	<u>100.0</u>	<b>Total</b>	<u>751,832</u>	<u>100.0</u>

**9f. Investments exceeding 5% of Net Assets**

31/03/2011			31/03/2012	
£'000	%	Name of holding	£'000	%
118,326	16.5%	Legal & General UK Equity Index	120,110	15.9%
N/A	N/A	Legal & General World Equity Index	63,629	8.4%
N/A	N/A	Fidelity Institutional Index Linked Bond Fund	68,671	9.1%
38,558	5.4%	Fidelity Institutional Exempt America	41,029	5.4%
38,724	5.4%	Fidelity UK Institutional UK Equities	38,889	5.2%
41,499	5.8%	Fidelity UK Institutional Long Corporate Bond Fund	N/A	N/A
37,241	5.2%	Fidelity Institutional Europe ex UK	N/A	N/A

**10a. 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. No assets or liabilities have been reclassified.

31/03/11			31/03/12		
Carrying Value	Fair Value		Carrying Value	Fair Value	
£'000	£'000		£'000	£'000	
<b>FINANCIAL ASSETS</b>					
<b>Financial Assets at Fair Value through Profit or Loss</b>					
10,470	10,453	Fixed Interest securities	0	0	
115,061	133,811	Equities	119,711	131,453	
15,711	16,844	Index-linked securities	45,294	53,316	
383,657	489,752	Pooled Investment vehicles	417,211	529,585	
47	47	Derivative Contracts	128	128	
1,791	1,789	Other Investment Balances	1,347	1,346	
<u>526,737</u>	<u>652,696</u>		<u>583,691</u>	<u>715,828</u>	
<b>Loans &amp; Receivables</b>					
66,637	66,637	Cash Deposits	38,684	38,684	
3,907	3,907	Debtors	4,025	4,025	
1	1	Cash at Bank	0	0	
<u>70,545</u>	<u>70,545</u>		<u>42,709</u>	<u>42,709</u>	
<b>FINANCIAL LIABILITIES</b>					
<b>Financial Liabilities at Fair Value through Profit or Loss</b>					
(47)	(47)	Derivative Contracts	(129)	(129)	
(1,319)	(1,319)	Other Investment Balances	(2,727)	(2,551)	
<u>(1,366)</u>	<u>(1,366)</u>		<u>(2,856)</u>	<u>(2,680)</u>	
<b>Financial Liabilities at Amortised Cost</b>					
(923)	(923)	Creditors	(891)	(891)	
0	0	Cash overdrawn	(18)	(18)	
<u>(923)</u>	<u>(923)</u>		<u>(909)</u>	<u>(909)</u>	
<u>594,993</u>	<u>720,952</u>	<b>Net Assets</b>	<u>622,635</u>	<u>754,948</u>	

**10b. Net gains and losses on financial instruments**

The table overleaf analyses gains and losses according to financial instrument classification.

31/03/11		31/03/12
£'000		£'000
<b>Financial Assets</b>		
36,414	Fair Value through profit or loss	18,429
(31)	Loans & receivables	(70)
<b>Financial Liabilities</b>		
1,572	Fair Value through profit or loss	30
0	Financial Liabilities at Amortised Cost	0
<b>37,955</b>	<b>Total</b>	<b>18,389</b>

**11. 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 meet the funding objectives. The Pension Fund's investment strategy has an inherent degree of risk which is taken in order to achieve this objective.

**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 & Investment of Funds) Regulations 2009, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of a Statement of Investment Principles, which sets out the Fund's approach to investment including the management of risk. The latest version can be found in the Pension Fund Annual Report & Accounts

The majority of the Pension Fund's assets are managed by external fund managers and they are required to provide an audited internal controls report regularly to the Council which sets out how they ensure the Fund's assets are managed in accordance with the Investment Management Agreement the Council has signed with each fund manager.

**b) Market price risk**

The key risk for the Pension Fund is market risk, which is the risk that the value of the investments fluctuates due to changes in market prices. The majority of the Fund is invested in assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. The Fund's investments increased in value during 2011/12 by £34m, equivalent to around 4.7%. To demonstrate the impact of this volatility, the table below shows the impact a 10% movement up and down in market prices would have had on the portfolio in 2011/12 and for the previous year.

	Market Value at 31/03/12 £'000	% change	Value on increase £'000	Value on decrease £'000
Fixed Interest securities	0	10%	0	0
Equities	131,453	10%	144,598	118,308
Index-linked securities	53,316	10%	58,648	47,984
Pooled Investment vehicles	529,585	10%	582,544	476,627
Derivative Contracts	(1)	0%	(1)	(1)
Cash Deposits	38,684	0%	38,684	38,684
Other Investment Balances	(1,205)	0%	(1,205)	(1,205)
<b>Net Investment Assets</b>	<b>751,832</b>		<b>823,268</b>	<b>680,397</b>
	Market Value at 31/03/11 £'000	% change	Value on increase £'000	Value on decrease £'000
Fixed Interest securities	10,453	10%	11,498	9,407
Equities	133,811	10%	147,192	120,430
Index-linked securities	16,844	10%	18,528	15,159
Pooled Investment vehicles	489,752	10%	538,728	440,777
Derivative Contracts	0	0%	0	0
Cash Deposits	66,637	0%	66,637	66,637
Other Investment Balances	470	0%	470	470
<b>Net Investment Assets</b>	<b>717,967</b>		<b>783,053</b>	<b>652,880</b>

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. A range of investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. 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 Corporate Committee.

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 43% of the Fund value on 31<sup>st</sup> March 2012. There is a risk that due to exchange rate movements that the sterling equivalent value of the investments falls. The table below shows the impact a 10% movement up and down of the pound against

foreign currencies would have had on the portfolio in 2011/12 and for the previous year.

	Market Value at 31/03/12 £'000	% change	Value on increase £'000	Value on decrease £'000
Overseas Equities	97,344	10%	107,078	87,610
Overseas exposure in Pooled Investment vehicles	225,898	10%	248,488	203,308
Foreign Currency	300	10%	330	270
<b>Total</b>	<b>323,542</b>		<b>355,896</b>	<b>291,188</b>

	Market Value at 31/03/11 £'000	% change	Value on increase £'000	Value on decrease £'000
Overseas Equities	97,318	10%	107,050	87,586
Overseas exposure in Pooled Investment vehicles	192,641	10%	211,905	173,377
Foreign Currency	47	10%	52	42
<b>Total</b>	<b>290,006</b>		<b>319,007</b>	<b>261,005</b>

The external fund managers are required to consider the potential impact of currency movements when selecting investments. 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, in particular bonds. To demonstrate this risk, the table below shows the impact on income earned of a 1% increase and decrease in interest rates.

	Interest earned 2011/12 £'000	Interest if rates 1% higher £'000	Interest if rates 1% lower £'000
Fixed Interest securities	77	181	0
Index-linked securities	569	1,041	97
Fixed Interest exposure in Pooled Investment vehicles	2,063	3,015	1,110
Cash Deposits	368	864	9
	<b>3,077</b>	<b>5,101</b>	<b>1,216</b>

	Interest earned 2010/11 £'000	Interest if rates 1% higher £'000	Interest if rates 1% lower £'000
Fixed Interest securities	509	643	375
Index-linked securities	271	442	99
Fixed Interest exposure in Pooled Investment vehicles	3,254	4,056	2,451
Cash Deposits	512	1,095	59
	<b>4,546</b>	<b>6,236</b>	<b>2,984</b>

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 bond 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 31<sup>st</sup> March 2012 and 31<sup>st</sup> March 2011.

	Market Value at 31/03/2012 £'000	AAA %	AA %	A %	BBB %	Below BBB %
Index-linked securities	53,316	100.0	0.0	0.0	0.0	0.0
Bond exposure in Pooled Investment vehicles	97,700	70.0	3.5	13.3	10.2	3.0
<b>Total / Weighted Average</b>	<b>151,016</b>	<b>80.6</b>	<b>2.3</b>	<b>8.6</b>	<b>6.6</b>	<b>1.9</b>

	Market Value at 31/03/2011 £'000	AAA %	AA %	A %	BBB %	Below BBB %
Fixed Interest securities	10,453	100.0	0.0	0.0	0.0	0.0
Index-linked securities	16,844	100.0	0.0	0.0	0.0	0.0
Bond exposure in Pooled Investment vehicles	83,029	49.5	5.7	20.9	19.1	4.8
<b>Total / Weighted Average</b>	<b>110,326</b>	<b>62.0</b>	<b>4.3</b>	<b>15.7</b>	<b>14.4</b>	<b>3.6</b>

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.

	Credit rating on 31/03/12	Exposure £'000
Debt Management Office	N/A	15,570
Northern Trust	AA-	107
Money Market Funds	AAAm	23,007
<b>Total</b>		<b>38,684</b>

	Credit rating on 31/03/11	Exposure £'000
Barclays Bank	AA-	9,760
Lloyds TSB	A+	14,255
Nationwide Building Society	A+	10,090
Royal Bank of Scotland	A+	5,960
Money Market Funds	AAAm	26,572
<b>Total</b>		<b>66,637</b>

The limits for both bonds and cash are 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. 53% of the internally managed cash held on 31<sup>st</sup> March 2012 was in instant access money market funds, 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 publicly listed stock exchanges, which ensure it is possible to realise the investments easily if necessary.



12. Debtors

31/03/11		31/03/12
£'000		£'000
<b>Local Authorities</b>		
Contributions due from :		
2,367	Administering Authority in respect of the Council	2,457
704	Administering Authority in respect of members	587
<u>3,071</u>		<u>3,044</u>
0	Administering Authority - other	26
<u>0</u>		<u>26</u>
<b>Central Government Bodies</b>		
0	HM Revenue & Customs	39
<u>0</u>		<u>39</u>
<b>Other entities and individuals</b>		
Contributions due from :		
60	Admitted Bodies in respect of employers	80
19	Admitted Bodies in respect of members	20
323	Scheduled Bodies in respect of employers	430
136	Scheduled Bodies in respect of members	155
229	Other - Reimbursement of Fund management expenses	228
69	Other	3
<u>836</u>		<u>916</u>
<u><b>3,907</b></u>		<u><b>4,025</b></u>

All contributions due to the Scheme were paid in full to the Scheme. All were paid within the timescales required by the Scheme Rules, with the exception of three employers, whose contributions were received late.

13. Cash at bank

31/03/11		31/03/12
£'000		£'000
1	Cash at bank / (Cash Overdrawn)	(18)
<u>1</u>		<u>(18)</u>

14. Creditors

31/03/11		31/03/12
£'000		£'000
	<b>Central Government Bodies</b>	
264	HM Revenue & Customs	283
	<b>Other entities and individuals</b>	
188	Unpaid benefits in respect of the Administering Authority	164
437	Fund manager and adviser fees	437
34	Other	7
<u>923</u>		<u>891</u>

15. Contingent assets

Four admitted bodies in the London Borough of Haringey Pension Fund hold bonds to protect the Fund against the possibility of being unable to meet their pension obligations. The bonds would only be payable to the Fund in the event of default on the part of the admitted body.

16. Contingent liabilities

The Fund had the following outstanding commitments to invest at the balance sheet date:

31/03/11		31/03/12
£'000		£'000
27,330	Pantheon - Private Equity	21,400
1,152	CBRE Global Investors - Property	852
<u>28,482</u>	<b>Total</b>	<u>22,252</u>

The commitments relate to outstanding call payments due in relation to the private equity and property portfolios.

**17. Related party transactions**

In 2011/12 the Pension Fund paid £0.502m to the Council for administration and legal services (£0.535m in 2010/11). As at 31 March 2012 £3.07m was due from the Council to the fund (£3.045m in 2010/11), mainly in relation to employer and employee contributions.

During 2011/12 seven council members who served on the Pensions Committee or the Corporate Committee were also members of the Pension Fund. Committee members are required to declare their interests at the beginning of each Committee meeting.

There were no other material related party transactions.

**18. Actuarial present value of promised retirement benefits**

Annex 1 to the Financial Statements is a report from the Fund's Actuary setting out this information.

The figures included in this note are for the purpose of accounting under International Accounting Standard 19 only. It is the results of the formal funding valuation that are used to determine the funding strategy and employer contribution rates for the Pension Fund. Details of the results of the formal funding valuation can be found in the Actuarial Position section.

**19. Post Balance Sheet Event**

Since 31<sup>st</sup> March 2012, all the Fund's equity and bond holdings have been moved to being invested on a passive basis. As a result of this, two of the fund managers have been removed and one new one added. This change is deemed to be a non-adjusting post balance sheet event.

**20. 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 overleaf:

2010/11	Equitable Life Assurance Society	2011/12
£		£
443,881	Value as at 6 April	453,980
7,506	Contributions received	7,636
(17,565)	Retirement benefits and charges	(132,212)
20,158	Change in market value	3,741
<u>453,980</u>	Value as at 5 April	<u>333,145</u>
219,211	Equitable With Profits	165,288
95,843	Equitable Deposit Account Fund	69,191
138,926	Equitable Unit Linked	98,666
<u>453,980</u>	Total	<u>333,145</u>
40	Number of active members	26
24	Number of members with preserved benefits	23

2010/11	Prudential Assurance	2011/12
£		£
925,642	Value as at 1 April	1,117,023
471,953	Contributions received	217,025
(324,563)	Retirement benefits and charges	(299,646)
43,991	Change in market value	61,248
<u>1,117,023</u>	Value as at 31 March	<u>1,095,650</u>
718,139	Prudential With Profits Cash accumulation	718,643
26,526	Prudential Deposit Fund	53,656
372,358	Prudential Unit Linked	323,351
<u>1,117,023</u>	Total	<u>1,095,650</u>
96	Number of active members	84
17	Number of members with preserved benefits	19
2010/11	Clerical and Medical	2011/12
£		£
45,420	Value as at 1 April	56,901
7,665	Contributions received	5,279
3,816	Change in market value	4,555
<u>56,901</u>	Value as at 31 March	<u>66,735</u>
4,215	Clerical Medical With Profits	4,593
52,686	Clerical Medical Unit Linked	62,142
<u>56,901</u>	Total	<u>66,735</u>
4	Number of active members	4
2	Number of members with preserved benefits	2

## Annex 1 to the Financial Statements

As referred to in Note 18 to the Financial Statements, the following actuarial report has been provided by Hymans Robertson.

### Pension Fund Accounts Reporting Requirement

#### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2011/12 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.

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 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 Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund which is in the remainder of this note.

#### Balance Sheet

31/03/11	31/03/12
£'000	£'000
1,065,000 Present Value of Promised Retirement Benefits	1,186,000
<b><u>1,065,000</u></b> Total	<b><u>1,186,000</u></b>

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31<sup>st</sup> March 2010. I estimate this liability at 31<sup>st</sup> March 2012 comprises £554m in respect of employee members, £262m in respect of deferred pensioners and £370m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

It should be noted that the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. 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 as required by the Code of Practice. These are given below. I estimate the impact of the change of assumptions to 31<sup>st</sup> March 2012 is to increase the actuarial present value by £27m.

Financial Assumptions

My recommended financial assumptions are summarised below:

31/03/11		31/03/12
% p.a.		% p.a.
2.8%	Inflation / Pension Increase Rate	2.5%
5.1% *	Salary Increase Rate	4.8%**
5.5%	Discount Rate	4.8%

*\* Salary increases are 1% p.a. nominal for the year to 31 March 2012, reverting to the long term rate thereafter*

*\*\* Salary increases are 1% p.a. nominal for the three years to 31 March 2015, reverting to the long term rate thereafter*

Longevity Assumption

The life expectancy assumption is based on the standard SAPS tables with improvements from 2007 in line with the Medium Cohort and a 1% per annum underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.9 years	24.7 years
Future Pensioners (assumed to be currently aged 45)	23.3 years	26.1 years

This assumption is the same as at 31<sup>st</sup> March 2011.

Commutation Assumption

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 2008 service.

Professional Notes

This paper accompanies my covering report titled "Actuarial Valuation as at 31<sup>st</sup> March 2012 for the purposes of International Accounting Standard 19 dated April 2012". 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. This report is available from the Administering Authority on request.

Douglas Green FFA  
 For and on behalf of Hymans Robertson LLP  
 22<sup>nd</sup> May 2012.





**Appendix II – Annual Report to those  
Charged with Governance**

